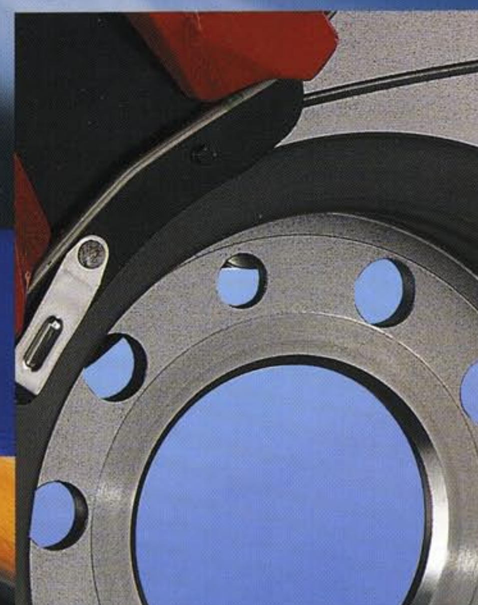
Annual Report 1999



Continental has set a firm direction: Growth in high performance, cost leadership, and streamlining of the portfolio in the interest of our shareholders, customers and employees. In 1999 the Company clearly lived up to these demands.
By cross-linking its core areas of expertise, Continental is continuing its course as a systems supplier, priming itself for future gains in the return on capital.

Continental

Report on 1999, the Company's 128th Fiscal Year

Continental Corporation at a Glance

Amounts in millions of €	1995	1996	1997	1998	1999
Sales	5,242.0	5,333.1	5,719.4	6,743.2	9,132.2
Earnings before interest and taxes	198.2	268.0	320.4	380.3	511.3
Net income	79.4	98.4	164.5	138.2	234.7
Dividend	24.0	29.0	41.0	47.0	58,8[1]
Cash flow	378.2	416.5	490.9	567.0	849.7
Debt ratio	2.7	2.0	0.6	3.4	2.0
Capital expenditure, on property, plant and equipment	302.3	282.0	282.6	416.3	581.5
Depreciation, amortization and writedowns[2]	282.6	311.5	306.8	395.7	576.5
Shareholders' equity	866.9	951.2	1,381.8	1,329.1	1,760.6
Equity ratio in %	25.3	27.8	35.3	19.6	23.8
Employees at year-end[3]	47,918	44,767	44,797	62,357	62,155
Share price (high) in €	11.95	14.60	25.95	31.85	26.95
Share price (low) in €	9.61	10.40	14.11	16.75	17.99

1) subject to the approval of the Annual Shareholders' Meeting on May 19, 2000
2) excluding writedown of investments
3) excluding trainees

The consolidated financial statements for 1998 and 1999 were prepared in accordance with US GAAP, and those for 1995 to 1997 in accordance with the German Commercial Code (HGB).

