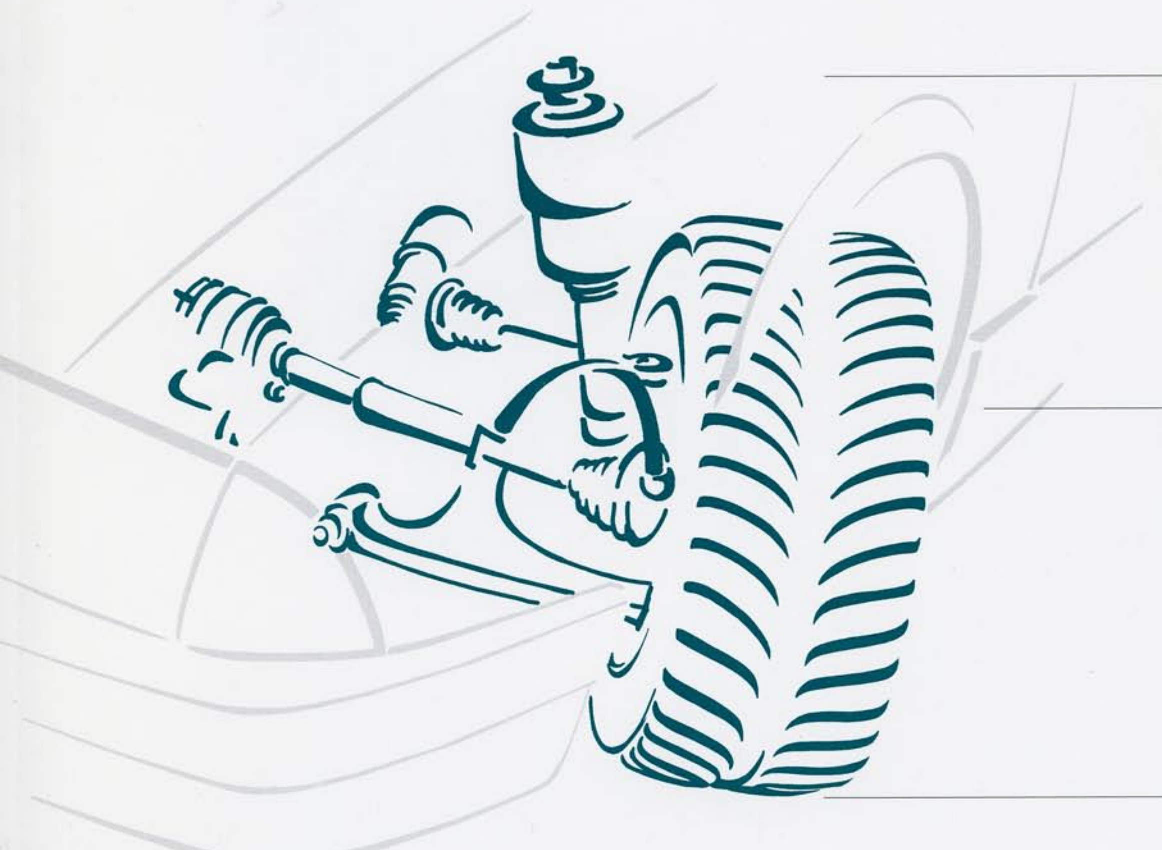
ANNUAL REPORT 1993

Continental
Aktiengesellschaft



Report on 1993,
the Company's 122nd Fiscal Year

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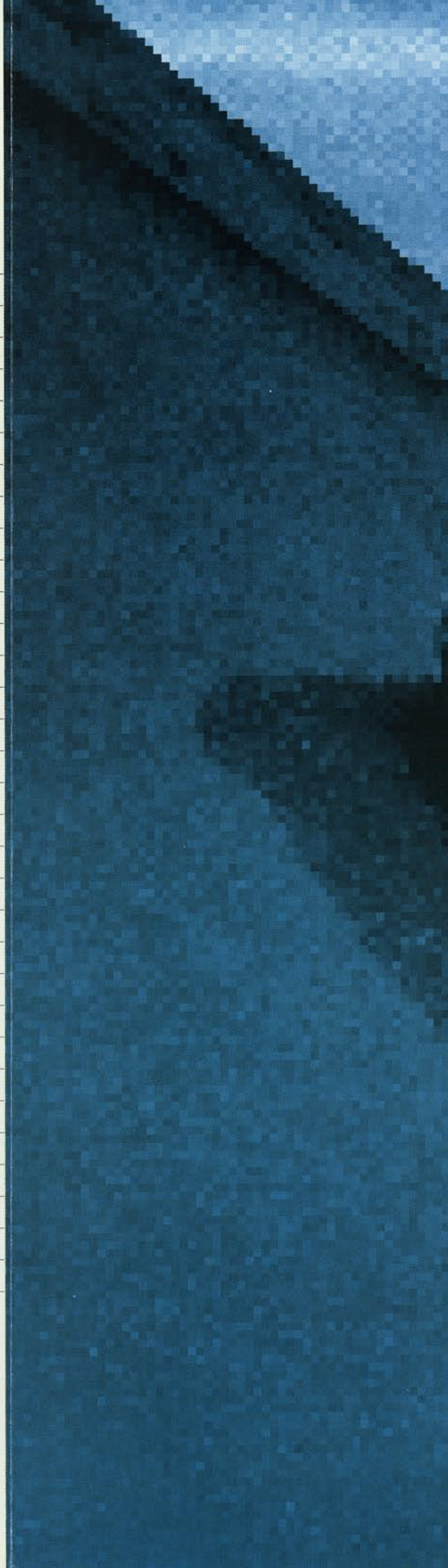
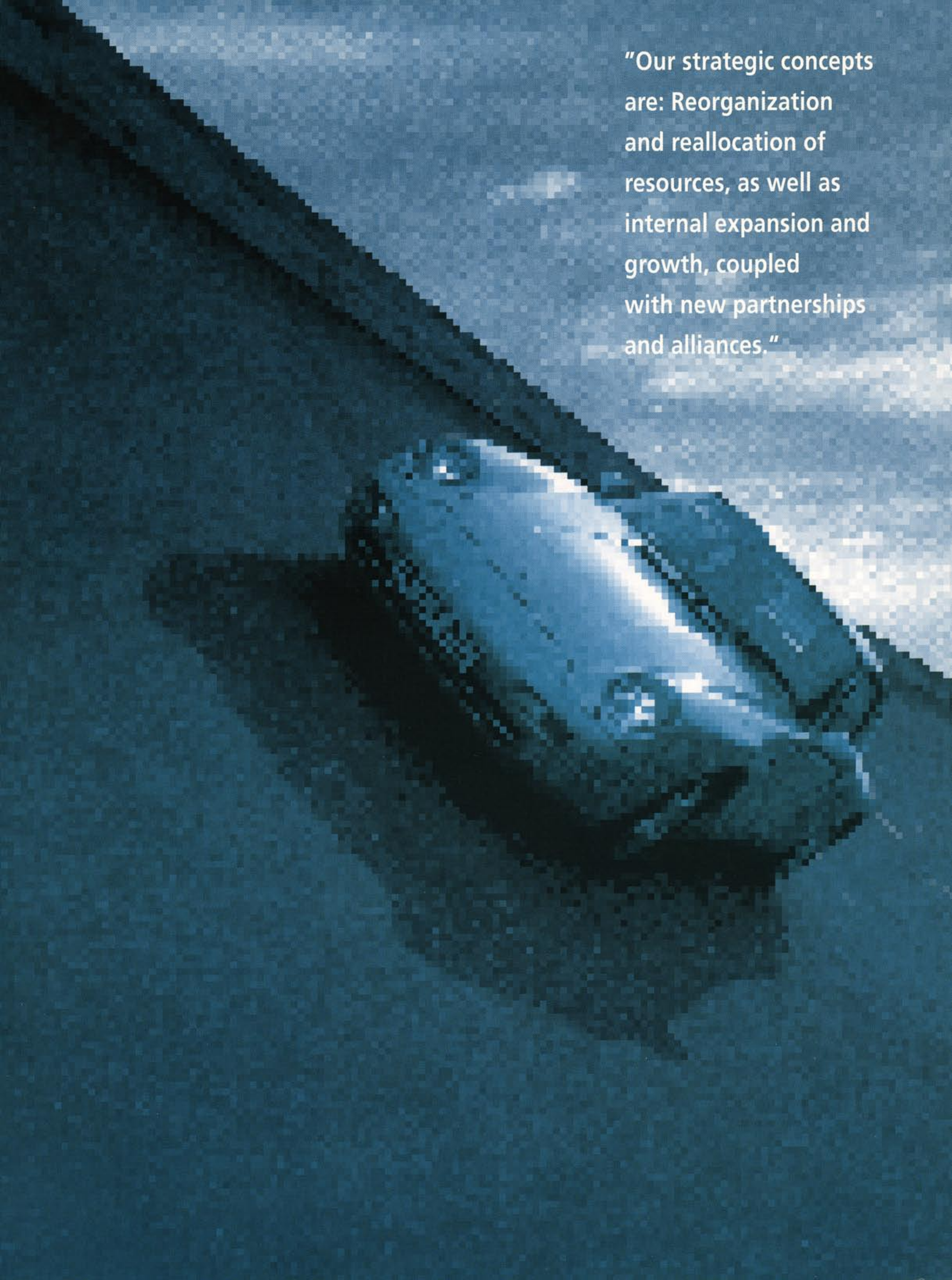
Continental Corporation at a Glance

		1989	1990	1991	1992	1993
Sales	DM million	8,381.9	8,551.0	9,376.9	9,689.9	9,369.1
Income/ loss before taxes	DM million	369.3	153.3	–122.9	155.2	74.1
Income/ loss after taxes	DM million	227.8	93.4	–128.2	133.0	65.1
Dividend paid	DM million	69.6	35.1	–	–	36.1
Cash flow	DM million	604.9	510.0	526.1	701.4	578.9
Debt ratio		1.9	3.5	4.7	3.8	4.7
Capital expenditure on property, plant and equipment	DM million	532.4	689.5	829.3	709.3	624.1
Depreciation	DM million	367.5	378.0	531.0	502.6	556.9
Shareholders' equity	DM million	1,725.3	1,742.2	1,514.7	1,617.1	1,699.0
Equity ratio	in %	31.9	28.2	22.8	22.9	23.8
Employees at year-end		47,495	51,064	49,877	50,581	50,974
Share price (high)	DM	358.2	345.5	251.5	281.0	277.0
Share price (low)	DM	236.5	189.5	180.0	184.5	190.6

Cover illustration:
The future belongs to suppliers of complete systems. As a manufacturer of tires, air springs, anti-vibration and sealing systems, hose assemblies and vehicle interiors, we are in an excellent position to benefit from this trend.





"Our strategic concepts are: Reorganization and reallocation of resources, as well as internal expansion and growth, coupled with new partnerships and alliances."

Dear Shareholders,

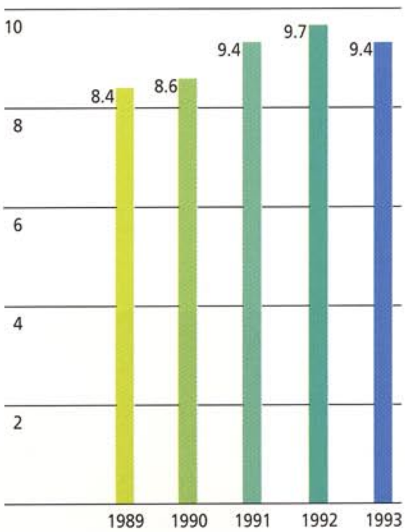
The 1993 financial statements reflect the setbacks we suffered as a result of the recession in our most important customer industries and the substantial devaluations in Europe, as well as the problems with our North American passenger tire business. In Europe, although we adjusted our production and personnel to the drastic declines in sales volume experienced by our customers, especially those in the automotive industry, and successfully defended our market shares, our net income decreased by 51.1% to DM 65.1 million. Nevertheless, we consider it reasonable to pay a dividend of DM 4.00 per share. This takes into account that we strengthened our shareholders' equity the previous year by transferring 1992 net income to retained earnings.

Hubertus von Grünberg
Chairman of the Executive Board

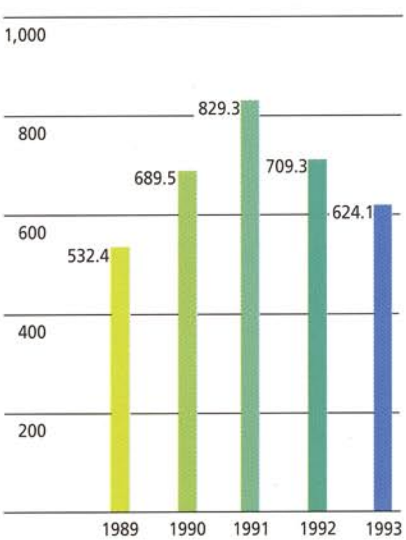
In the General Tire Group, only the Commercial Vehicle Tire Division reached the goals we had set; the Passenger Tire Division fell short of our expectations. We therefore took the necessary steps regarding personnel and structure, which are discussed in greater detail in the management report. The Passenger Tire, Commercial Vehicle Tire and ContiTech Groups coped better with the structural crisis in Europe, although their earnings declined.

We consider this crisis as an opportunity to make fundamental changes and to accelerate the transformation of Continental. In all the Groups, we are now concentrating on our core capabilities, improving our cost basis and investing in future-oriented technologies and activities, so that we can hold our own successfully in the face of intensified competition. We have thus decided to transfer all our data processing operations to qualified contractors and to maintain only a core unit with planning and control functions within the Company. This will enable us to bene-

Sales in DM billion



Capital expenditure on property, plant and equipment in DM million



fit more promptly from the rapid progress occurring in hardware, software and systems; it will also lower our costs by tens of millions every year.

The acquisition of a majority interest in the Czech tire manufacturer Barum and a minority interest in a Slovak manufacturer of industrial products, together with other contractual agreements, has improved our production cost basis. After completion of the current shifts of production from plants in Western Europe, 25% of our tire production for the European market, including entire product groups such as agricultural tires and standard bicycle tires, will come from low-wage countries, as will significant parts of the more labor-intensive industrial products.

The consolidation in Germany of manufacturing operations with relatively low labor costs, as exemplified by the merger of Göppinger Kaliko GmbH and J. H. Benecke AG into Benecke-Kaliko AG, should give the medium-sized units a chance of surviving the extreme crowding-out that is taking place in the European market as a whole. We are also divesting plants that are too small – as in Mexico – and companies that are not part of our core business, provided we can find a strategic buyer. As these examples show, we are flexible, have an open mind with regard to capital investments, divestitures and alliances, and do not insist on manufacturing every product that we sell on our traditional markets in local plants of our own.

In order to safeguard our future, we are stepping up our investments in technology. Our research and development work for the two Tire Groups, which are now also responsible for the corresponding Divisions of General Tire in North America, is being concentrated in a new technology center at our Stöcken plant in Hanover. The new Automotive Systems Group, headed by Mr. Hans A. Beller, will also have its operational hub there. We will use this Group not only to bring together all the projects that are already under way in the systems business, including complete wheel assemblies for vehicle manufacturers in Germany, the Czech Republic and Portugal, but also to embark, in close collaboration with the automotive industry and competent partners in electronics and sensor technology, on high-tech projects for the future.

Although 1994 will not bring the hoped-for recovery, it will see the end of the unusually severe recession in Europe. In North America, on the other hand, the economic upturn is gaining momentum, especially in the automotive sector. In view of the extreme price pressure exerted by this industry, the battles of the major competitors in the tire industry for market shares, and the restructuring of the Continental Corporation, which is not yet completed, we cannot expect to return to adequate profitability this year, but we are likely, as things stand today, to achieve an overall improvement in operating income.

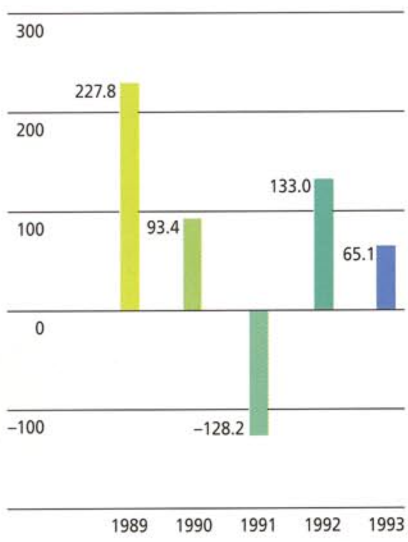
We thank all our shareholders, who are providing Continental with the risk capital required to master its difficulties, for the trust they have shown in us.

At the Annual Meeting of Shareholders – to which, on behalf of the Administration, I cordially invite you – I should be able to give you more detailed information about the course of our business in 1994.

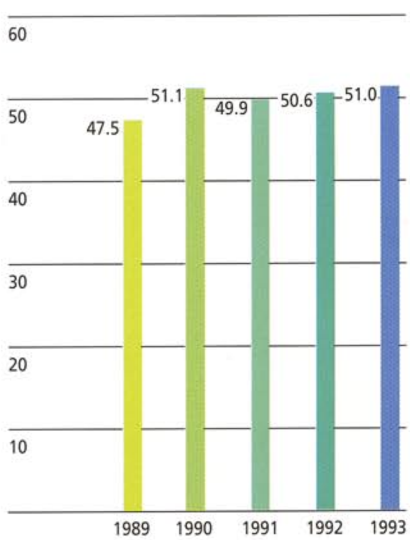
Sincerely,

Hubertus von Grünberg

Net income/loss in DM million



Employees at year-end in thousands



Members of the Supervisory Board

Ulrich Weiss, Chairman
Member of the Board of Managing Directors, Deutsche Bank AG

Wolfgang Schultze*
Vice Chairman, Vice Chairman of Industriegewerkschaft Chemie-Papier-Keramik

Hans H. Angermueller
Of Counsel
Shearman & Sterling, New York

Adolf Bartels*
District Manager, Industriegewerkschaft Chemie-Papier-Keramik

Manfred Bodin
Chairman of the Board of Management, Norddeutsche Landesbank Girozentrale (as of 7/2/1993)

Diethart Breipohl
Member of the Board of Management, Allianz AG Holding

Werner Breitschwerdt
Member of the Supervisory Board, Daimler-Benz AG

Friedrich-Karl Flothow*
Head of Special Projects

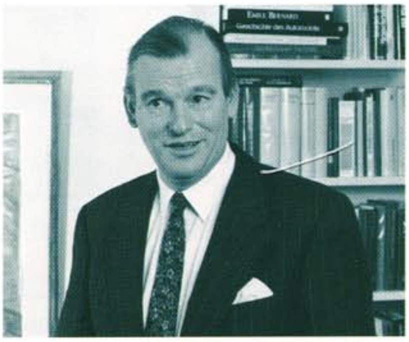
Wilhelm Helms
Legal Counsel and Notary Public (through 7/2/1993)

Hans-Olaf Henkel
President of IBM Europe

Wilfried Hilverkus*
Member of the Employee Council, Stöcken Plant (as of 2/11/1993)

Report of the Supervisory Board

At its meetings, at individual conferences and through oral and written reports, the Supervisory Board was regularly provided during the past fiscal year with detailed information about the position and development of the Company. It then discussed this information with the Executive Board.



Ulrich Weiss, Chairman of the Supervisory Board

The main topics of these discussions were the budget, medium- and long-term corporate planning, including capital investment projects, and basic questions about business policy and corporate structure, capacity utilization and earnings. In addition, we decided the issues which must be submitted for our approval under the applicable statutory provisions and the Company's bylaws.