Continental Tires

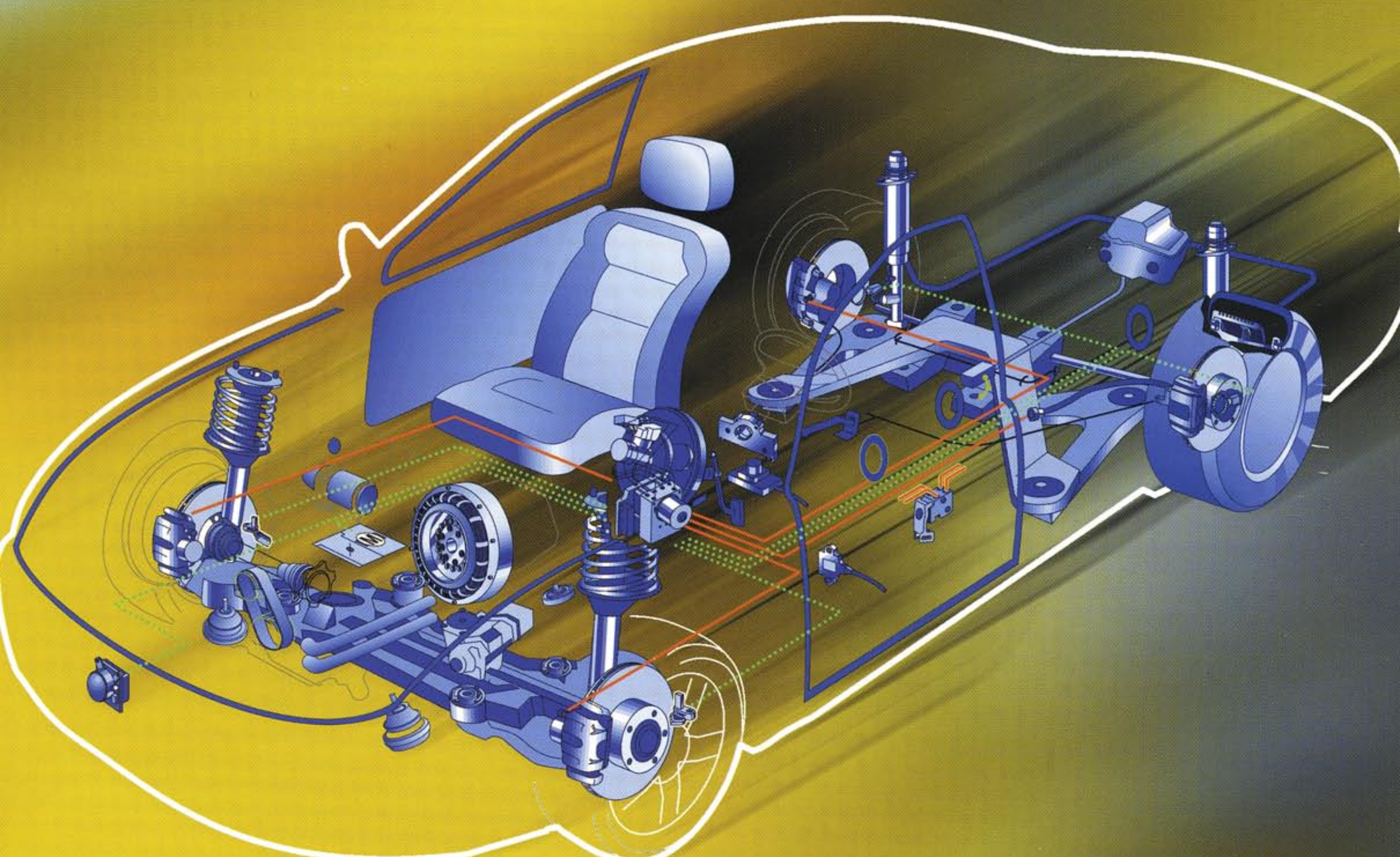
- Tires for passenger cars
- Tires for commercial vehicles
- Industrial tires
- Agricultural tires
- Bike tires

Continental Automotive Systems

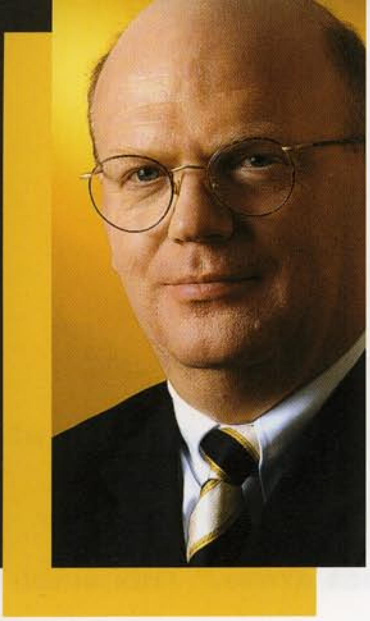
- Axle modules, corner modules
- Anti-lock braking systems (ABS)
- Traction control systems (TCS)
- Electronic stability programs (ESP)
- Foundation brake
- Sensors
- Integrated starter alternator damper (ISAD)
- Air suspension and ride control systems
- Tire pressure monitoring
- Adaptive cruise control (ACC)