Especially noteworthy was the Supervisory Board's approval of the merger of Göppinger Kaliko GmbH, Eislingen and J. H. Benecke AG, Hanover, to form Benecke-Kaliko AG, in which Continental now has a majority interest.

The Supervisory Board agreed in writing to a capital increase of DM 0.7 million through the issue of employee stock.

We have examined the financial statements, the management report and the proposal for the allocation of net income available for distribution and found no grounds for objection. The Supervisory Board concurs in the result of the audit of KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, which has confirmed, in its capacity as independent auditor, that the accounting records and financial statements comply with the legal requirements and that the management report is consistent with the financial statements.

The Supervisory Board has approved the financial statements as of December 31, 1993, prepared by the Executive Board, which are thereby definitively confirmed, and it endorses the proposal of the Executive Board regarding the allocation of net income. The consolidated financial statements, the management report of the Corporation and the auditor's report on the consolidated financial statements were submitted to the Supervisory Board.

On July 2, 1993, Dr. Wilhelm Helms resigned from the Supervisory Board. We wish to express our special thanks to him for 14 years of constructive contributions. The Annual Meeting of Shareholders held on July 2, 1993, elected Mr. Manfred Bodin, Chairman of the Board of Management of Norddeutsche Landesbank Girozentrale, Hanover, to the Supervisory Board.

Mr. Dieter Ullsperger resigned from the Supervisory Board as of January 20, 1994, having been a member since July 10, 1991. We wish to express our thanks to him for his expert advice during a difficult period. At the Executive Board's request, on January 21, 1994, Dr. Bernd W. Voss, member of the Board of Management of Dresdner Bank AG, Frankfurt, was appointed a member of the Supervisory Board by order of the Hanover District Court.

Effective December 13, 1993, the Supervisory Board appointed as a full member of the Executive Board Mr. Hans Albert Beller, who had up to then been a manager of ITT Automotive Europe GmbH, Frankfurt. Mr. Beller will be in charge of developing the new Automotive Systems Group.

Hanover, April 15, 1994

The Supervisory Board

Ulrich Weiss

Ulrich Weiss, Chairman

Helmut Keufner*
Chairman of the Employee Council, Northeim Plant

Richard Köhler*
Chairman of the Corporate Employee Council and of the Employee Council for the Korbach Plant

Dieter Kölling*
Member of the Employee Council, Vahrenwald Plant

Werner Mierswa*
Chairman of the Joint Employee Council of Continental AG and of the Employee Council for Continental Headquarters

Ernst Pieper
Former Chairman of the Managing Board, Preussag AG

Günther Saßmannshausen
Member of the Supervisory Board, Preussag AG

Siegfried Schille*
Chairman of the Employee Councils for Hanover and the Limmer Plant

Eberhard Schlesies*
Manager of the Hanover Office, Industriegewerkschaft Chemie-Papier-Keramik

Dieter Ullsperger
Businessman
(through 1/20/1994)

Giuseppe Vita
Chairman of the Managing Board, Schering AG

Bernd W. Voss
Member of the Board of Management, Dresdner Bank AG (as of 1/21/1994)

*Employee representatives

"The drop in demand, as well as the shift to locations with lower costs, led inevitably to a realignment of the Corporation's work force."

Report of the Executive Board

Members of the Executive Board

Hubertus von Grünberg
Chairman

Wilhelm P. Winterstein
Vice Chairman
Finance and Controlling

Hans Albert Beller
Automotive Systems
(as of 12/13/1993)

Peter Haverbeck
ContiTech

Hans Kauth
Director of Personnel

Alan L. Ockene
General Tire

Klaus-D. Röker
Commercial Vehicle Tires/
Environment and
Tire Research

Günter H. Sieber
Passenger Tires/
Tire Marketing and Sales
(through 5/3/1993)

Wilhelm Schäfer
Passenger Tires/
Tire Marketing and Sales
(as of 5/3/1993)

Vice Presidents

Bernd Frangenberg
Passenger Tire Division
General Tire Inc.

Helmut Gieselmann
Chairman of the
Managing Board of
Vergölst GmbH

Jens P. Howaldt
Law and
Corporate Planning

Rainer Simon
Tire Marketing and Sales
Europe

An Extremely Difficult Year

For many European companies and industries, 1993 was one of the most challenging years of the post-war period. A severe recession in Germany and weak demand from key markets in other countries made conditions particularly hard for the automotive industry, and, accordingly, for its suppliers. These developments laid bare a structural crisis: the competitiveness of products and systems from European manufacturers, with their high costs, was declining drastically. We recognized this trend in good time and instituted radical changes in our strategy. This involved restructuring in all the Groups, as well as a search for locations with lower labor costs, and led inevitably to a realignment of the Corporation's work force.

The biggest problems arose from the decline – to an extent that was totally unforeseeable – of sales volumes among the European vehicle makers. The drop of 27% in commercial vehicle production was even more pronounced than the 15% decrease in passenger cars. This unleashed fierce price wars in every area. As a result, our earnings suffered in major market segments and product lines. Nevertheless, we managed to achieve results that were still positive, though not totally satisfying, in a number of the Corporation's fields of activity. We devoted particular efforts to the Groups that are operating at a loss – Commercial Vehicle Tires and General Tire, our U.S. subsidiary.

Lower exchange rates in most of the European countries that are of importance to us had an adverse effect on both sales and earnings.

Continental Remains in the Profit Zone

Despite these predominantly negative circumstances, the Corporation closed 1993 with a net income of DM 65.1 million, based on slightly lower sales. Although this result is disappointing after the DM 133 million earned in 1992, the Corporation performed well compared with the industry in Europe. Continental AG reported a net income of DM 71.2 million, as against DM 38.0 million in the previous year.

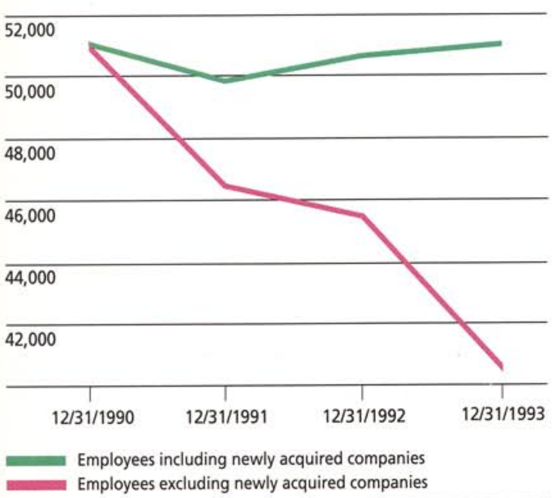
Lower Consolidated Sales

Consolidated sales dropped from DM 9.7 billion to DM 9.4 billion; the decline came to DM 321 million or 3.3%. DM 433 million of total sales is attributable to companies consolidated for the first time.

Sales of the Passenger and Commercial Vehicle Tire Groups with their various European brands, including all dealer organizations, amounted to DM 4.893 billion (1992: DM 5.126 billion). Due to its close dependence on the automotive industry, ContiTech's sales decreased by 7.6% to DM 2.111 billion. General Tire recorded sales of $ 1.295 billion, a reduction of 3.4%.

77% of consolidated sales was generated by tires, and 23% by industrial rubber products.

Trend in the Corporation's work force



Capital Investments Return to Normal Levels

Additions to property, plant and equipment amounted to DM 624 million at the consolidated level, or 12% less than in 1992. Approved capital expenditures dropped 23% to DM 504 million. This reflects a cutback in capital spending resulting from the completion of major projects in Europe and North America. The capital expenditure ratio for 1993 was 6.7%.

No Major Change in Materials Prices

The Corporation spent a total of DM 3,464.6 million on materials in 1993, or about 37% of sales. There were no significant changes in prices of raw materials or capital goods. The low cost of oil and the contraction in demand caused by the recession tended to keep prices down. On the other hand, the growing strength of the U.S. dollar resulted in a countervailing trend. Natural rubber prices have been fluctuating sporadically at a comparatively low level. There is therefore reason to fear that they will rise quite substantially in the medium term.

Capital Stock

The capital stock of Continental Aktiengesellschaft increased by DM 10.1 million, due mainly to the exercise of warrants attached to the 1984/94 bonds. At December 31, 1993, it amounted to DM 451.4 million. In addition, the AG has conditionally authorized capital of DM 202.7 million. The Annual Meeting of Shareholders held on July 2, 1993, created authorized capital of DM 200 million for the issue of new shares.

Consolidated shareholders' equity rose by DM 81.9 million to DM 1,699.0 million; it represents 23.8% (1992: 22.9%) of total assets.

Dividend

After no dividend payout for two years and net incomes for 1992 and 1993 totaling nearly DM 200 million, the Administration regards it reasonable to propose to the Annual Meeting of Shareholders a dividend of 8%, that is DM 4.00 per share with a par value of DM 50.00. Considering the annual result was depressed by extraordinary expenses, particularly in 1991, and the shareholders' equity losses in 1992 could be only partially compensated, we still want our shareholders to participate in Continental's success despite continued low economic activity.

Streamlining Our Resources

We have taken a great number of measures to give the Corporation a strong structural and strategic basis from which it can take full advantage of the revival of the European economy and its other opportunities. Key elements of this strategy include reorganization and reallocation of resources, as well as internal expansion and growth, coupled with new partnerships and alliances.

From the beginning of 1991 to the end of 1993, the work force of the Corporation had to be reduced, while maintaining operations at an optimum level, by 10,168 people or 20%. Although this was done gradually and in full compliance with benefit agreements, it has been a source of considerable stress for everyone involved. In 1993 alone, 5,041 employees were laid off worldwide. By drawing on the reserves for restructuring established in the two preceding years, we were able, for the most part, to avoid charges against 1993 net income resulting from the payment of severance benefits. To maintain and strengthen our competitiveness, further reductions in personnel will be necessary in 1994. Only by booking additional business – for example, through sales of systems in the medium term – will we be able to reverse this trend.

Improved Manufacturing Base

Over the medium term, an increasing share of our European tire production will come from countries with lower labor costs. The output of passenger tires at the plants of Barum in the Czech Republic and Continental Mabor in Portugal was already being increased during 1993. As a result of major leaps in quality, both plants are now supplying our brands in accordance with Continental standards. In addition to shifting production to these new plants of the Corporation, we are also making greater use of factories belonging to partners in Slovenia, Poland and Thailand.

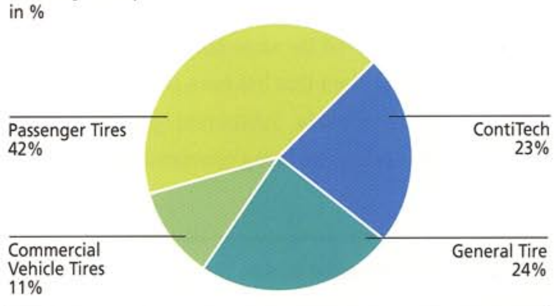
During the fiscal year, we acquired all the tire activities of our Portuguese partner, Mabor S.A. This includes Mabor's 40% interest in our joint venture Continental Mabor, Lousado, as well as its distribution activities. The Mabor brand will be included in the Corporation's marketing and sales strategy. The restructuring program commenced for this purpose at the Lousado plant in 1990 will be completed at the end of the current year.

On July 1, 1993, Göppinger Kaliko GmbH, Eislingen, transferred its business and all its participations to J.H. Benecke AG, Hanover, which was held by DG BANK Deutsche Genossenschaftsbank, Frankfurt/Main. The joint company thus formed is called Benecke-Kaliko AG. Continental AG has a majority interest in Göppinger Kaliko GmbH, which as of now is the holding company for Benecke-Kaliko, with a participation of 50.1%. DG BANK owns the remaining 49.9%. The production of the new company is concentrated on vinyl coated fabrics and sheeting, as well as molded parts, such as automobile headlining. The company is part of the ContiTech Group. It, too, will have to institute structural streamlining in order to improve its earnings.

Costs on the Way Down

Cost-cutting programs have been carried out to boost earning power. The standard for productivity is being set in the United States, by the highly cost-efficient tire plant which we built in Mt. Vernon, Illinois, together with our Japanese partners. Expenditures for administration, materials and design have been reduced throughout the Corporation. By decreasing the number of components, we have made our plants less complex. Our Pan-European distribution costs will be lowered, with no sacrifice of service quality, due in large part to the future streamlining of our sales network. We have trimmed inventories at all points, partly by means of new EDP systems. Partners are being sought who can provide services more efficiently from outside the Company. For example, we plan to outsource more and more of our data processing. As a first step, we are transferring our computer centers to an external operating company.

Sales by Group
in %



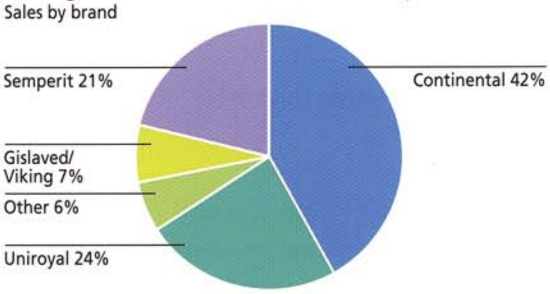
Closer Strategic Links with General Tire

The Commercial Vehicle Tire Division of General Tire reached breakeven as planned, continuing the positive trend of recent years. On the other hand, the Passenger Tire Division failed to meet our expectations and recorded a loss. General Tire's overall result was therefore negative, remaining at the same level as in the previous year.

In order to remedy this unsatisfactory situation and to realize potential synergies more fully, stronger strategic and operational links have been forged between General Tire and the European Passenger and Commercial Vehicle Tire Groups. The main fields for closer cooperation under the leadership of the two Groups will be product and process technology.

Synergies will result from transferring the lean structures of the plant in Mt. Vernon, Illinois, to the two other U.S. manufacturing facilities in Mayfield and Charlotte. The European plants will also be adapted to this cost-efficient production system. By 1993, substantial advances in productivity were already noticeable in our U.S. operations, so that they achieved the same output, even without the plant that has been shut down in Barrie, Canada. Substantial opportunities for savings are being generated, not only by

Passenger and Commercial Vehicle Tire Groups
Sales by brand



establishing uniform quality standards, but also by synchronously supporting the production of tires with data processing systems.

General Tire's Passenger Tire Division has introduced many new high-tech products on the market. In 1993, they were not yet producing the sales volumes and revenues that we had anticipated. The new Division management intends to distribute not only General tires, but, to an increasing extent, our other brands as well, and to regain lost positions with the dealers and in specific price niches.

On the other hand, the Passenger Tire Division did a thriving business with OEMs and large dealer chains, posting double-digit sales volume growth rates.

As another means of achieving tighter strategic and operational integration, the distribution of all our brands will be more closely coordinated in North and South America, as well as in the European, African and Asian markets.

Internal Expansion and Growth Coupled with New Partnerships

The development of new, more technically sophisticated products and systems and the expansion of production at cost-efficient locations are the central elements in our strategy of progress.

The requirements of our customers, whether manufacturers or consumers, are becoming more and more diversified. We are responding with an increasingly differentiated array of products.

From Environmental Tires to High-Performance Sports Tires

We expect to achieve expansion and growth with our ecologically oriented tires, which have been successfully introduced to both the automotive industry and the dealers. Due to a completely new compounding technology, these tires not only have low rolling resistance and good wet performance, but also reduce fuel consumption. After samples of the line have been submitted to car makers, a complete product range will be presented to the dealers in 1994.

For drivers of sports cars and fast sedans, we introduced a new generation of directional snow tires under the Continental brand. With a top-quality product Semperit also scored high marks in snow tire tests. Our Continental high-performance tires have received all the technical approvals that can possibly be required for delivery to the leading German sports-car manufacturer. Uniroyal has added to its line of "tuning tires" for sports cars.

A Strong Line of Truck Tires

In 1993, we launched an unprecedented number of new products on the market. Our paramount consideration was the changing requirements of our customers in the freight and forwarding business as they battle extremely severe competition. In addition to a range of very advantageously priced tires tailored to specific needs, we offer throughout Europe an extensive "Day and Night" customer service. In the coming years, our high-performance range will be vigorously expanded. Technical leadership in conjunction with totally cost-efficient structures is our notion of the way to long-term success.

Research, Development, Quality and the Environment

The technological and scientific potential of our research and development, and the corporate-wide introduction of ultramodern development and production processes, have given rise to many new products. This would have been impossible without a continuing high level of research and development expenditure, which, despite the recession, amounted to over 4% of sales.

One of the goals of our environmentally conscious corporate policy is to increase the ease and efficiency with which our industrial products and tires can be recycled, and to conserve resources. A novel form of tire construction should enable us to achieve significant weight reductions.

Products that are ecologically sound have a better chance of future sales success. We sold large numbers of filling-station hoses which return the fuel vapors to the underground tank. Impermeable hoses for vehicle air-conditioning systems almost completely prevent the loss of coolants. We are making increasing use of new environmentally compatible vehicle-construction materials in dashboards, door linings, center consoles and seat backrests.

Our ecological program to ensure the proper disposal of worn tires by the formation of a "Tire Disposal Company" is a trail-blazer in Germany. Already in 1993, 60,000 tons of scrap rubber were disposed of; our goal for 1994 is 120,000 tons, or almost a fifth of the entire amount discarded in Germany.

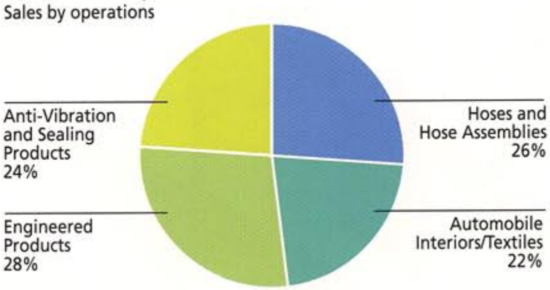
A Key to the Future: the Systems Business

Together with our customers in the automotive industry, we have been working harder than ever to simplify and standardize our products, in order to reduce costs. As a means of enhancing productivity and decreasing the number of their suppliers, the vehicle makers have been stepping up their demands for complete systems. We took our first step in this direction by joining with Mannesmann Kronprinz AG in Mosel/Zwickau and Ludwigsfelde near Berlin to assemble complete wheels for major automobile manufacturers. The market leadership we have established in this field makes us a partner of choice for further projects. Our systems business will focus on chassis and vibration-isolation technologies, as well as on preassembly. To make sure that it is given the attention it deserves in view of its growth and earnings potential, we have formed a new, autonomous Automotive Systems Group, headed by a member of the Executive Board. We plan to rely increasingly on partners in pursuing this business.

Thanks to Our Employees

Substantial adjustments to bring production into line with lower demand, as well as restructuring programs and cost-reduction measures, all of which served to safeguard the Corporation as a whole, made extraordinary demands on the work force. In spite of the economic crisis, sales per employee remained the same. Creativity, dedication, inventiveness and the willingness to make sacrifices again enabled us to achieve a positive result. We express our heartfelt thanks for the services rendered in these times of trouble during 1993. This applies not only to our employees and executives, but to the Employee Councils and employee representatives as well. Our thanks go also to all those who retired in the course of the year.

ContiTech Group
Sales by operations



Outlook

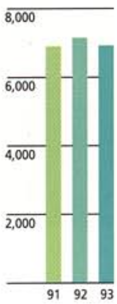
We are expecting a slight recovery in Europe during 1994 and a more pronounced one in the United States, of which we will take full advantage. We will benefit in Europe from the new sales organization of the Tire Group, which is now oriented to markets rather than brands. Our various tire brands give us a good basis for successful operations. We have created the prerequisites for General Tire to achieve its appointed goals. Although ContiTech is likely to have another difficult year, we will try to compensate for the drop in prices by means of internal measures.

Based on the development in the first few months of 1994 we are, as of now, expecting a result that is not below the previous year's level.

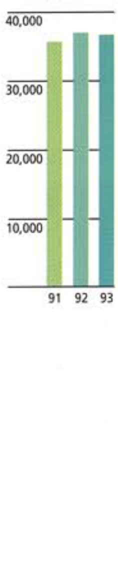
"In order to realize potential synergies more fully, stronger strategic and operational links have been forged between General Tire and the two European Tire Groups. Cooperation will not, however, be on a one-way basis."

Tires

Consolidated tire sales
in DM million



Tire business employees



Directional tread patterns with a striking appearance are gaining in customer appeal.

Passenger Tires

Demand from the European automotive industry dropped sharply, while consumers exhibited considerable reluctance to buy, showing greater interest in cheaper alternatives, including imported products. Our extensive coverage of the various price segments with the Corporation's wide variety of brands nevertheless prevented a slump in unit sales, although changes in the product mix caused earnings to decline.

All our brands did good business in snow tires, with a record volume of 5.2 million tires. As the dealers have emptied their shelves, we are making confident preparations for the selling season in 1994.

Our Dealers Do a Thriving Business

We strengthened our European network of about 1,000 tire-dealer branches by expanding our position in Norway and taking over 65 Barum dealerships in the Czech Republic.

Despite difficulties in the economy, the dealers made a significant contribution to the marketing of our corporate brands. Sales were, however, somewhat lower. Overall a positive operating result was posted. Our dealer organization is systematically operated on the principle of customer satisfaction through impeccable service.

Commercial Vehicle Tires

The Group was especially hard hit by plunging demand. Nevertheless, we succeeded in defending our market share.

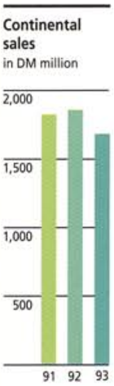
Due to the production plans of the European manufacturers of commercial vehicles and the deregulation of freight transport that has commenced within the European Union, it is unlikely that the high market volumes of the early 90's will occur again before the end of the decade.

Greater Competitiveness Is Essential

Major restructuring efforts have been initiated at our truck tire factories in Germany, Belgium and Austria to improve our competitive position. Decision-making and responsibility are to be delegated, insofar as possible, to the operational management. At the same time, we have instituted a broad-based program of teamwork at all our plants. Full utilization of the skills of our employees, combined with the high technical quality of our products, will provide a secure basis for our locations in Central Europe.

We have expanded our distribution organization. Top-quality products and service concepts formulated in collaboration with the dealers are the foundation of our business policy. We are offering freight and forwarding companies the option of having their tires retreaded at our factories. With our Vergölst subsidiary and our highly qualified partners among the European tire dealers, we can offer service systems that give our customers tangible advantages.

Continental



The Continental Tire Division did comparatively well in the replacement business, whereas the original equipment business was significantly down. Sales decreased by 7.8% to DM 1,699.0 million, compared with DM 1,841.9 million in 1992. The Division operated at a profit.

Car Tire Sector: Product Differentiation

Continental continued the diversification of its line by offering environmentally conscious drivers an innovative alternative – the EcoContact environmental tire with significantly reduced rolling resistance, which is now available in almost every European country. The technical approval received from one of Germany's large automotive firms has aroused the interest of other vehicle manufacturers as well. A systematic expansion of our product range will enable us to reach still broader groups of consumers. The economic balance of the EcoContact – that is, a comparison of its purchase price with its fuel savings and other duly weighted factors – is provably positive. The tire was ranked by a leading trade journal as "recommended, with an ecological plus."

The new HD 75 truck tire represents a major step forward in performance characteristics.

For sporty drivers with a keen awareness of safety features, who also take pleasure in a striking appearance, Continental has made further additions to its AquaContact product line. A broad assortment of high-performance tires is now available in the upper market segment.

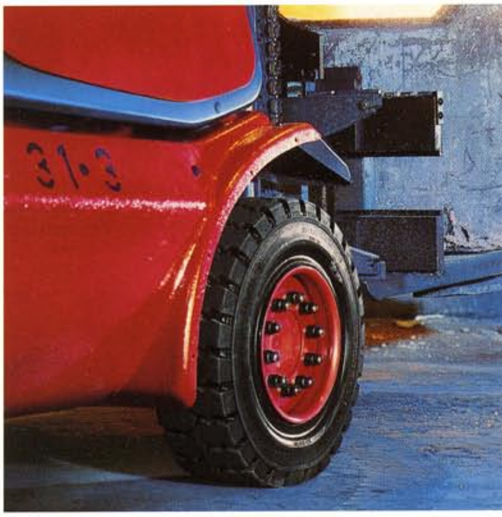
Television commercials with a strong emphasis on sports have enabled the Continental brand to make substantial advances in recognition and customer appeal.

New Truck Tires

The new developments that made their market debut during 1993 will not have their full effect until subsequent years. In 1994, about one fourth of the Continental line of truck tires will consist of products that were introduced during the past fiscal year.

Continental has played a pioneering role in the development of low-profile tires that are opening up new possibilities for mass transport. Its new HD 75 truck tire with low rolling resistance, a long service life and less noise, saves resources and complies with increasingly strict ecological standards. Another new low-noise truck tire, the HS 45, which was launched in the fall of 1993, has a more uniform wear pattern than its predecessor, and thus gives about 30% more mileage.

As a full-spectrum supplier, Continental also serves the industrial tire market.



As in previous years, the victors in the European Truck Grand Prix ran on Continental tires. These events are becoming increasingly popular; for us, they represent an essential part of PR work for truck tires.

Industrial, Agricultural and Cycle Tires

Demand for industrial tires was also affected by the economic slump. Under these difficult circumstances, we maintained our market leadership in Europe with the Continental brand. Our good technological position is being strengthened by a new range of solid tires with a considerably longer life, the SC 15s. This sector earned a profit.

We continued to shift agricultural tire production to locations outside Germany. The process will be completed in

1994. Tires manufactured by a partner to our specifications are giving us the competitiveness we need in this hotly contested market. In 1993, we were still operating at a loss.

We did excellent business in bicycle tires during the first six months; in the second half, the market had become saturated. Continental maintained its good position in road racing and significantly improved its share of the mountain bike sector. Owing to delays, the transfer of standard-tire manufacturing to Thailand will not be completed until 1994. Development work on motorcycle tires has been greatly intensified, which will lead to market successes in the future. The two-wheeler tire sector is not yet operating in the black.

Tire approvals for high-powered sports cars are a major challenge.

UNIROYAL

In 1993, with sales of DM 963.9 million, the Uniroyal Division did not reach the previous year's total of DM 1,085.4 million. Nevertheless, Uniroyal's bottom line was positive.

A Year of Consolidation

In 1993, Uniroyal rounded out its product spectrum and consolidated its activities. The introduction of the 65 series of Rallye 440 has made 14 more sizes of this successful premium tire available to consumers. The tire was granted two very important technical approvals for top German car models.

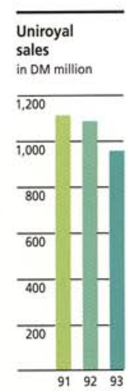
New versions of the RTT-1 high-tech tuning tire, with its unmistakable arrow tread, were also introduced, including tires for extra-wide 18-inch formats. This tire is designed exclusively for the replacement business. Its victory in a test conducted by 'rallye racing' magazine confirmed the exceptional performance of which it is capable.

In the replacement business, we achieved a healthy volume and a further improvement in the mix. However, revenues and earnings were eroded, due mainly to sharp devaluations of currencies in Southern Europe, which is a traditional bastion for Uniroyal. Volumes of snow tires, unlike those of light and heavy truck tires, remained at the previous year's level.

Uniroyal was particularly successful in equipping top-of-the-range sedans.

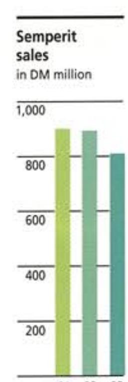
Enhanced Image

Uniroyal ran more of its successful commercials on European television during 1993. Its annual traffic research project, which is a standard reference for traffic safety analysis, has become a highly effective instrument of international communication. Press conferences in several cities generated widespread coverage in the media. At the same time, we systematically continued our proven advertising campaign.



SEMPERIT

For 1993, the Semperit Division reported lower sales than in the previous year, but increased market shares in Europe. With a decrease in earnings, sales dropped 6.8%, from DM 889.8 million to DM 829.0 million, as the result of stiff price competition.



Outstanding Snow Tire Sales

The gain in passenger tire sales was due mainly to excellent business in snow tires. Record volumes were sold in the two main markets, Germany and Austria. Top places in the trade press's snow-tire tests and promotional campaigns geared consistently to dealers were equally instrumental in achieving this result.

Sales of passenger tires to OEMs, on the other hand, were hurt by the recession and fell below the previous year's figures. The same applies to unit sales of truck tires, which were down 10%, with a simultaneous decline in prices.

Semperit adds color to the black tires.

Product Innovations

For the first time, Semperit presented to the public a passenger tire with a colored sidewall. TOP-SPEED Color, for sports cars and other powerful models, met with great interest. A new technique makes it possible to vulcanize a selection of colored stripes – white, mint or pink – into the tire during the production process.

The introduction of SPORT-LIFE M 711, the first in a series of low-aspect-ratio tires for vehicles designed to go up to 120 mph, opened up a new market niche for Semperit. This low-profile tire is intended for smaller sporty cars and has good prospects for success, in view of the trend in automobile construction to smaller, but better equipped, vehicles.

Central and Eastern Europe

The establishment in 1992 of a marketing and sales organization for Central and Eastern Europe yielded its first fruits in the year under review, particularly in Hungary and the Czech Republic.

As coordinator for the Continental Corporation in this region, Semperit played a major role in the conclusion of a joint venture agreement with Barum Holding AG, a Czech company.

A fruitful technical and commercial collaboration has existed for more than 20 years between Semperit Reifen AG and the Slovenian tire manufacturer SAVA in Kranj. SAVA, in which the Corporation holds a 28% interest through Semperit, continued to do good business in 1993 and operated at a profit.

Barum

In the partial fiscal year ended on December 31, 1993, Barum's sales came to DM 206.7 million and the company earned a profit. Pursuant to the development and restructuring programs, the first equipment meeting Continental standards was installed immediately after the agreement with Barum was signed, and the manufacture of our various brands of passenger tires was commenced at the Otrokovice plant.

In addition, Barum has started to produce truck tires to our specifications. The organizational measures required to make the company an integral part of the Corporation have been put in train.

We are very pleased with Barum's success and with its economic and strategic prospects. We have gained a new cost-efficient location, and the Barum brand will be extremely helpful to us in attracting new customers in the markets.

Gislaved **Viking**

Although the recession has produced high unemployment in Scandinavia, Gislaved and Viking achieved gratifying results in terms of volume and earnings. Lower exchange rates in particular, caused sales to drop by 11.6%, from DM 302.2 million in 1992 to DM 267.0 million in 1993.

Good Business in Scandinavia

Market volumes contracted by 17% for passenger tires and by 8% for truck tires, with a decline in prices. Nevertheless, Gislaved, Viking and our other brands recorded higher sales of passenger tires and remarkably strong increases for light and heavy truck tires. In Norway, in addition to traditional strong ties with independent dealers, we had the advantage of possessing our own dealer organization, which was able to exploit new market potential. Business in Sweden was particularly good. Snow-tire volumes were also satisfactory. Gislaved was able to book major orders from government agencies in Poland and Russia.

The drop in sales of the General Tire Group was due to the sale of its tire activities in Mexico. If this divestiture is disregarded, sales would be up 1.6% on a comparative basis. Due to the high exchange rate of the U.S. dollar, sales in German marks rose by 2.2%.

In view of the generally unsatisfactory situation, the work force was decreased by 18% to 7,619 employees. The reduction included 1,016 people at the two small Mexican factories that were sold. There was no further increase in indebtedness, and we reduced inventories by 19%. For reasons of cost, plans to build a technology center in Charlotte have been abandoned. The company was provided with new funds by a capital increase of $100 million.

Passenger Tires: Short of Scheduled Goals

Results in the Passenger Tire Division were uneven during 1993. Revenues and market shares increased in the original equipment business and in replacement sales to a large dealer chain. But in spite of the introduction of a new anti-aquaplaning tire, the Hydro 2000, a new safety tire, GenSeal, and a range of leading-edge high-performance tires, we lost both sales and market shares with the traditional tire trade. Attempts to remedy the situation by cutting prices resulted in unsatisfactory earnings. Neither the expansion of our business with the passenger car manufacturers resulting from the recovery in their industry nor our exceptionally high sales to our largest customer could compensate for these losses.

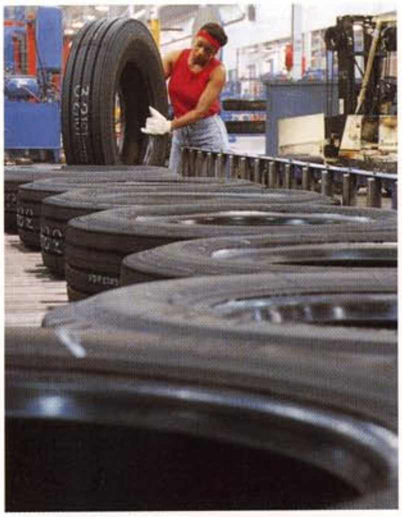
Unit sales of radial light truck tires showed particularly strong growth. In the U.S.A., market share remained at the 1992 level; in Canada, it deteriorated. Intensive development work in partnership with our customers resulted in new technical approvals, and we received several important quality awards.

Positive Trend Continues for Heavy Truck Tires

The Commercial Vehicle Tire Division achieved significant gains in both volume and revenues, and its earnings situation improved.

Sales of radial heavy truck tires to OEMs increased, as we benefited from the positive trend in the U.S. market. Good growth rates were also recorded in the replacement business. Our new plant in

At General Tire, unit sales of heavy truck tires were high.



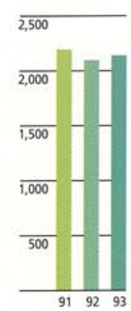
Mt. Vernon operated at full capacity, improving the cost structure of the Division as a whole. During 1994, we will be opening a new truck tire development center at this location. We achieved a further noticeable increase in the quality level of our products.

We were able to expand unit sales of tires for earth-moving equipment, which are made at the Bryan plant. Business with agricultural tires was less successful, with slight decreases in market share.

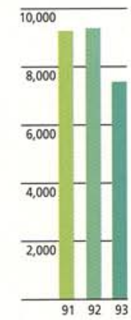
A Better Basis for 1994

Continuing economic recovery in North America during 1994 will give General Tire opportunities to improve its operating results. We also regard the collective bargaining agreement concluded at the end of 1993 for the Mayfield plant as a step in the right direction. The new management will not only cultivate the private-brand and dealer-chain business, but also intensify its efforts to boost sales to independent dealers.

General Tire sales
in DM million

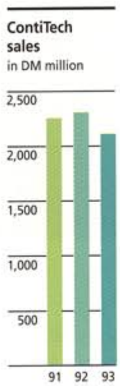


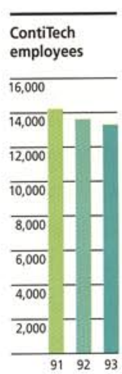
General Tire employees



"ContiTech is concentrating on technologically sophisticated products with high value added and expandable market shares."

Industrial Products





Conveyor belts are being used to an ever-increasing extent in vehicle manufacturing.

CONTITECH

The ContiTech Group had sales of DM 2,111.4 million in 1993. Due to poor conditions in major customer industries and foreign exchange rate problems, this was less than the previous year's DM 2,285.4 million. J.H. Benecke AG was fully consolidated as of July 1, 1993.

Business was also hurt by increasing imports to Germany, the Group's main market, resulting from altered parities, and by a slump in sales to Eastern Europe.

Our principal customers, the vehicle makers, further reduced the number of their suppliers and cut back their development and manufacturing operations by shifting various functions to upstream companies. However, this trend was not as severe as had been expected.

Cost Cutting and Concentration

Among the supplier companies, the process of concentration and the race for cost leadership continued. Accordingly, ContiTech intensified its efforts to reduce variable costs and overhead and made structural adjustments at all its locations. We have begun to transfer capacities, especially for downstream processes and off-take production, to the low-cost countries of Eastern Europe. We are making systematic use of lean structures and teamwork. Further trimming of our product portfolio and fields of activity has enabled us to concentrate more intensely on technologically sophisticated areas with high value added, in which we can expand our market shares.

Newly developed industrial fabrics have passed their first tests in arctic temperatures.

We are devoting special attention to developing modules and systems for other customers in addition to the automotive industry and to broadening our base of know-how through strategic alliances and joint ventures.

Automobile Interiors/Textiles

Although 80% of its business is with the automotive industry, Benecke-Kaliko AG reported a smaller decline in sales than its principal customers. Lower revenues were balanced to a large extent by cost reduction, rationalization and the full use of the synergies resulting from the merger of Göppinger Kaliko GmbH and J.H. Benecke AG. Both firms improved their earnings situation, but taken as a whole, they are not yet operating in the black. The top priority is therefore to bring the new company into the profit zone.

A new quick-connect coupling for hose assemblies saves time and expense at the assembly stage.

As had already occurred in 1992, sales at Bamberger Kaliko GmbH continued to shrink. This was attributable primarily to its international business, because of the unfavorable exchange rates. Earnings nevertheless remained positive.

As a result of a fire in the previous year, Flockgarn GmbH suffered a drastic drop in sales, with a negative effect on earnings. It is chiefly engaged in regaining its former customers and opening up new markets.

Due to marked declines in sales and a persisting downward price trend in its business with the automotive and upholstered furniture industry, ContiTech Formpolster GmbH was obliged to report an operating loss.

Benecke-Kaliko is progressively distinguishing itself as a supplier of automobile interiors.

Hoses and Hose Assemblies

During 1993, ContiTech Schlauch GmbH started to manufacture new, environmentally friendly hoses for fuel and air-conditioning systems, as well as radiator hoses for the automotive industry. These new developments include simplified branch systems and quick connects, which offer our customers substantial advantages in terms of price and ease of assembly. As the leading manufacturer in the field, we are supplying a new generation of ecological hoses, which are currently being installed with all filling-station pumps, in compliance with statutory requirements. Sales and earnings decreased, due to the difficult economic climate.

The effects of the plunge in automotive production and continuing weak demand from the mechanical engineering industry also caused sales to decline at Techno-Chemie Kessler & Co GmbH, a hose coupling company. However, the company's market share increased, due to upgraded service. Systematic cost reduction and inclusion of all employees in the ongoing improvement program helped to secure satisfactory earnings.

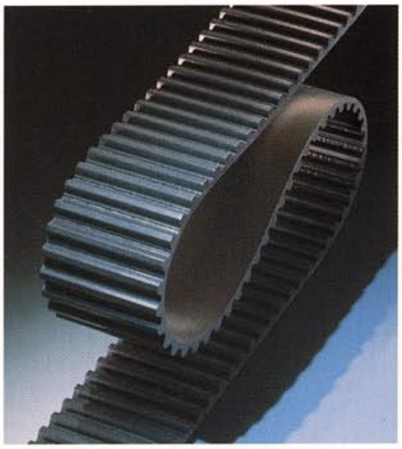
Particularly in France, its home market, ANOFLEX S.A. successfully countered the substantial decline in European demand for passenger-car hose assemblies. On the other hand, business in the commercial vehicle sector and with industrial customers turned down, so overall sales declined. A successful cost reduction program enabled the company to operate at a profit. Higher sales and significant improvements in the cost structure at the Spanish plant were not sufficient to compensate in full for inadequate capacity utilization.

Our Swedish company Hycop AB increased its share of the market for sophisticated hose couplings. Marked sales growth and a positive bottom line were due in part to strong gains in productivity.

Anti-Vibration and Sealing Products

Although ContiTech Formteile GmbH was successful in instituting stringent cost containment measures, the economic downturn caused a sharp drop in sales volume and revenues. Several months of short-time work were required to mitigate the effects of this trend. Massive pressure on prices also caused earnings to remain at an unsatisfactory level.

Timing belts are finding more and more industrial applications.



Hydraulically-damped axle spring systems are indispensable to future rail vehicles.

Sales of ContiTech Profile GmbH, which is strongly dependent on the automotive industry, decreased by more than 20%. Reduction of capacities and greater efficiency in production and administration did not suffice to compensate for price declines in the market. As a result, the company reported a loss.

ContiTech Elastorsa S.A., our Spanish extrusion manufacturer, also suffered a severe decline in sales volume and operated at a loss.

Engineered Products

ContiTech Antriebssysteme GmbH more than made up for lower demand by introducing new products and gaining market shares. Market conditions made it necessary to adjust production volume in the industrial business. Following the trend to supply complete systems for auxiliary and camshaft drives, competitive product lines were offered to the automotive industry. The company once again earned a good profit.

ContiTech Luftfedersysteme GmbH suffered from persisting weak demand in the commercial vehicle industry. The postponement of rail vehicle projects that had been definitely scheduled aggravated the situation. As a result, the company did not reach its sales and earnings goals, but nevertheless operated at a profit.

ContiTech Transportbandsysteme GmbH failed to achieve its sales targets and reported an operating loss.

KA-RI-FIX Transportband-Technik GmbH expanded its business with conveyor belt accessories, which enabled it to maintain the previous year's level of earnings. Branches in the new German states contributed significantly to the positive trend.

ContiTech Elastomer-Beschichtungen GmbH could absorb the effects of reduced volume and price pressure only by further increases in efficiency. Its products, including recent innovations, enabled it to open up new markets and attract new customers. For example, a cold-resistant coated fabric for arctic temperatures was developed and tested. Sales were significantly below the previous year's level, and the company recorded an operating loss.

A plunge in orders for life-rafts and military equipment caused a steep decline in the sales of Deutsche Schlauchbootfabrik Hans Scheibert GmbH & Co KG. On the other hand, special equipment for fire departments and the German Technical Emergency Service, as well as rescue boats, posted considerably higher volumes. The company earned a profit.

Clouth Gummiwerke AG and ContiTech AGES S.p.A.

Due to the restructuring process now under way at Clouth Gummiwerke AG, the company was unable to maintain its sales at the previous year's level. Earnings were significantly below target, and the company operated at a loss.

IMAS S.A. in Greece is chiefly engaged in manufacturing conveyor belts. As in the previous years, it earned a good profit, based on high capacity utilization.

ContiTech AGES S.p.A. is strongly dependent on the Italian automotive business. Unlike its customer industry, it recorded only a relatively slight sales decline for 1993. This was due, among other things, to an increase in its market shares in Italy and better opportunities in foreign markets resulting from the currency situation. Although countermeasures have been taken and improvements achieved, earnings continue to be unsatisfactory.

"The most difficult task in 1993 was to adjust the work force to our reduced capacity utilization."

Employees

The most difficult task for the personnel departments of all the Groups was to adjust the work force to our reduced capacity utilization and streamlined structures; this applied to manufacturing locations in both Europe and the U.S.A. At the same time, we must eliminate hierarchic levels and make administrative functions leaner.

In order to cope with the problems, the following tasks must be accomplished:

— Maintaining and creating competitive working conditions and personnel cost structures.
— Personnel development to secure an adequate succession within the Company.
— Cooperation based on mutual trust with employee representatives and participation on employer committees.
— Conciliation and support when organizational changes are made.

Reduction of the Work Force

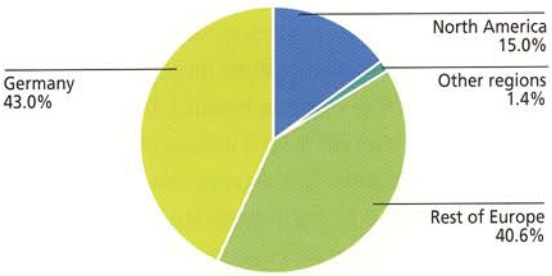
The Corporation's work force at December 31, 1993 had increased by 393 to 50,974 people (1992: 50,581). Without the initial consolidation of Barum with 3,748 employees and Benecke with 1,243, the total would have dropped by 5,041.

42,633 of our employees, or more than 80%, work in Europe, and 21,942, or about 50% of these, in Germany. The work force in the other European countries grew by 2,719; in Germany, it decreased by 662. Thus, the trend of the previous two years has continued.

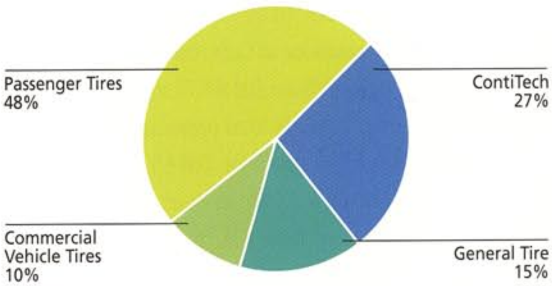
The table below shows the change in the number of employees at the most important locations:

	1993	1992
Germany	21,942	22,604
U.S.A	7,598	8,236
Czech Republic	3,748	–
Great Britain	3,711	3,726
France	3,597	3,868
Austria	3,156	3,614
Belgium	1,061	1,254
Portugal	1,036	969
Ireland	872	903

Employees by region



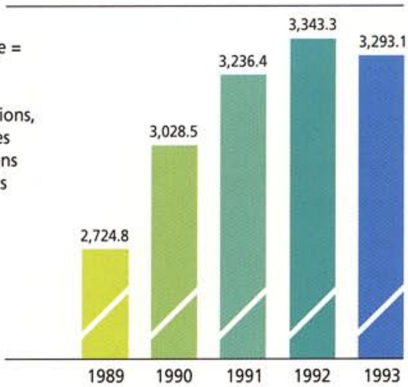
Employees by Group



Continental needs an increasing number of highly-qualified employees in order to master the complex challenges of the future.

Total personnel expense within the Corporation
in DM million

Personnel expense = wages, salaries, bonuses, social welfare contributions, as well as expenses relating to pensions and other benefits



Personnel Expense

The Corporation's personnel expense (wages, salaries, social welfare contributions, and expenses for pension plans and other employee benefits) dropped by 1.5% from DM 3,343.3 million to DM 3,293.1 million. This decrease was achieved not only by pruning jobs but also by improving cost structures. Without the new companies, total personnel expense at the end of the fiscal year amounted to DM 3,216.1 million.

Personnel expense per hour worked rose to DM 40.09 (+ 6.3%) within the Corporation; at Continental AG it changed from DM 47.78 to DM 49.60. The Corporation's total personnel expense per employee rose from DM 65,632 to DM 66,031 (+ 0.6%); at Continental AG it decreased from DM 76,178 to DM 75,205 (– 1.3%).

More Employee Shares

In 1993, we once again offered our staff the opportunity to buy employee shares. Up to four shares per person were issued, at a preferential price of DM 113.00 per share. As in the previous year, a little more than 16% of those entitled to subscribe (3,474 employees of Continental AG, including its European subsidiaries) made use of this opportunity. We will continue to issue employee shares.

Employee Representatives

Our good relationship with the employee representatives again proved its worth in times of difficult personnel decisions. All negotiations regarding new terms of remuneration, as well as the necessary social compensation plans, were carried out with no stoppage of work.

At the annual meeting with employee representatives of the most important European countries, we discussed the Company's financial situation and the effects of decreasing capacity utilization on the individual units. Extensive information and frank discussions contributed significantly to a better understanding of the necessary measures.

In preparation for the 1994 elections of the Employee Councils for Continental AG, a new council structure has been agreed upon. This adjustment was necessary as a result of the formation of the new legally and financially independent closed corporations within the ContiTech Group.

The Joint Employee Council will form an Economic Committee consisting of two sub-committees, one for ContiTech and one for Tires. This agreement was reached with the consultation and cooperation of the parties to the collective bargaining agreement. Both parties see the new employee council structure as a useful supplement to the provisions of the Act on Plant Constitutions.

Suggestions and On-the-Job Safety

As in each of the previous years, the number of suggestions increased (+7%). Suggestions put into practice rose by 321 (13%).

We are also pleased to report that the incidence of workplace accidents has continued to decline: It was 26% – in some Groups as much as 50% – below the previous year's level.

One of our main concerns is the handling of dangerous substances. We are making vigorous efforts to minimize the use of these substances, to create closed systems and to introduce substitute materials in product development and production. Our employees' safety increased significantly during the fiscal year.

Training and Continuing Education

Since the beginning of 1993, our educational department in Germany has been active as a service and profit center. Intensified customer orientation requires specialized training concepts.

We are planning to link vocational training more closely to production in order to increase and clearly identify the trainee's contribution to manufacturing output.

The European FORCE (Formation Contenue Europe) project, which includes the testing of new forms of training in order to increase the skills of the production work force, has been completed and will be implemented in stages, starting in 1994.

Entrepreneurial Thought and Action

Entrepreneurial thought and action must be a pivotal element in our corporate culture, if we are to ensure our competitiveness. Turning this management principle into corresponding structures and systems is a constant challenge to traditional German industrial companies like Continental. However, the mobilization of the entrepreneurial potential available at every level is decisive for a lasting improvement in results. Continental is consistently pursuing this course.

"Delegation of Authority and Responsibility" is the process of giving the levels that create our value added the power to make decisions, while being answerable for their consequences. It is our conviction that responsibility for results and an interest in the success of the company as a whole should not be confined to the top management strata. At every level, we need the "entrepreneur in the enterprise," who is ready to act with greater freedom within the framework of strategic guidelines. It is of vital importance, when creating entrepreneurial units, to keep firmly in mind the potential synergies inherent in an international group. The whole must continue to be greater than the sum of its parts!

I. Changes at the plants

Business teams/Group work

Example 1:

At General Tire, we call them "business teams," these new structures which unite sections of the plant management in order to exert control over costs, quality and productivity – and therefore take on responsibility for results. At our big U.S. factories in Bryan, Charlotte and Mayfield, responsibilities for day-to-day business are being gradually delegated to much lower levels. Employees and executives both had a lot to learn in order for this to be accomplished. The positive effects resulting from the greater involvement of all our people in the plants are already measurable.

Example 2:

An intensive process of group work introduction is being carried out at our German factories. Productivity is being raised through group collaboration in thought and action. The objectives of the group work system are a work plan for which the employee takes responsibility, broader assignments and an ongoing process of improvement. As a concrete example, let's take a look at the Korbach tire plant, where significant results have been achieved in the manufacture of radial tires: The number of defective uncured tires has already decreased by 17%; the goal for 1994 is to reduce it by 35%. The consumption of materials for the individual tire components has been decreased substantially, and absence due to illness has been cut by 50%. The overall effect was to raise the index of productivity from 109 to 123. We are confident that it will reach 150 during 1994.

Example 3:

Similar programs are being implemented or planned at our other plants, including Stöcken, Sarreguemines, Traiskirchen, Aachen and Dublin.What does this mean for workers in tire production at, let's say, the Stöcken plant in Hanover? Every morning they get together for a ten-minute conference: the morning briefing. And every week, a half hour is set aside for their group work. The mutual interaction more than makes up for this period of "non-work."

Example 4:

At ContiTech Luftfedersysteme GmbH, production, logistics, research and marketing used to be organized on a functional basis. There was a serious risk that our customers' wishes would not be realized fast enough. Today, all these functions have been interconnected, with overall entrepreneurial responsibility for each individual customer segment – for commercial vehicle or rail vehicle manufacturers, for instance. Manufacturing cells incorporating the group work system are strengthening this cus-

In general, the requisite changeover to entrepreneurial thought and action can be summarized as follows:

interdisciplinary action	instead of	**functional thinking**
responsibility for results	instead of	**merely meeting targets**
customer orientation	instead of	**functional hierarchic orientation**
mutual goal definition	instead of	**top-down assignments**
internal service centers	instead of	**central staff functions**

tomer-oriented reorganization. They determine their own work flows. Reduced losses from internal friction and shorter response times are the most striking results. Similar programs are being carried out at many of the companies manufacturing our industrial products, from ContiTech Antriebssysteme GmbH to Hycop AB in Sweden.

New compensation systems

In this "new world" compensation systems based primarily on volumes produced no longer make sense; pay for piecework is barely feasible.

Example 5:

In France, at our Sarreguemines tire plant, a new compensation system is already in place. Employees receive a fixed amount each month, provided that the present output is maintained, and a semiannual variable bonus based on results. The fixed portion depends on the kind of job. The variable bonus takes into account not only productivity and quality, but also safety and cleanliness. In the partially autonomous groups, each member of the group receives the same fixed payment.

II. Management of complex organizations

Our corporate structure is characterized by an international spread of manufacturing locations and business units. One of our core tasks is the intensification and coordination within this network.

Example 6:

ContiTech Profile GmbH is stepping up the integration of its different functions to keep pace with the internationalization of its customers and has thus been obliged to make substantial changes. First, it acquired a participation in Spain (1989), then it acquired ContiTech Ages in Italy (1990), and as of 1994, it has become part of a joint venture in the Slovak Republic.
Specialists from all the locations have been formed into teams which work together on the business projects. A central office in Hanover coordinates the decentralized work groups. Over a communication network, product-line decisions are harmonized, and development and manufacturing locations are selected.

Example 7:

One solution for handling complex organizations is known as PROMT, an acronym for **PRO**ject **M**anagemen**T**; it's not entirely by chance that this abbreviation connotes the "prompt" service of customers. Tire Research and Development manages a large portion of its projects through PROMT. Complex development tasks are broken down into concrete work elements. The various functions are brought together in project groups with a clearly defined mission right from the start.

III. Internal service units in outside competition/ Outsourcing

The organizational measures we are taking are designed to help us increase earnings, safeguard existing jobs, fill customer requirements more rapidly, intensify concentration on our core business, and expose our internal service providers to outside competition.

Examples 8 and 9:

Steps that seem minor can also be important. The procurement of office supplies, formerly handled by the personnel departments, has been transferred entirely outside the Company and decentralized. The economic benefits of this "outsourcing" have been ensured by a master agreement with the external supplier. Our education and training department for the German- and French-speaking regions, as well as our word processing and translation services have been converted into profit centers. Internal customers are charged after each use. If the services are not competitive with those available outside, the customers may switch to the outside source. It is pleasing that the education and training department for the German units is already operating in the black.

Example 10:

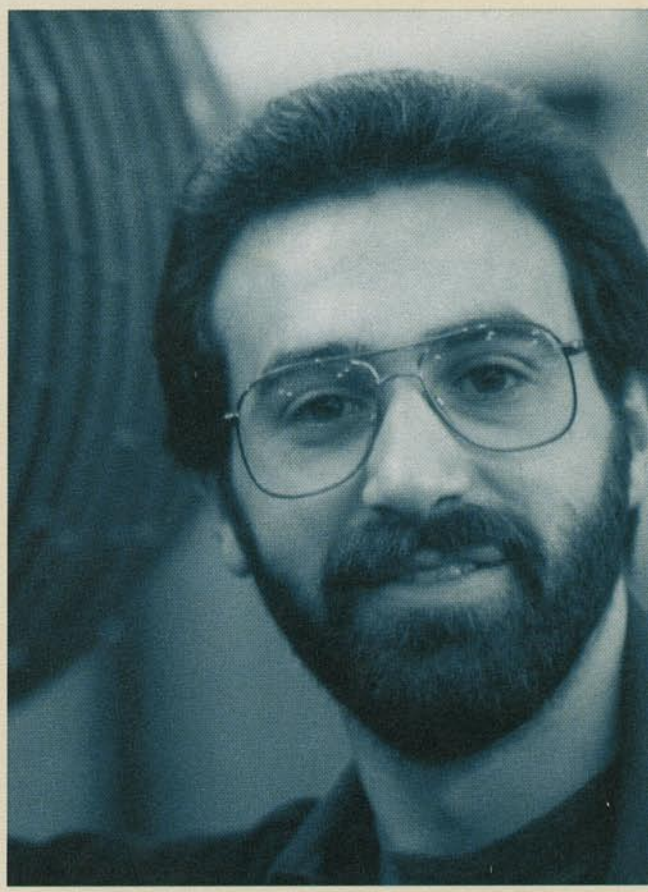
The overhauling of our data processing, which began in 1993, is more radical and more extensive. Here, we must strike a balance between maintaining a high level of professionalism and synergy and making the data processing system accord with the increasing flexibility and decentralization of the Company as a whole. In the first phase, our EDP activities are being integrated into a large-scale computer center that is operated jointly with other partners. The subsequent phases will be carried out in a similar manner.

IV. Continuity in the quality improvement program

There can be no letup in quality improvement. All our employees must strive to achieve it. Continuing progress in quality is at the heart of entrepreneurial work at all levels.

Examples 11 and 12:
"Quality Function Deployment" is how we refer to one important tool in the Total Quality Process. Customer requirements are systematically recorded and assigned as tasks to those units which are able to contribute to an improvement. Commercial Vehicle Tire Product Management is using this process systematically.
In addition to standard instruments of this kind, a further instrument for the plants, specifically designed to meet the requirements of internal customers, has been developed at the Training, Education and Communication Center in Liège, Belgium. Progress in the Total Quality Process can be measured directly, giving answers with regard to employee satisfaction, communication patterns, conditions at the workplace, management behavior and many other things.

Example 13:
Four years of "Qualité 2000," as they say at our tire plant in Herstal, Belgium, had recorded a proud list of achievements by the end of 1993: 80% fewer accidents, less than 3% absenteeism, waste reduced by 50%, productivity up 15%, costs for defective products cut in half, certification obtained under ISO 9002 (international standard dealing with quality systems). Every employee knows the corporate goals and is included in their formulation. Something brand new for Herstal: faster retrofitting of machines, partially autonomous work groups, a new payment system, and maintenance fully integrated within the work groups.



The bottom line

Continental's core competence is the mastery of rubber technology in conjunction with such reinforcing materials as metal or textiles to produce products ranging from tires to chassis and anti-vibration systems. Our confidence in the entrepreneurial behavior of individual employees and their teams enhances this know-how and helps keep Continental at the very top in a globally competitive environment. Work groups ensure that, by combining the knowledge of specialists and experts in decentralized units, synergies are generated for the Company as a whole. The readiness for change is vital to our future success.

The Continental Share

Dividend

Despite the difficult economic environment, Continental earned a profit in both 1992 and 1993. Therefore, after two years without a distribution, the Administration wishes to resume dividend payments and proposes to the Annual Meeting of Shareholders that the 1993 net income available for distribution be used to pay a dividend of 8%, or DM 4.00 per share with a par value of DM 50.00.

Price Trend

1993 was a surprisingly positive year for the stock market. Due to declining interest rates and the lack of attractive alternatives, together with a high liquidity base, stocks have drawn increased worldwide attention.

In the German capital market, the share price index (DAX) rose continuously, with slight fluctuations, from 1,545.05 at the beginning of the year until it reached its high point on December 30, 1993 at 2,266.68.

On the first trading day of 1993, the Continental share stood at the previous year's final quotation of DM 198.00 As the German stock markets began to recover, the price rose, reaching DM 229.50 on February 12. The placement of the shares that had been held for a considerable time by Pirelli had no significant impact on the price. However, in view of the generally negative forecasts for the automotive industry, it had dropped to DM 190.60 by June 1.

The Continental share essentially followed the upward trend of the DAX. Spurred by the general increase in prices during the last quarter, it closed 1993 at DM 277.00, the high for the year.

General Tire, Inc.
a subsidiary of Continental AG

$125,000,000
Asset Securitisation Programme

Commercial Paper issuer
Delaware Funding Corporation

Liquidity providers
J.P. Morgan Delaware
Bayerische Hypotheken- und Wechsel-Bank AG
Commerzbank AG
Dresdner Bank AG

Referral and administrative agent
J.P. Morgan Delaware

JPMorgan

December 1993

The first few months of 1994 represented a period of stabilization for the German stock markets. At first, the Continental share price decreased, following the trend of the DAX, to DM 245.00 on January 24, 1994. However, it then moved quite steadily, in contrast to the DAX, to DM 282.00 on March 8, 1994.

International Listings

The Continental share is listed on all eight German stock exchanges and on four other floor-trading stock exchanges in Europe. In addition, since 1989, it has been traded in the U.S.A. on the OTC market in the form of a sponsored ADR (American Depositary Receipt).

In the City of London, the share price has been quoted since the beginning of 1991 as part of a market-maker system known as "SEAQ" (Stock Exchange Automatic Quotes).

Continental will continue to seek listings on stock exchanges abroad as long as they provide an economically justifiable way of encouraging more foreign shareholders to invest in Continental shares.

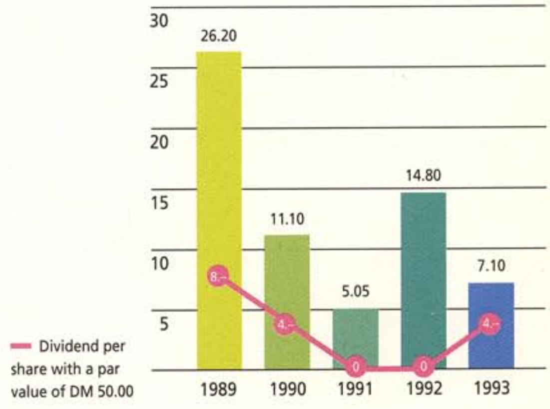
High Share Liquidity

Total sales of German shares on the German stock exchanges amounted to DM 1.8 trillion during the past year. DM 8.96 billion of these sales, or about 0.5% (1992: 0.52%), was attributable to the Continental share. Thus, again in 1993, the Continental share was one of the most liquid investment securities in the German stock market. Sales of our shares on the foreign stock exchanges – and of the (unlisted) sponsored ADRs in the United States – were relatively low, indicating that the listing of our share on exchanges outside Germany has so far brought us only a limited number of new investors.

DVFA/SG Earnings

1993 per-share earnings, computed according to the methods of the German Association of Financial Analysts (DVFA/SG), at DM 7.10, were below the previous year's figure of DM 14.80. Cash flow per share amounts to DM 64.10 (1992: DM 79.50).

DVFA/SG earnings/dividend per share
in DM



Employee Shares

Continuing its long-term program for the issue of employee shares, Continental AG once again sold shares to its employees in the fall of 1993. A total of 13,773 shares were subscribed.

Investor Relations and PR

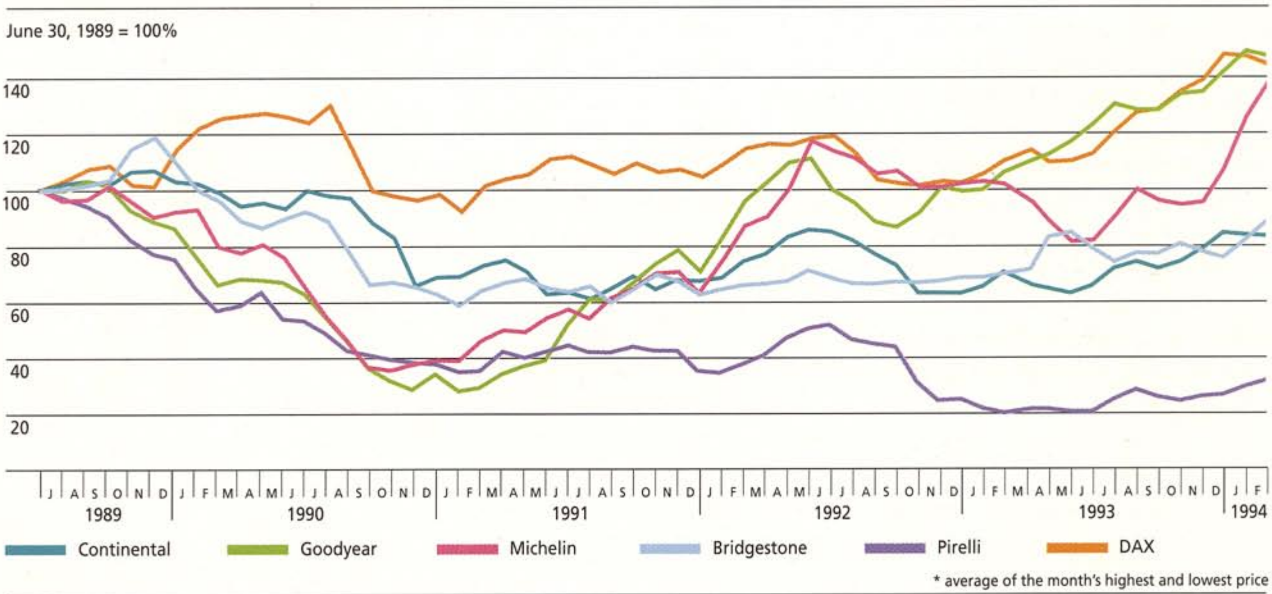
To ensure that the Corporation is well supplied with capital over the long term, Continental has always paid special attention to its shareholders' desires for information. Regular up-to-the-minute reporting on company strategies, medium-term corporate planning, capital investment programs and key figures, by means of press releases, letters to the shareholders, brochures and annual reports, as well as financial presentations and round-table discussions with analysts and investors, are key features of our work. For many years, Continental has been consulting the Committee on Methods with regard to the principles used in calculating its DVFA/SG earnings.

Our frank, comprehensive information policy is designed to strengthen the relationship of trust we have established with our shareholders, potential investors and financial analysts. This, in turn, results in a correct evaluation of the Continental share and its wide distribution among international investors – to everyone's benefit.

Key Figures for the Continental Share (in DM per share)

	1989	1990	1991	1992	1993
Net income/loss	26.20	10.60	– 14.60	15.10	7.20
Dividend	8.00	4.00	0	0	4.00
Dividend with tax credit	12.50	6.25	0	0	5.71
DVFA/SG earnings	26.20	11.10	5.05	14.80	7.10
Cash flow	69.50	58.05	59.90	79.50	64.10
Book value	198.30	198.40	172.40	183.20	188.20
Market price (12/31)	322.00	207.00	207.00	198.00	277.00
Number of shares at year-end (in thousands)	8,700	8,782	8,785	8,826	9,028

Share price development since June 30, 1989 *



* average of the month's highest and lowest price

Commentary on the Financial Statements
Assets, Financial Position and Earnings of the Corporation

Changes Compared with 1992

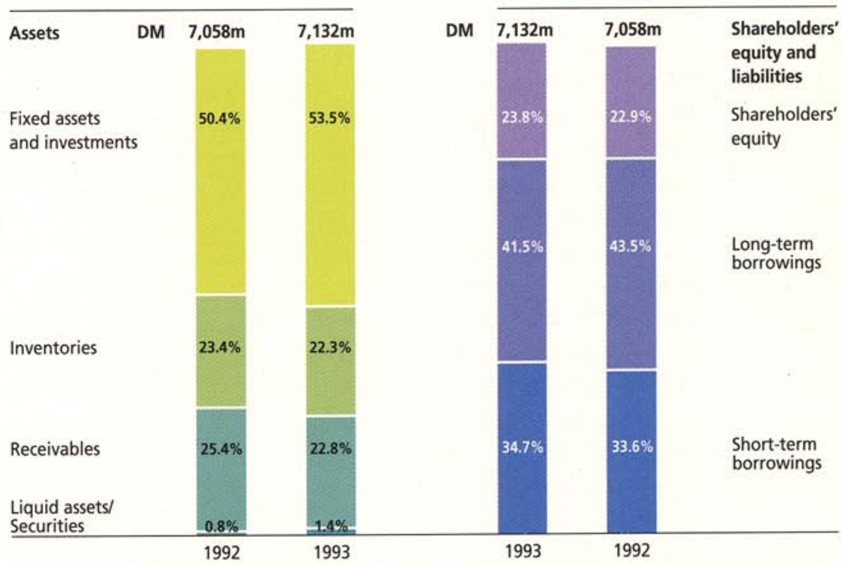
Consolidated sales for 1993 decreased by DM 320.8 million, or 3.3%. The net effect of the sale of General Tire Mexico, Mexico City, Mexico, and the inclusion of new companies — in particular Barum Continental spol.sr.o., Otrokovice, Czech Republic, as of March 1, 1993 and Benecke-Kaliko AG, Hanover, as of July 1, 1993 — was the addition of DM 433.1 million to overall sales. Without these changes in the scope of consolidation, consolidated sales would have been 7.8% lower than in 1992.

Balance Sheet Structure and Financial Position

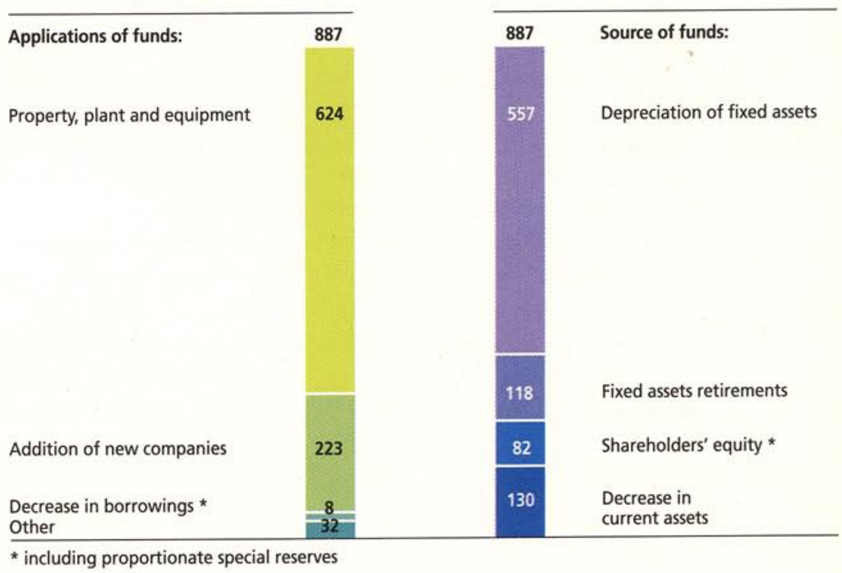
In contrast to sales, total assets increased by 1%, reaching DM 7,131.8 million on December 31, 1993. Companies included for the first time accounted for DM 501 million of the increase. On a comparable basis, total assets declined by 6%.

The ratio of fixed assets and investments to total assets rose from 50.4% to 53.5%. Apart from a smaller increase in property, plant and equipment, resulting from capital expenditures of DM 624.1 million and depreciation of DM 535.6 million, and a decrease in intangible assets, this higher proportion was due mainly to the initial consolidation of the new companies. Inventories and trade accounts receivable have been reduced considerably compared with the previous year. The decrease in trade accounts receivable stems, in particular, from the Asset Securitization Programs in the amount of DM 100 million and US$ 125 million that were launched respectively by Continental Aktiengesellschaft and General Tire Inc., Akron, Ohio in December 1993. These programs enabled the Corporation for the first time to gain access to the attractive U.S. commercial paper market. The offerings met with a good response in financial circles.

Structure of the consolidated balance sheet



Corporate financing in 1993 (in DM million)



* including proportionate special reserves

Consolidated shareholders' equity, including the equity portion of special reserves, rose by DM 81.9 million, or 5.1%, causing the equity ratio to increase from 22.9% to 23.8%. The equity ratio of Continental Aktiengesellschaft was 41.7%, as against 38.7% in 1992. In June 1993, Conti Gummi Finance B.V., a financing company in Amsterdam, Netherlands, successfully floated a DM-250-million issue of bonds with warrants attached. The transaction resulted in the transfer of DM 53 million to capital reserves.

Provisions again showed a slight increase and now amount to 28.1% of total assets. It should be noted that only part of the provisions made in 1991 and 1992 for restructuring programs has been used; in addition, the balance sheet contains specific reserves for severance payments. Indebtedness decreased by DM 127.3 million and amounts to 134.8% (1992: 149.5%) of shareholders' equity. The reduction in working capital and the results of the sales programs for accounts receivable more than offset the additional debt resulting from the acquisition of new companies and the net increase in property, plant and equipment. The capital turnover rate declined slightly to 1.3. The balance sheet structure of the Continental Corporation continues to be strong, as shown by the fact that a high proportion of fixed assets, investments and inventories (86.3%) was again financed by shareholders' equity and long-term borrowings. In 1993, 92.8% of capital expenditures were financed by the cash flow (1992: 98.9%).

Continental Corporation in DM million	1989	1990	1991	1992	1993
Cash flow					
Net income before income taxes	369.3	153.3	– 122.9	155.2	74.1
Depreciation on property, plant and equipment and intangible assets	367.5	378.0	531.0	502.6	556.9
Other deductions from income, which do not affect cash flow	9.6	38.6	123.3	65.8	– 43.1
Income taxes	– 141.5	– 59.9	– 5.3	– 22.2	– 9.0
Cash flow	604.9	510.0	526.1	701.4	578.9
Acquisition of new companies	– 118.3	– 353.0	– 470.5	– 145.8	– 222.9
Capital investment	– 532.4	– 689.5	– 829.3	– 709.3	– 624.1
Divestitures	88.8	168.4	292.3	144.8	118.1
Other changes	– 146.1	– 252.3	– 125.6	– 255.0	277.3
Change in indebtedness	– 103.1	– 616.4	– 607.0	– 263.9	127.3

Earnings and Liquidity

Earnings for 1993 came to approximately 50% of the amount for 1992. The financial statements show a net income of DM 65.1 million, which includes a corporate income tax refund of DM 13 million for Continental Aktiengesellschaft, based on the proposed 8% dividend.

In contrast to the previous years, no extraordinary expenses were incurred. The severance payments made in 1993 and the provisions contained in the financial statements for severance payments in 1994 were not charged against income, but financed by existing provisions.

With sales decreasing by 3.3% to DM 9.4 billion, operating income was down 38.8% compared with 1992. Results at General Tire were totally unsatisfactory, although, due solely to extraordinary reversals of provisions, they remained more or less at the previous year's level. Business with commercial vehicle tires again failed to meet expectations. Further strains resulted from considerably lower earnings at ContiTech and a decline in income from passenger tire operations. As in the previous years, competitive pressure caused us to conclude unsatisfactory contracts with the automotive industry; this trend is not merely persisting, but in some cases even intensifying.

Despite a further year-to-year increase in indebtedness in connection with the outlays in 1993 for fixed assets and acquisitions, there was a modest improvement in net income from investments and financial activities, due to lower average interest rates. Naturally, the sale of receivables had only a slight positive effect on the net interest figure.

If the extraordinary expenses are disregarded, the net profit margin and the return on shareholders' equity are lower than in 1992. Accordingly, earnings before interest, income taxes and extraordinary charges (EBIT) decreased by DM 175.1 million, or 37.4%, to DM 293.2 million (1992: DM 468.3 million).

The cash flow declined substantially compared with the record level reached in the previous year and now amounts to DM 578.9 million. Its proportion of sales decreased from 7.2% to 6.2%.

The debt ratio rose from 3.8 to 4.7 in 1993 as a result of the reduced net cash flow and a slight increase in actual indebtedness.

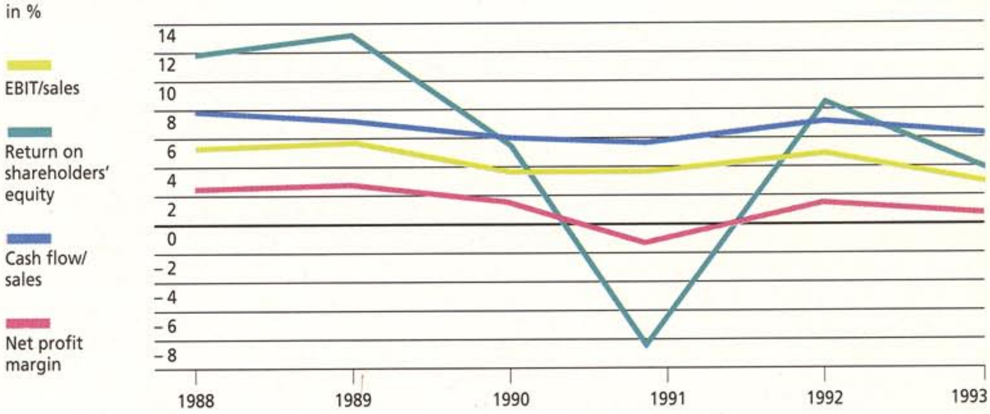
Cash flow is computed in accordance with the DVFA/SG principles. In addition to lower charges for the acquisition of new companies, as well as reduced capital expenditures, the reconciliation of the cash flow with the change in indebtedness is based primarily on a reduction of DM 105 million in working capital and an improvement in the shareholders' equity of Continental Aktiengesellschaft.

Value Added

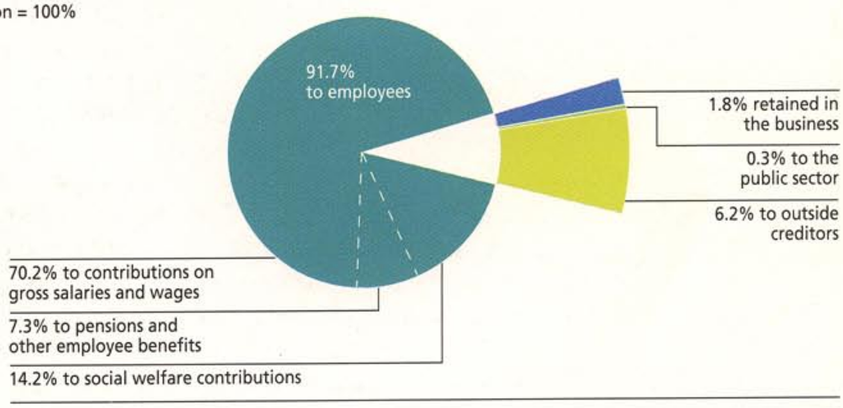
The Corporation's performance decreased by DM 303.6 million, or 3.1%. After deducting input from other sources, value added amounts to DM 3,589.9 million. This is DM 135.3 million less than in 1992, a decrease of 3.6%.

Value added was distributed as follows: Personnel expense accounted for 91.7%, 6.2% went for interest, and 0.3% for income taxes. There remained a net income of DM 65.1 million (1.8%). Approximately 50% of this amount is to be allocated to consolidated reserves in order to increase the Corporation's capital resources, and 50% is to be distributed to the shareholders.

EBIT/sales
in %



Distribution of value added in 1993 (Corporation)
DM 3,589.9 million = 100%



Continental Corporation				
in DM million	1993	1992	Change	in %
Source of value added				
Sales	9,369.1	9,689.9	− 320.8	− 3.3
Other income	221.9	204.7	17.2	8.4
Corporate performance	**9,591.0**	**9,894.6**	**− 303.6**	**− 3.1**
Cost of materials	− 3,464.6	− 3,918.2	453.6	11.6
Depreciation (total)	− 557.2	− 502.8	− 54.4	− 10.8
Other input from outsiders	− 1,979.3	− 1,748.4	− 230.9	− 13.2
Value added	**3,589.9**	**3,725.2**	**− 135.3**	**− 3.6**
Distribution of value added				
Personnel expense	3,293.1	3,343.3	− 50.2	− 1.5
Interest	222.7	226.7	− 4.0	− 1.8
Income taxes	9.0	22.2	− 13.2	− 59.5
Net income	65.1	133.0	− 67.9	− 51.1
Value added	**3,589.9**	**3,725.2**	**− 135.3**	**− 3.6**

Continental Aktiengesellschaft
Consolidated Balance Sheet

Assets	See Note No.	12/31/1993 DM million	12/31/1992 DM million
Fixed assets and investments			
Intangible assets	(1)	619.6	679.2
Property, plant and equipment	(2)	3,081.9	2,756.7
Investments	(3)	112.0	118.4
		3,813.5	**3,554.3**
Current assets			
Inventories	(4)	1,589.3	1,651.6
Receivables and other assets	(5)	1,585.5	1,757.7
Marketable securities		10.7	6.1
Liquid assets	(6)	90.8	51.7
		3,276.3	**3,467.1**
Prepaid expenses	(7)	**42.0**	**36.4**
		7,131.8	**7,057.8**

Shareholders' equity and liabilities	See Note No.	12/31/1993 DM million	12/31/1992 DM million
Shareholders' equity			
Subscribed capital	(8)	451.4	441.3
Consolidated reserves	(11)	1,012.1	1,002.9
Minority interests	(12)	173.9	120.3
Reserve for retirement benefits	(13)	1.8	2.1
Net income available for distribution		36.5	19.5
		1,675.7	**1,586.1**
Special reserves	(14)	**24.2**	**34.0**
Provisions	(15)	**2,007.5**	**1,959.0**
Liabilities	(16)	**3,424.4**	**3,478.7**
		7,131.8	**7,057.8**

Continental Aktiengesellschaft
Consolidated Statement of Income

	See note No.	1993 DM million	1992 DM million
Sales	(17)	**9,369.1**	**9,689.9**
Cost of sales	(18)	6,941.7	7,089.1
Gross profit on sales		**2,427.4**	**2,600.8**
Selling expenses	(19)	1,455.8	1,453.7
Administrative expenses	(20)	685.2	649.6
Other operating income	(21)	208.9	197.1
Other operating expenses	(22)	211.2	230.6
Net income from investments and financial activities	(23)	– 210.0	– 219.1
Net income from regular business activities		**74.1**	**244.9**
Extraordinary charges		–	– 89.7
Taxes on income and profits		9.0	22.2
Net income for the year		**65.1**	**133.0**
Minority interests in earnings	(24)	+ 12.7	+ 2.3
Transfer to consolidated reserves		– 41.6	– 116.2
Withdrawal from the reserve for retirement benefits		+ 0.3	+ 0.4
Net income available for distribution		**36.5**	**19.5**

Based on an audit performed in accordance with our professional duties, the consolidated financial statements comply with the legal regulations. The consolidated financial statements present, in compliance with required accounting principles, a true and fair view of the net worth, financial position and results of the Corporation. The management report for the Corporation is in agreement with the consolidated financial statements.

Hanover, March 28, 1994

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Richter Certified Public Accountant	Kirste Certified Public Accountant

Continental Aktiengesellschaft
Balance Sheet

Assets	See Note No.	12/31/1993 DM million	12/31/1992 DM million
Fixed assets and investments			
Intangible assets	(1)	26.4	21.8
Property, plant and equipment	(2)	462.8	447.7
Investments	(3)	1,808.7	1,734.0
		2,297.9	**2,203.5**
Current assets			
Inventories	(4)	277.9	463.2
Receivables and other assets	(5)	610.8	398.4
Liquid assets	(6)	14.2	9.5
		902.9	**871.1**
Prepaid expenses	(7)	**2.0**	**1.3**
		3,202.8	**3,075.9**

Shareholders' equity and liabilities	See Note No.	12/31/1993 DM million	12/31/1992 DM million
Shareholders' equity			
Subscribed capital	(8)	451.4	441.3
Capital reserves	(9)	770.5	701.4
Retained earnings	(10)	73.4	18.9
Reserve for retirement benefits	(13)	1.8	2.1
Net income available for distribution		36.5	19.5
		1,333.6	**1,183.2**
Special reserves	(14)	**2.0**	**16.1**
Provisions	(15)	**516.4**	**546.1**
Liabilities	(16)	**1,350.8**	**1,330.5**
		3,202.8	**3,075.9**

Continental Aktiengesellschaft
Statement of Income

	See Note No.	1993 DM million	1992 DM million
Sales	(17)	**2,244.1**	**3,334.4**
Cost of sales	(18)	1,946.4	2,746.4
Gross profit on sales		**297.7**	**588.0**
Selling expenses	(19)	177.7	253.7
Administrative expenses	(20)	122.0	194.9
Other operating income	(21)	195.4	203.9
Other operating expenses	(22)	159.3	195.3
Net income from investments and financial activities	(23)	24.1	– 47.7
Net income from regular business activities		**58.2**	**100.3**
Extraordinary charges		–	– 62.0
Taxes on income and profits		+ 13.0	– 0.3
Net income for the year		**71.2**	**38.0**
Transfer to retained earnings		– 35.0	– 18.9
Withdrawal from the reserve for retirement benefits		+ 0.3	+ 0.4
Net income available for distribution		**36.5**	**19.5**

Based on an audit performed in accordance with our professional duties, the accounting records and the financial statements comply with the legal regulations. The financial statements present, in compliance with required accounting principles, a true and fair view of the net worth, financial position and results of Continental Aktiengesellschaft, Hanover. The management report is in agreement with the financial statements.

Hanover, March 28, 1994

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Richter	Kirste
Certified Public Accountant	Certified Public Accountant

Changes in Consolidated Fixed Assets and Investments

	Acquisition/Manufacturing cost					Depreciation					Net value	
	As of 1/1/1993 DM million	Additions DM million	Reclassi-fications DM million	Retire-ments DM million	As of 12/31/1993 DM million	As of 1/1/1993 DM million	Additions DM million	Reclassi-fications DM million	Retire-ments DM million	As of 12/31/1993 DM million	As of 12/31/1993 DM million	As of 12/31/1992 DM million
I. Intangibles												
Concessions, industrial and similar rights and assets and licenses in such rights and assets	71.3	20.4	5.1	9.3	87.5	47.2	19.8		9.3	57.7	29.8	24.1
Goodwill	760.7	27.6		1.1	787.2	111.6	93.6		0.3	204.9	582.3	649.1
Payments to suppliers	6.0	6.6	− 5.1		7.5						7.5	6.0
	838.0	**54.6**		**10.4**	**882.2**	**158.8**	**113.4**		**9.6**	**262.6**	**619.6**	**679.2**
II. Property, plant and equipment												
Land, land rights and buildings including buildings on third party land	1,379.9	150.7	22.9	3.9	1,549.6	604.1	90.2	− 2.2	0.6	691.5	858.1	775.8
Technical equipment and machines	3,837.4	502.7	169.8	15.2	4,494.7	2,481.3	454.3	0.7	42.9	2,893.4	1,601.3	1,356.1
Other equipment, factory and office equipment	1,379.3	198.3	45.2	87.0	1,535.8	1,014.2	220.1	1.5	73.4	1,162.4	373.4	365.1
Payments to suppliers and assets under construction	259.7	233.8	− 237.9	6.5	249.1						249.1	259.7
	6,856.3	**1,085.5**		**112.6**	**7,829.2**	**4,099.6**	**764.6**		**116.9**	**4,747.3**	**3,081.9**	**2,756.7**
III. Investments												
Shares in affiliated companies	3.1	10.5			13.6	1.4	6.6			8.0	5.6	1.7
Shares in associated companies	60.4	11.2	− 0.8	15.7	55.1	1.9	0.3		0.1	2.1	53.0	58.5
Investments	5.7		0.8	2.6	3.9	0.1				0.1	3.8	5.6
Securities included in investments	24.4	2.1		1.0	25.5	2.2	0.1			2.3	23.2	22.2
Other loans	32.6	4.1		8.3	28.4	3.1	0.1		0.3	2.9	25.5	29.5
Other financial assets	1.0	0.5		0.1	1.4	0.1	0.4			0.5	0.9	0.9
	127.2	**28.4**		**27.7**	**127.9**	**8.8**	**7.5**		**0.4**	**15.9**	**112.0**	**118.4**
	7,821.5	**1,168.5**		**150.7**	**8,839.3**	**4,267.2**	**885.5**		**126.9**	**5,025.8**	**3,813.5**	**3,554.3**

Changes in Fixed Assets and Investments of Continental Aktiengesellschaft

	Acquisition/Manufacturing cost					Depreciation				Net value	
	As of 1/1/1993 DM million	Additions DM million	Reclassi-fications DM million	Retire-ments DM million	As of 12/31/1993 DM million	As of 1/1/1993 DM million	Additions DM million	Retire-ments DM million	As of 12/31/1993 DM million	As of 12/31/1993 DM million	As of 12/31/1992 DM million
I. Intangibles											
Concessions, industrial and similar rights and assets and licenses in such rights and assets	37.5	9.4	4.6	1.1	50.4	21.2	10.5	0.9	30.8	19.6	16.3
Payments to suppliers	5.5	5.9	– 4.6		6.8					6.8	5.5
	43.0	**15.3**		**1.1**	**57.2**	**21.2**	**10.5**	**0.9**	**30.8**	**26.4**	**21.8**
II. Property, plant and equipment											
Land, land rights and buildings including buildings on third party land	394.3	8.4	6.6	0.2	409.1	293.1	20.7	0.2	313.6	95.5	101.2
Technical equipment and machines	1,303.7	61.9	24.5	25.8	1,364.3	1,114.4	77.2	24.5	1,167.1	197.2	189.3
Other equipment, factory and office equipment	577.0	52.3	5.4	33.0	601.7	471.2	61.5	29.4	503.3	98.4	105.8
Payments to suppliers and assets under construction	51.4	56.9	– 36.5	0.1	71.7					71.7	51.4
	2,326.4	**179.5**		**59.1**	**2,446.8**	**1,878.7**	**159.4**	**54.1**	**1,984.0**	**462.8**	**447.7**
III. Investments											
Shares in affiliated companies	2,336.4	210.5	2.3	131.8	2,417.4	644.8	1.6		646.4	1,771.0	1,691.6
Investments	27.8		– 2.3		25.5					25.5	27.8
Other loans	14.6	0.1		2.5	12.2					12.2	14.6
	2,378.8	**210.6**		**134.3**	**2,455.1**	**644.8**	**1.6**		**646.4**	**1,808.7**	**1,734.0**
	4,748.2	**405.4**		**194.5**	**4,959.1**	**2,544.7**	**171.5**	**55.0**	**2,661.2**	**2,297.9**	**2,203.5**

Notes to the Consolidated Financial Statements and the Financial Statements of Continental Aktiengesellschaft

Exclusion of the ContiTech companies

On January 1, 1993, Continental Aktiengesellschaft transferred to the legally independent ContiTech companies their respective assets and liabilities, except for the fixed assets leased to them. This has to be taken into account when comparing the balance sheet and the statement of income of Continental Aktiengesellschaft. Changes that are of special significance are explained in the notes accordingly.

Scope of Consolidation

The consolidated financial statements include, in addition to Continental Aktiengesellschaft, all domestic and foreign companies in which Continental Aktiengesellschaft has a direct or indirect interest of more than 20%.

In addition to the parent company, we have consolidated 170 domestic and foreign companies. 16 companies were added in 1993. Three companies that were merged with other consolidated companies, one company that was sold and one that was liquidated are no longer included. Another company, the majority of whose shares was not acquired until the end of 1993, has been consolidated only with regard to its balance sheet items; its statement of income is not included.

Retirement benefit organizations and a few companies whose property, debts, expenses, and income, individually and collectively, are of only minor significance in the asset, financial, and earnings position of the Corporation are not consolidated.

Principles of Consolidation

137 subsidiaries, whose financial statements are prepared according to accounting and valuation principles that are uniform throughout the Corporation, are fully consolidated. With the exception of a few small companies, all the financial statements included are prepared as of the date of the Corporation's financial statements. The assets and liabilities of our subsidiaries are entered in the consolidated balance sheet, instead of their book value. The acquisition cost is offset against our interest in the shareholders' equity of the subsidiary on the date of acquisition. When the book value of our investment in a company is higher than the Corporation's interest in its shareholders' equity, the company's undisclosed reserves, primarily relating to land, have been added in its balance sheet. Any remaining goodwill has been capitalized as goodwill in the consolidated financial statements.

Appropriate adjustments for minority interests are made for interests not held by the parent company in fully consolidated companies.

33 associated companies are valued by the equity method. If the acquisition cost exceeds the Corporation's interest in the shareholders' equity of the associated company, the company's undisclosed reserves, primarily those in land, have been added. Any remaining goodwill items are capitalized in the consolidated financial statements. The Corporation's share in the net income of these companies is included in the consolidated statement of income as part of net income from investment in other companies.

Receivables, liabilities, income, and expenses among fully consolidated companies are eliminated.

Intercompany profits are eliminated when valuing consolidated inventories; intercompany profits relating to fixed assets are not eliminated, provided that they are insignificant.

Whenever consolidation procedures result in profits or losses, an allowance is made for deferred taxes.

Foreign Currency Translation

We translate receivables and liabilities in foreign currency at the rate prevailing on the date they are entered on the books for the first time, or, if they have been hedged, at the forward rates.

Losses resulting from foreign exchange that have not yet been realized on the balance sheet date are covered by provisions charged against income; unrealized profits are disregarded.

In the financial statements of foreign companies, the balance sheet items, including net income, are translated at the rate prevailing on the balance-sheet date. Differences from the previous year's translations are offset, with no effect on income, against retained earnings.

Income and expenses are translated at the average rates for the year.

Principles of Accounting and Valuation

Assets

Acquired intangible assets are carried at acquisition cost and amortized by the straight-line method over their anticipated useful life. Capitalized goodwill resulting from the acquisition of companies is deducted in instalments from retained earnings on the balance sheet, over periods estimated individually at from 10 to 20 years.

Property, plant and equipment is valued at acquisition or manufacturing cost, less scheduled depreciation. Interest paid by the Corporation on loans during several years in which new tire factories were being built is included with these assets.

Continental Aktiengesellschaft uses the declining balance method to depreciate movable fixed assets, while the straight-line method is used for all other fixed assets. We change over from the declining balance method to the straight-line method as soon as this leads to higher depreciation. Any special depreciation permitted by the tax laws has been taken in the financial statements of Continental Aktiengesellschaft, since they form the basis of the balance sheet prepared in accordance with the tax regulations. In the consolidated financial statements, additions are depreciated by the straight-line method.

The following table shows the useful life taken as a basis for depreciating the major categories of property, plant and equipment:

Buildings up to 33 years (additions from 1990 on, up to 25 years),

Technical facilities and machinery 10 years,

Plant and office equipment 4 to 7 years,

Molds up to 4 years.

Additions to movable assets made during the first six months of the year are depreciated at the full annual rate, and those made during the last six months at half the annual rate. Minor fixed assets are written off completely in the year of acquisition.

Interests in affiliates and other companies held as investments are valued at acquisition cost, less any necessary writedowns.

Interest-bearing loans granted are shown at face value; loans which bear little or no interest are discounted to their cash value.

Inventories are carried at the lower of acquisition/manufacturing cost or market. Manufacturing cost includes direct costs and a proportional part of material and production overhead, as well as depreciation. Appropriate adjustments are made for declines in value due to reduced usability or prolonged storage.

In valuing receivables and miscellaneous assets, we make reasonable allowances to cover all perceivable risks, including lump-sum provisions to cover the general credit risk.

Insofar as permissible, we have continued to take all the extraordinary depreciation and writedowns, as well as the depreciation and writedowns for tax purposes, which were taken in previous years on fixed assets, investments, and current assets.

Discounts and issue costs of loans and bonds are shown as prepaid expenses and amortized over the term of the individual loans and bonds.

Shareholders' Equity and Liabilities

Provisions based on sound business judgment are set up for all perceivable risks, undetermined obligations and impending losses.

At our German companies, the provisions for pension plans and similar obligations are set up at a 6% interest rate, on the basis of actuarial computations in accordance with the statutory method.

Pension commitments and similar obligations of foreign companies are also computed according to actuarial principles, discounted to the present value at the interest rates prevailing in the respective countries, and covered by appropriate provisions for pension plans or by pension funds. Employee claims for severance benefits under national laws have also been taken into account.

The obligations of General Tire Inc., Akron, Ohio, for post-retirement medical benefits in the U.S.A., including the provision for the retirees and vested work force, as well as the non-vested employees, and the pension obligations pursuant to the U.S. regulations, using an interest rate of 7.5%, are shown on the liability side. The sum of both provisions is slightly above the amount computed by the statutory method in accordance with actuarial principles, based on an interest rate of 6%.

As a rule, provisions for repairs that have been postponed to the subsequent year are established in the amount of the probable cost. Depending on their nature, some of the provisions made for large repairs, environmental protection measures and, in particular, necessary structural improvements may constitute extraordinary expenses. When there are temporary differences between the values of the individual companies' assets and liabilities as determined according to the tax laws and those appearing in their balance sheets, which are prepared according to valuation principles that are uniform throughout the Corporation, deferred taxes may result. We have provided for the latter only insofar as they are expected to result in a future tax expense.

Liabilities are stated at the redemption amount.

Notes to the Balance Sheet

Assets

Fixed Assets and Investments

The separate categories of fixed assets and investments that are combined in the balance sheets and the changes in them during the fiscal year are shown on pages 38 and 39. The various assets are shown according to the gross value method at the original acquisition or manufacturing cost, or at the residual book value at the time of acquisition.

(1) Intangible Assets

The additions in the amount of DM 54.6 million consist mainly of acquired software and goodwill arising from the initial consolidation of new companies. This item also includes the goodwill acquired for consideration by the consolidated companies. Goodwill of this kind is charged against income.

Franchises, operating licenses, industrial property and similar rights and values, and licenses under such rights, as well as advances to suppliers, relate almost exclusively to EDP software supplied from outside sources.

(2) Property, Plant and Equipment

Additions to fixed assets consisted mainly of new machinery and molds to maintain and safeguard our technical and economic capabilities, to expand capacities, to streamline operations, to boost productivity, and to assure the quality of our products. Retirements consisted for the most part of land that was not needed for our operations and of technologically and economically obsolete machinery and facilities.

The initial consolidation of new companies caused an increase of DM 232.3 million (DM 457.4 million, less accrued depreciation of DM 225.1 million) in property, plant and equipment.

The other additions are shown in the table below:

	1993		1992	
DM 000	Continental AG	Consolidated	Continental AG	Consolidated
Tires, Europe	108,379	382,697	104,784	418,135
General Tire	–	109,422	–	139,976
ContiTech	64,154	124,946	69,495	134,975
Other	6,959	7,066	20,562	20,687
	179,492	624,131	194,841	713,773

(3) Investments

On the balance sheet of Continental Aktiengesellschaft, interests in affiliated companies increased primarily as a result of the acquisition of a 40% holding in Continental MABOR Industria de Pneus S.A., Lousado, Portugal, and the capital increase at Continental Rubber Holding Inc., Wilmington, Delaware, U.S.A. A deduction resulted from the capital decrease at Continental Coordination Center S.A., Herstal-lez-Liège, Belgium. A list of the major companies included in the Continental Corporation is presented on page 53 of this report. A complete list of the companies of Continental Corporation and Continental Aktiengesellschaft has been filed with the Hanover District Court.

The securities we hold as investments consist primarily of fixed-interest government obligations, which are used to cover provisions in the Austrian companies' balance sheets for retirement claims of employees. Loans granted include residential construction loans to employees, financing contributions to utility companies, and other loans.

(4) Inventories

	As of 12/31/1993		As of 12/31/1992	
DM 000	Continental AG	Consolidated	Continental AG	Consolidated
Raw materials and supplies	75,255	307,570	89,785	308,617
Work in process	34,089	187,407	86,305	194,821
Finished goods and merchandise	168,333	1,094,722	288,172	1,146,955
Advances to suppliers	407	2,776	756	3,135
Advances from customers	146	3,130	1,806	1,943
	277,938	1,589,345	463,212	1,651,585

On a comparable basis, inventories at Continental Aktiengesellschaft decreased by DM 76.9 million. The decline in consolidated inventories is the net effect of the reduction of stocks to a very low level and the gain caused by the initial consolidation of new companies.

(5) Receivables and Other Assets

Continental AG		Due in		Due in
	As of	more than	As of	more than
DM 000	12/31/1993	1 year	12/31/1992	1 year
Trade accounts receivable	72,958	764	178,931	823
Receivables from affiliated companies	486,904	–	106,517	–
Receivables from companies in				
which participations are held	1,423	–	1,704	–
Other assets	49,541	14,716	111,283	17,560
	610,826	15,480	398,435	18,383

Consolidated		Due in		Due in
	As of	more than	As of	more than
DM 000	12/31/1993	1 year	12/31/1992	1 year
Trade accounts receivable	1,200,105	3,293	1,410,906	3,997
Receivables from affiliated companies	15,491	–	10,986	–
Receivables from companies in				
which participations are held	26,092	–	11,274	–
Other assets	343,779	24,754	324,467	25,111
	1,585,467	28,047	1,757,633	29,108

The decrease of DM 210.8 million in consolidated trade accounts receivable includes the net amount of DM 220 million resulting from the Asset Securitization Programs that were introduced toward the end of the year. While operational measures produced a further decrease in receivables, DM 72.4 million was added due to the initial consolidation of new companies.

(6) Liquid Assets

	As of 12/31/1993		As of 12/31/1992	
DM 000	Continental AG	Consolidated	Continental AG	Consolidated
Checks	4,954	6,605	2,799	4,833
Cash on hand, deposits at the Bundes-				
bank and in postal checking accounts	1,657	7,967	3,271	7,503
Cash in banks	7,582	76,194	3,468	39,410
	14,193	90,766	9,538	51,746

(7) Prepaid Expenses

	As of 12/31/1993		As of 12/31/1992	
DM 000	Continental AG	Consolidated	Continental AG	Consolidated
Discount on loans/bonds	–	5,443	–	3,068
Miscellaneous	1,952	36,591	1,322	33,376
	1,952	42,034	1,322	36,444

Miscellaneous prepaid expenses consist mainly of unamortized costs of the bonds issued in 1985, 1986, 1987 and 1993.

Shareholders' Equity and Liabilities

(8) Subscribed Capital

The subscribed capital has increased by DM 10.1 million since 1992, due to the exercise of conversion and option rights.

A resolution passed at the Annual Meeting of Shareholders on July 2, 1993, made authorized capital of DM 200 million available to the Company until July 1, 1998 for the issue of new shares.

The resolution passed at the Annual Meeting of Shareholders on July 3, 1992, had provided the Company with authorized capital of DM 15.0 million for the issue of employee shares. Employee shares with a total par value of DM 0.7 million (1992: DM 0.9 million) were issued, after which this authorized capital stands at DM 13.4 million.

Type	No. of shares	Par value per share in DM	Capital stock in DM
Common shares	420,526	1,000	420,526,000
Common shares	171,593	100	17,159,300
Common shares	274,090	50	13,704,500
			451,389,800

Following the issue on June 21, 1993 of a bond with warrants attached, the conditionally authorized capital of DM 202.7 million was used in full to cover new conversion and option rights.

The change in the conditionally authorized capital is shown in the following table:

	DM 000
Conditionally authorized capital as of 12/31/1992	212,188
Utilization: warrants attached to 1984/1994 bonds	9,348
convertible debentures	52
expired due to elapsed period	100
Conditionally authorized capital as of 12/31/1993	202,688

Information according to Section 20, Subsection 6, German Stock Corporation Law

Mediobanca Banca di Credito Finanziario S.p.A., Milan, Italy (hereinafter referred to as "Mediobanca") has informed us, pursuant to Section 20, Subsection 5, German Stock Corporation Law, that it no longer holds over 25% of our Company's shares (as had been reported in Federal Gazette No. 95 of May 21, 1992).

The following companies:

1. Pirelli Finance (Channel Islands) Ltd., St. Helier, Jersey,
2. Pirelli S.p.A., Milan, Italy,
3. Société Internationale Pirelli S.A., Basel, Switzerland,
4. Pirelli & C.S.a.p.a., Milan, Italy,

have informed us, pursuant to Section 20, Subsection 5, German Stock Corporation Law, that they respectively no longer hold over 25% of our Company's shares (as had been reported in Federal Gazette No. 147 of August 8, 1992).

These notices were published in Federal Gazette No. 207 of November 3, 1993.

(9) Capital Reserves

DM 000			Continental AG
	As of 12/31/1992	Change	As of 12/31/1993
Premium from the issue of shares			
in excess of their par value	750,937	15,817	766,754
Premium paid upon the exercise of warrants attached			
to bonds issued in 1986, 1987, 1993	216,309	53,250	269,559
Withdrawal in 1991 to cover losses	265,817	–	265,817
	701,429	69,067	770,496

The increase in capital reserves is, among other things, attributable to the premium received by Continental Aktiengesellschaft upon the exercise of warrants attached to bonds floated by Conti Gummi Finance B.V., Amsterdam, Netherlands.

(10) Retained Earnings

DM 000	Continental AG
As of 12/31/1992	18,900
Transfer from 1992 net income	19,506
Allocation from net income	35,000
As of 12/31/1993	73,406

The Annual Meeting of Shareholders held on July 2, 1993 passed a resolution to allocate the 1992 net income to retained earnings.

(11) Consolidated Reserves

DM 000	Consolidated
As of 12/31/1992	1,002,879
Differences resulting from currency translation	– 1,223
Amortization of goodwill	– 90,603
Other	+ 59,555
Allocation from net income	+ 41,546
As of 12/31/1993	1,012,154

In the consolidated financial statements, we have combined capital reserves and retained earnings, in order to give a clearer picture of the Corporation's net worth.

(12) Minority Interests

This item shows the interests of outsiders in capital and earnings, which consist mainly of the holdings of the Japanese partners in our joint venture GTY Tire Company, Akron, Ohio, U.S.A. During the past fiscal year, the 40% minority interest acquired by Continental Aktiengesellschaft in Continental MABOR Industria de Pneus, S.A., Lousado, Portugal, was deducted, while Barum Holding's minority interest in Barum Continental spol.sr.o., Otrokovice, Czech Republic, and the interest of DG BANK Deutsche Genossenschaftsbank, Frankfurt/Main in Benecke-Kaliko AG, Hanover, were added.

(13) Reserve for Retirement Benefits

The parent company's reserve for retirement benefits was established to compensate for shortfalls in the provision for pension plans, which cannot yet be made up for tax purposes. This reserve was reduced, according to schedule, by DM 0.3 million to DM 1.8 million.

(14) Special Reserves

	As of 12/31/1993		As of 12/31/1992	
DM 000	Continental AG	Consolidated	Continental AG	Consolidated
Reserve under Sect. 3, Foreign Investment Act	519	–	1,809	1,290
Reserve under Sect. 6b, Income Tax Act	–	–	12,685	–
Reserve under Sect. 52, Subsect. 8, Income Tax Act	–	–	235	357
Governmental capital investment subsidies	–	22,694	–	30,871
Other	1,508	1,508	1,479	1,479
	2,027	24,202	16,208	33,997

The utilization of the parent company's reserve pursuant to Section 6b, Income Tax Act, is attributable to the transfer to factory buildings of the reserve established in 1991 from the book profits generated by the sale of the high-rise administrative building at Königsworther Platz in Hanover.

The Corporation's special reserves are divided into an equity portion of DM 23.3 million and a debt portion of DM 0.9 million, representing deferred taxes, which will be paid in due course when the reserves are eliminated. Including the shareholder's equity of DM 1,675.7 million (1992: DM 1,586.1 million) shown on the balance sheet, the Corporation's total actual shareholders' equity amounts to DM 1,699.0 million (1992: DM 1,617.1 million), and the equity ratio to 23.8%.

(15) Provisions

	As of 12/31/1993		As of 12/31/1992	
DM 000	Continental AG	Consolidated	Continental AG	Consolidated
Provisions for pensions and similar obligations	230,862	1,010,529	219,788	948,660
Provisions for taxes	24,550	69,633	18,652	61,793
Miscellaneous provisions	261,024	927,328	307,609	948,507
	516,436	2,007,490	546,049	1,958,960

At two of our retirement benefit organizations, there is a shortfall of DM 24.5 million in the coverage of pension obligations. The provisions at five other German companies have been funded only to the maximum amount permitted for tax purposes.

Provisions for deferred taxes in the individual financial statements exceed the net prepaid taxes arising from consolidation procedures by DM 7.1 million.

The increase in provisions is due mainly to the business expansion resulting from new consolidated companies. Miscellaneous provisions cover all perceivable risks and other undetermined obligations. They include, in particular, provisions for restructuring measures and related severance payments. At Continental Aktiengesellschaft, they also include risks in connection with the valuation of companies in which participations are held. In addition to these provisions, the item consists primarily of provisions for warranties, bonuses, personnel and social welfare payments, deferred repairs and service anniversaries.

(16) Liabilities

Continental AG		Due in			Due in	
	As of	less than	more than	As of	less than	more than
DM 000	12/31/1993	1 year	5 years	12/31/1992	1 year	5 years
Bonds, convertible*	72,233	70,341	765	72,416	339	885
Bank borrowings	346,958	168,634	235	633,428	469,570	115
Trade accounts payable	94,916	94,916	–	139,200	139,200	–
Payables to affiliated companies	700,868	441,022	259,846	384,261	367,143	17,118
Payables to companies in which participations are held	5,693	5,693	–	5,002	5,002	–
Other liabilities*	130,088	122,251	–	96,165	94,165	–
tax liabilities	(42,629)	–	–	(10,016)	–	–
liabilities relating to social security and similar obligations	(12,487)	–	–	(18,937)	–	–
	1,350,756	902,857	260,846	1,330,472	1,075,419	18,118

* total amount secured by mortgages: DM 71.9 million.

Consolidated		Due in			Due in	
	As of	less than	more than	As of	less than	more than
DM 000	12/31/1993	1 year	5 years	12/31/1992	1 year	5 years
Bonds, convertible*	984,644	70,341	457,077	701,500	339	193,783
Bank borrowings	1,181,968	669,390	47,823	1,544,702	626,191	71,120
Advances from customers	2,176	2,176	–	1,469	1,456	–
Trade accounts payable	642,622	642,330	–	691,533	677,750	–
Liabilities on acceptances and notes payable	18,474	18,474	–	15,425	15,425	–
Payables to affiliated companies	13,603	1,458	–	14,493	3,698	–
Payables to companies in which participations are held	6,424	6,388	–	8,709	8,673	–
Other liabilities*	574,489	460,768	7,906	500,934	376,560	25,419
tax liabilities	(111,023)	–	–	(55,157)	–	–
liabilities relating to social security and similar obligations	(73,655)	–	–	(80,065)	–	–
	3,424,400	1,871,325	512,806	3,478,765	1,710,092	290,322

* amount secured by land charges, mortgages and comparable collateral: DM 75.4 million

The items payables to affiliated companies, payables to companies in which participations are held and other liabilities include indebtedness in the amount of DM 662.0 million (1992: DM 367.7 million) at Continental Aktiengesellschaft and of DM 204.7 million (1992: DM 213.0 million) in the consolidated financial statements.

Guarantees and Other Commitments

	As of 12/31/1993		As of 12/31/1992	
DM 000	**Continental AG**	**Consolidated**	**Continental AG**	**Consolidated**
Acceptance liability	89,332	236,661	141,334	342,095
due to affiliated companies	32,877	191	65,206	–
Liabilities on guarantees	1,218,695	35,549	980,433	16,600
Liabilities on warranties	101,472	31,250	147,724	19,329
Liability on shares in cooperatives	81	81	81	81

The contingent liabilities on notes result from discounting trade bills. With the exception of DM 3.7 million, Continental Aktiengesellschaft's liabilities under guarantees and warranties relate to liabilities of subsidiaries and other companies held as investments, in particular guarantees in the amount of DM 1,030.7 million for capital market financing by Conti Gummi Finance B.V., Amsterdam, Netherlands, Continental Rubber of America Corp., Wilmington, Delaware, U.S.A., and General Tire Inc., Akron, Ohio, U.S.A.

Other Financial Obligations

Liabilities under rental and leasing agreements relate primarily to real estate used for business activities. The breakdown for 1994 and later years is as follows:

DM 000	**Continental AG**	**Consolidated**
Rental and leasing agreements	257,458	925,010
Purchase commitments	41,100	151,613

Notes to the Statement of Income

(17) Sales

Continental AG DM million	1993	1992	Change in %
Analysis by Group			
Tires	1,624.5	1,851.9	– 12.3
ContiTech	–	1,116.4	–
Other sales	619.6	366.1	+ 69.2
	2,244.1	3,334.4	– 32.7
Analysis by geographical area			
Germany	1,467.2	2,085.9	– 29.7
Europe (without Germany)	688.3	1,043.6	– 34.0
Non-European countries	88.6	204.9	– 56.8

Consolidated DM million	1993	1992	Change in %
Analysis by Group/Division			
Tires			
Continental	1,699.0	1,841.9	– 7.8
Uniroyal	963.9	1,085.4	– 11.2
Semperit	829.0	889.8	– 6.8
Merchandise and services	880.6	919.9	– 4.3
Gislaved / Viking	267.0	302.2	– 11.6
Barum	206.7	–	–
General Tire	2,151.1	2,105.1	+ 2.2
ContiTech	2,111.4	2,285.4	– 7.6
Other sales	260.4	260.2	+ 0.1
	9,369.1	9,689.9	– 3.3
Analysis by geographical area			
Germany	3,241.7	3,498.1	– 7.3
Europe (without Germany)	3,213.6	3,478.7	– 7.6
North America	2,201.7	2,141.4	+ 2.8
Other countries	712.1	571.7	+ 24.6

(18) Cost of Sales

This item includes the manufacturing cost of our own products, as well as the cost of merchandise purchased for resale.

Manufacturing costs comprise both direct costs, such as expenses for materials, personnel and energy, and indirect costs, such as depreciation of production equipment, repairs, and research and development expense. Neither interest payments nor taxes chargeable as expenses are included.

(19) Selling Expenses

These expenses include the costs of our sales organization, distribution and advertising. Owing to the expansion of our sales organization and more stringent requirements in increasingly difficult markets, selling expenses remained almost unchanged, despite the decline in sales. The increase was also due to the initial inclusion of the selling expenses of the new companies, in the amount of DM 45.3 million.

(20) Administrative Expenses

This item consists primarily of personnel and other expenses which cannot be directly allocated to production or sales. If the effects of new companies and reclassifications are eliminated, administrative expenses remained virtually constant.

(21) Other Operating Income

	1993		1992	
DM 000	Continental AG	Consolidated	Continental AG	Consolidated
Gains on the disposal of fixed assets and investments	1,391	24,420	2,564	15,521
Credit to income from the release of provisions	2,962	59,764	1,368	87,976
Credit to income from the reduction of the general bad debt reserve	2,840	9,462	–	2,088
Credit to income from the release of special reserves	15,689	8,581	35,550	10,730
Miscellaneous income	172,553	106,635	164,416	80,747
	195,435	208,862	203,898	197,062

The Corporation's substantial credits to income from the release of provisions include DM 32.0 million released at General Tire Inc. due to a change in this company's policy with regard to certain partial plant shutdowns, the relocation of the technology center and the partial elimination of various environmental risks. In 1992, this item had included DM 59.2 million released as a result of changes in the plan agreed upon with the unions to cover the future medical expenses of retirees of General Tire Inc. In addition to current income from rentals, leasing and miscellaneous sideline operations, other operating income includes indemnification paid by insurance companies and income attributable to other fiscal years.

In the parent company, this item consists mainly of cost apportionments in the amount of DM 60.7 million (1992: DM 61.8 million) received from other consolidated companies and income of DM 66.8 million (1992: 66.9 million) received from the independent ContiTech companies for plant equipment leased from Continental Aktiengesellschaft.

(22) Other Operating Expenses

	1993		1992	
DM 000	Continental AG	Consolidated	Continental AG	Consolidated
Losses on the disposal of fixed assets and investments	2,384	7,069	857	6,079
Losses on the disposal of current assets (except inventories)	116	34,649	4,731	35,405
Allocation to special reserves	1,508	1,517	1,479	1,479
Miscellaneous expenses	147,157	106,649	174,134	124,346
Miscellaneous taxes	8,119	61,343	14,079	63,317
	159,284	211,227	195,280	230,626

The miscellaneous expenses relate primarily to sideline operations and the establishment of necessary provisions. At the parent company, they include cost apportionments in the amount of DM 51.7 million (1992: DM 52.8 million) paid to other consolidated companies and expenses (DM 66.6 million) – in particular the depreciation of fixed assets – charged to the independent ContiTech companies as plant equipment leasing fees. In addition, other operating expenses include miscellaneous taxes, in view of the fact that they are assessed against the Company regardless of its earnings.

(23) Net Income from Investments and Financial Activities

DM 000	1993 Continental AG	1993 Consolidated	1992 Continental AG	1992 Consolidated
Net income from investments				
Income under profit-and-loss transfer agreements	75,663	109	34,948	2
Income from investments				
from affiliated companies	89,098	477	62,836	413
from associated companies	1,311	8,408	1,371	3,576
from other companies	469	469	350	352
Losses absorbed under profit-and-loss transfer agreements	– 44,468	–	– 20,471	–
	122,073	9,463	79,034	4,343

DM 000	1993 Continental AG	1993 Consolidated	1992 Continental AG	1992 Consolidated
Net interest expense				
Income from other securities and loans included in investments	508	3,556	518	3,304
Other interest and similar income				
from affiliated companies	30,799	229	27,943	39
from other companies	19,869	47,361	13,390	58,475
Interest and similar expenses				
paid to affiliated companies	– 48,337	– 828	– 48,678	– 740
paid to other companies	– 99,238	– 269,415	– 117,387	– 284,463
	– 96,399	– 219,097	– 124,214	– 223,385

DM 000	1993 Continental AG	1993 Consolidated	1992 Continental AG	1992 Consolidated
Writedowns on investments and marketable securities				
Writedowns on investments	– 1,618	– 341	– 2,592	– 5
	– 1,618	– 341	– 2,592	– 5
Net income from investments and financial activities	**24,056**	**– 209,975**	**– 47,772**	**– 219,047**

The gain in Continental Aktiengesellschaft's income from investment in other companies is due to the fact that dividends of foreign consolidated companies increased by DM 33.8 million to DM 66.2 million; there was a slight decline in dividends from domestic companies. Continental Aktiengesellschaft's income from investment in other companies, net of losses assumed, includes DM 55.9 million (1992: DM 46.6 million) from profit-and-loss transfer agreements and dividends of domestic companies. The Corporation's net interest expense amounted to 2.4% (1992: 2.3%) of sales.

(24) Minority Interests in Earnings

This item shows the profits and losses relating to minority shareholders in Germany and abroad.

Miscellaneous Data

Cost of Materials

	1993		1992	
DM 000	Continental AG	Consolidated	Continental AG	Consolidated
Cost of raw materials and supplies and merchandise	1,126,731	3,075,520	1,399,966	3,396,150
Cost of outside services	193,797	389,052	707,019	522,081
	1,320,528	3,464,572	2,106,985	3,918,231

Personnel Expense

	1993		1992	
DM 000	Continental AG	Consolidated	Continental AG	Consolidated
Wages and salaries	476,101	2,520,465	522,406	2,683,145
Social welfare contributions and expenses related to pensions and other employee benefits	109,374	772,625	120,004	660,147
expenses for pensions	25,850	114,502	30,592	91,894
	585,475	3,293,090	642,410	3,343,292

	Continental AG	Consolidated
Number of employees (quarterly average)		
Salaried employees	2,744	16,596
Wage earners	4,746	33,252
	7,490	49,848

Depreciation, Amortization and Writedowns

Amortization on intangible assets, depreciation on property, plant and equipment, and writedowns on investments, computed in accordance with the principles of commercial law, are shown in the table "Changes in Fixed Assets and Investments" (pages 38 and 39).

At Continental Aktiengesellschaft, they include special depreciation for tax purposes in the amount of DM 16.4 million under Section 3, FRG/GDR Border Area Assistance Act, and Section 6b, Income Tax Act. Additional depreciation taken for tax purposes with respect to 1993 and the previous fiscal years (for example, pursuant to Section 3, FRG/GDR Border Area Assistance Act, or Section 6b, Income Tax Act) will result in a future credit in the parent company's statement of income and, to some extent, also in the consolidated statement of income.

Remuneration of the Supervisory Board and the Executive Board

Provided that the Annual Meeting of Shareholders on June 8, 1994 approves the proposed dividend, total remuneration of the Supervisory Board will be DM 439,000, of the Executive Board DM 7,207,000 (including remuneration paid by subsidiaries) and of former members of the Executive Board and their surviving dependents DM 7,128,000. DM 18,494,000 has been set aside for pension commitments to former members of the Executive Board and their surviving dependents.

Proposed Allocation of Net Income

After a transfer by the Administration of DM 35,000,000.00 to retained earnings, pursuant to Section 58, Subsection 2, German Stock Corporation Law, the net income available for distribution comes to DM 36,503,741.00. The Supervisory Board and the Executive Board recommend that the Shareholders' Meeting approve payment of a dividend of DM 4.00 on each share with a par value of DM 50.00, or DM 36,111,184.00. The remaining amount of DM 392,557.00 is to be carried forward.

Hanover, March 1994

Continental Aktiengesellschaft
The Executive Board

Major Companies of the Continental Corporation

Company	Corporate interest in %	Shareholders' equity DM 000	Net income/loss 1993 DM 000	Net income/loss 1992 DM 000	Sales 1993 DM 000	Employees 12/31/1993
I. Affiliated companies (according to accounting and valuation principles uniform throughout the Corporation)						
1. Domestic companies						
Bamberger Kaliko GmbH, Bamberg	48.3	4,519	26 *	73 *	42,339	157
Benecke-Kaliko AG, Hanover	48.3	66,501	– 6,820	–	340,824	2,159
Clouth Gummiwerke AG, Cologne	100.0	– 53,833	– 12,542	– 3,076	156,564	764
Deutsche Schlauchbootfabrik Hans Scheibert GmbH & Co. KG, Eschershausen	100.0	5,073	1,743	4,253	25,521	169
Deutsche Semperit GmbH, Munich	100.0	19,565	3,894	1,692	201,488	111
KA-RI-FIX Transportband-Technik GmbH, Kerpen-Sindorf	100.0	2,158	789	688	30,135	165
Uniroyal Englebert Reifen GmbH, Aachen	100.0	219,419	4,572 *	2,285 *	548,223	1,990
Uniroyal Englebert Tyre Trading GmbH, Aachen	100.0	– 945	– 959	– 1,240	118,544	–
2. Foreign companies						
Barum Continental spol.sr.o., Otrokovice/Czech Republic	72.2	136,715	718	–	227,108	3,656
Birkenshaw Tyre Co. (Smiley), Glasgow/UK	100.0	5,975	– 1,449	– 1,018	42,037	293
Continental Caoutchouc (Suisse) S.A., Zurich/Switzerland	100.0	23,098	1,326	1,171	78,736	91
Continental Coordination Center S.A., Herstal-lez-Liège/Belgium	100.0	177,896	26,692	31,286	–	15
Continental Däck Norden AB, Göteborg/Sweden	100.0	50,167	9,888	3,834	265,566	708
Continental Holding France SARL, Sarreguemines/France	100.0	152,762	14,790	23,254	–	–
Continental Industrias del Caucho SA, Coslada, Madrid/Spain	100.0	14,427	14	10	76,070	224
Continental Italia S.p.A., Milan/Italy	100.0	7,644	439	502	89,093	87
Continental Mabor Industria de Pneus S.A., Lousado/Portugal	100.0	42,432	– 6,741	– 6,325	74,516	800
Continental Tyre & Rubber Group Ltd., West Drayton/UK	100.0	36,764	4,140	3,603	286,549	286
ContiTech AGES S.p.A., Santena/Italy	100.0	51,101	– 8,091	– 5,585	123,354	770
C.U.P. SNC, Roissy/France	100.0	29,915	2,291	2,212	311,328	298
General Tire Canada Inc., Barrie, Ontario/Canada	100.0	592	– 2,618	1,339	73,200	21
General Tire Inc., Akron, Ohio/USA	100.0	358,170	– 35,189	– 36,168	2,206,510	7,598
General Tire & Rubber Company of Morocco, Casablanca/Morocco	53.1	17,731	2,105	4,077	67,490	722
Hycop AB, Motala/Sweden	100.0	3,876	1,097	180	37,617	176
National Tyre Service Ltd., Stockport/UK	100.0	40,529	906	1,782	400,326	1,989
Pneu Uniroyal Englebert S.A., Herstal-lez-Liège/Belgium	100.0	70,493	– 23,731	3,632	412,842	1,046
Pneu Uniroyal-Englebert S.A., Geneva/Switzerland	100.0	11,142	740	919	40,093	18
Semperit Reifen Aktiengesellschaft, Vienna/Austria	95.0	384,045	8,502	62,293	844,270	2,614
Semperit (Ireland) Ltd., Dublin/Ireland	100.0	51,144	6,402	12,871	134,530	708
SICUP SNC, Sarreguemines/France	100.0	57,448	– 24,003	15,922	460,639	2,321
Société des Flexibles Anoflex SA, Caluire/France	99.9	32,827	– 31	1,572	164,895	973
Uniroyal Englebert Textilcord S.A., Steinfort/Luxembourg	100.0	48,342	7,336	10,068	102,198	247
Uniroyal Englebert Tyres Ltd., Newbridge/UK	100.0	– 126	5,594	8,319	175,712	1,002
II. Associated companies						
Compania Ecuatoriana del Caucho, Cuenca/Ecuador	35.8	24,979	4,254	6,195	88,125	
Drahtcord Saar GmbH & Co. KG, Merzig/Saar	50.0	22,822	1,822	1,938	119,583	
KG Deutsche Gasrusswerke GmbH & Co., Dortmund	32.1	16,500	1,500	1,500	106,611	
SAVA-Semperit, Kranj/Slovenia	27.8	169,671	876	126	188,455	

A complete list of the companies of the Continental Corporation and those of Continental Aktiengesellschaft has been filed with the Commercial Register of the Hanover District Court. The list is also available for inspection by the shareholders of Continental Aktiengesellschaft at the Company's business premises.

* After profit/loss transfer

Continental Corporation
Ten Year Survey

		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Balance sheet											
Fixed assets and investments	DM million	764.9	1,075.3	1,063.6	1,647.0	1,794.9	1,998.5	2,853.4	3,416.9	3,554.3	3,813.5
Current assets	DM million	1,200.8	1,761.9	2,029.5	3,156.2	3,660.0	3,407.4	3,314.2	3,232.4	3,503.5	3,318.3
Balance sheet total	DM million	1,965.7	2,837.2	3,093.1	4,803.2	5,454.9	5,405.9	6,167.6	6,649.3	7,057.8	7,131.8
Shareholders' equity	DM million	522.2	638.4	808.0	1,515.8	1,657.9	1,725.3	1,742.2	1,514.7	1,617.1	1,699.0
Long-term debt	DM million	692.6	965.2	998.9	1,541.6	1,644.3	1,598.6	1,995.6	2,533.1	2,720.3	2,564.5
Capital expenditure on property, plant and equipment	DM million	149.8	253.9	284.8	300.1	447.7	532.4	689.5	829.3	709.3	624.1
Equity ratio	%	26.6	22.5	26.1	31.6	30.4	31.9	28.2	22.8	22.9	23.8
Long-term financing of fixed assets, investments and inventories	%	91.2	86.3	103.8	118.6	113.6	103.7	89.6	89.0	90.0	86.3
Total indebtedness	DM million	594.0	992.5	741.2	672.7	826.4	929.5	1,545.9	2,152.9	2,416.8	2,289.5
Self-financing ratio	%	143.5	113.1	126.7	150.9	112.3	94.4	68.1	52.1	133.8	86.4
Liquidity ratio	%	82.1	76.4	104.3	134.7	119.9	105.0	77.1	74.6	76.5	68.3
Statement of income											
Sales	DM million	3,534.0	5,003.3	4,968.6	5,097.6	7,905.8	8,381.9	8,551.0	9,376.9	9,689.9	9,369.1
Foreign markets' share	%	40.1	49.9	48.3	47.5	64.3	65.0	61.8	62.8	63.9	65.4
Cost of sales[1]	%				71.1	74.6	74.7	75.9	74.7	73.2	74.1
Selling expenses[1]	%				14.9	13.1	14.0	14.7	14.8	15.0	15.5
Administrative expenses[1]	%				7.0	6.4	5.7	5.9	6.5	6.7	7.3
EBIT	DM million	165.9	254.3	333.6	321.0	421.0	476.7	298.8	334.8	468.3	293.2
Cost of materials	DM million	1,569.4	2,311.8	1,981.9	2,027.5	3,111.7	3,298.8	3,530.3	3,655.3	3,918.2	3,464.6
Personnel expense	DM million	1,334.8	1,693.8	1,778.5	1,878.4	2,532.2	2,724.8	3,028.5	3,236.4	3,343.3	3,293.1
Depreciation	DM million	150.8	205.5	229.4	263.8	375.8	367.5	378.0	531.0	502.6	556.9
Cash flow	DM million	204.9	303.5	375.9	464.0	623.4	604.9	510.0	526.1	701.4	578.9
Value added	DM million	1,519.0	1,982.4	2,161.8	2,267.4	3,051.0	3,319.0	3,455.0	3,319.8	3,725.2	3,589.9
Net income/loss	DM million	41.2	77.2	114.5	138.8	194.8	227.8	93.4	– 128.2	133.0	65.1
Employees											
Annual average	000	26.3	31.7	31.9	32.3	45.4	47.5	48.8	51.4	50.9	50.4

[1] As a % of sales

Continental Aktiengesellschaft
Ten Year Survey

		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Balance sheet											
Fixed assets and investments	DM million	677.7	750.0	761.7	1,358.3	1,409.5	1,889.3	2,289.3	2,074.2	2,203.5	2,297.9
Current assets	DM million	527.0	631.4	741.0	1,115.2	1,133.9	770.1	843.2	735.5	872.4	904.9
Balance sheet total	DM million	1,204.7	1,381.4	1,502.4	2,473.5	2,543.4	2,659.4	3,132.5	2,809.7	3,075.9	3,202.8
Shareholders' equity	DM million	480.6	499.2	667.1	1,567.2	1,601.3	1,641.1	1,620.4	1,162.4	1,189.9	1,334.4
Long-term debt	DM million	413.7	457.8	402.0	375.3	344.4	367.4	354.9	327.1	484.4	680.0
Capital expenditure on property, plant and equipment	DM million	85.4	102.2	102.6	119.7	138.5	135.7	154.2	183.5	194.8	179.5
Equity ratio	%	39.9	36.1	44.4	63.4	63.0	61.7	51.7	41.4	38.7	41.7
Long-term financing of fixed assets, investments and inventories	%	94.7	90.9	105.5	122.8	116.7	92.8	76.1	62.0	64.5	79.4
Total indebtedness	DM million	233.7	250.5	192.9	+ 139.6	+ 171.0	99.1	604.1	863.8	1,037.2	659.2
Self-financing ratio	%	102.0	78.9	146.6	31.5	103.5	35.0	26.8	53.2	91.3	79.6
Liquidity ratio	%	81.5	74.7	117.0	192.7	163.6	69.7	40.3	25.8	30.1	54.0
Statement of income											
Sales	DM million	2,079.3	2,312.9	2,391.0	2,423.1	2,813.3	3,040.8	3,066.4	3,271.6	3,334.4	2,244.1
Foreign markets' share	%	33.4	34.4	35.4	36.2	36.8	38.1	36.0	36.9	37.4	34.6
Cost of sales[1]	%				80.4	80.4	81.5	83.3	81.0	82.4	86.7
Selling expenses[1]	%				7.9	7.1	7.1	7.3	7.4	7.6	7.9
Administrative expenses[1]	%				7.4	6.5	5.7	5.8	5.7	5.8	5.4
EBIT	DM million	83.2	115.2	167.1	159.6	165.7	172.3	198.6	290.5	224.5	154.6
Cost of materials	DM million	998.0	1,152.2	1,107.2	1,088.6	1,392.1	1,542.2	1,579.4	2,042.6	2,107.0	1,320.5
Personnel expense	DM million	790.0	846.7	895.2	928.6	924.5	960.6	1,023.7	632.1	642.4	585.5
Depreciation	DM million	85.5	105.5	111.2	121.8	134.9	129.9	130.7	139.6	167.8	169.9
Cash flow	DM million	120.7	158.1	209.9	263.4	262.4	282.5	224.1	303.0	273.5	211.8
Value added	DM million	886.2	971.4	1,071.9	1,122.2	1,129.8	1,182.8	1,232.3	320.0	804.8	740.1
Net income/loss	DM million	18.3	37.2	55.0	55.8	80.9	81.2	42.2	– 417.1	38.0	71.2
Dividend paid	DM million	17.9	29.9	37.5	48.0	69.2	69.6	35.1	–	–	36.1
Employees											
Annual average	000	15.4	15.5	15.4	15.3	15.1	15.9	16.1	8.8	8.4	7.5

[1] As a % of sales

Selected Financial Terms

Authorized capital. The figure given for the authorized capital is the maximum amount to which the Executive Board, with the approval of the Supervisory Board, can increase the capital stock by issuing new shares.

Cash flow. Cash flow is computed on the basis of the → DVFA/SG earnings formula. It is made up of net income, plus depreciation, plus/(less) increase/(decrease) in special reserves, plus the allocation to provisions for pensions, plus/(less) aperiodic expenses/(income) and changes in taxed provisions. As a rule, we use our cash flow for capital investments and dividend payments, as well as for debt repayment.

Conditionally authorized capital. This item indicates the amount up to which holders of convertible debentures or option rights can acquire newly issued shares of a company and thereby participate in a capital increase previously authorized at the shareholders' meeting.

Corporation. The term Corporation as used in this annual report is an economic entity, consisting of several legally independent companies that are under the uniform control of a parent company. The parent company can exercise the control function because it is entitled to a majority of the votes or because it can appoint a majority of the members of an administrative, management or supervisory body or because of a control agreement concluded with the company.

Debt ratio. The debt ratio is the ratio of net indebtedness (borrowings less provisions for pension plans, monetary current assets and advances from customers) to the → cash flow. It indicates how quickly the net indebtedness can be paid back from the → cash flow.

Deferred taxes. Income taxes to be paid by a company are computed according to its taxable income. When this income is different from that shown on the published balance sheet, then taxes will be either too high or too low with respect to the published earnings. An accounting adjustment for deferred taxes is established to compensate for the difference in those cases in which it is clear that the difference in question will be eliminated in the course of time. A provision for deferred taxes is established if less tax has been paid than would be due on the basis of the published earnings. The difference may (but need not) be entered on the asset side if too much tax has been paid. If, upon consolidation, the consolidated income is too high or too low in comparison to the consolidated income tax expense, deferred taxes are included in the consolidated financial statements. In contrast to individual financial statements, the consolidated financial statements must show a positive deferred tax balance on the asset side, if it is the result of consolidation measures.

DVFA/SG earnings. Computation of earnings per share according to DVFA/SG is based on a joint recommendation of the DVFA (German Assocation of Financial Analysts and Investment Counselors) and SG (Schmalenbach-Gesellschaft, German Business Administration Company).
The objective of this computing method is to eliminate the effects of extraordinary and aperiodic influences on the earnings of corporations listed on the stock exchanges.

EBIT. Earnings before interest and taxes. In this annual report, EBIT is understood to be the net income from regular business activities adjusted by the net interest expense.

Equity ratio. The equity ratio is the ratio of the shareholders' equity, including the equity portion of special reserves, to total assets.

Indebtedness. Indebtedness is computed by deducting liquid assets from interest-bearing liabilities.

Liquidity ratio. The liquidity ratio is the ratio of monetary current assets (current assets minus inventories) to short-term liabilities (due in less than 1 year).

Long-term financing. The extent to which property, plant and equipment plus inventories are financed by shareholders' equity and long-term borrowings provides information about the company's long-term financing. If the ratio exceeds 100%, the long-term financing of property, plant and equipment plus inventories is considered adequate.

Net operating income. This is understood to be the net income before net income from investments and financial activities, extraordinary charges and income taxes.

Return on shareholders' equity. The return on shareholders' equity is defined as the ratio of net income to shareholders' equity plus the equity portion of special reserves.

Self-financing ratio. This item shows to what extent the additions to fixed assets and investments are financed from funds generated by the company itself (→ cash flow).

This Annual Report is also published in German. A shorter version is available in German, as well.

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