ContiTech

- Power transmission systems
- Gasoline injection diaphragms
- Engine and suspension mounts
- Brake and steering components
- Air spring components and systems
- Weatherseals and guide strips
- Fluid technology
- Vehicle interiors



Continental is on its way! "We make individual mobility safer and more comfortable." That's the first sentence of our vision standing at the head of our guidelines, which we refer to as "Basics". "We will be the global technology leader in all our business areas." This ambitious course of action will ultimately lead to Total Chassis Management – that is, to the systems business on the highest level. By cross-linking our potential, we will create greater value than the individual Groups could achieve by themselves.



Dear Shareholders and Friends of Continental,

1999 was a year of radical change. From a company concentrating on tires, with a vigorous business in industrial products, Continental transformed itself into a first-tier supplier, whose success will no longer be dependent on a single component – tires – but be based more and more on systems and modules for the worldwide automotive industry.

Earnings Up for the Sixth Straight Year

In the 1999 financial statements, we are presenting, for the sixth time in a row, advances over the previous year in both sales and earnings. Sweeping changes such as a strategic re-orientation or a switch in executive responsibilities often lead to aberrations, which are in turn reflected in the corporate figures. These troughs, so commonly experienced in the history of a company, did not occur at Continental.

Brake Business Surpasses Expectations

This success is the result of our persistent efforts to achieve cost and technological leadership and of our strategy – initiated back in 1994 with the establishment of the Continental Automotive Systems Group – to provide Continental with a more comprehensive product spectrum for the automotive industry. The acquisition of the Teves chassis business has given new impetus to this strategic thrust.

1999 was our first full fiscal year with Continental Teves. During these twelve months, we brought this unit to an improvement in earnings considerably in excess of what we had expected when we signed the purchase agreement in 1998.

Three Strong Foundations for the Corporation

The Corporation is based on three fields of activity that are technically superior and financially strong in their traditional markets. However, tires, industrial products and chassis systems do not derive their strength exclusively from their own performance capability. Our unique power comes from the cross-linking of the three Groups.

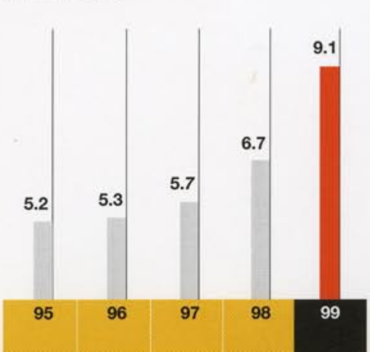
For us, cross-linking means more than the pursuit of synergies, for our chassis skills were not created merely by the addition of tire and brake know-how. Today, the cross-linking of our resources is producing new approaches, trail-blazing technologies and, as a result, enhanced value.

Since the precise technique of combining these elements is so decisive for our success, we are currently paying great attention to coexistence and cooperation in the individual units and in the Company as a whole. Let me describe two projects that are vital parts of this effort:

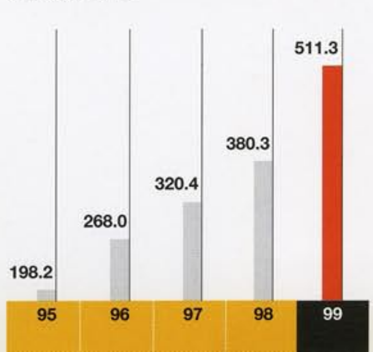
Cross-Linking Projects Develop Unique Potential

In 1999, we concluded the first stage in a process leading to our new corporate policy guidelines, the "Basics", in January 2000. At the same time, we formulated the Continental Vision, the text of which you have already encountered on the inside front cover of this report. The Basics define and express our vision of becoming the world's leading expert in chassis technology and the way we intend to proceed in accomplishing it. This process has met with a solid consensus and widespread support throughout the Company. You will find the details in the chapter on "Our Employees".

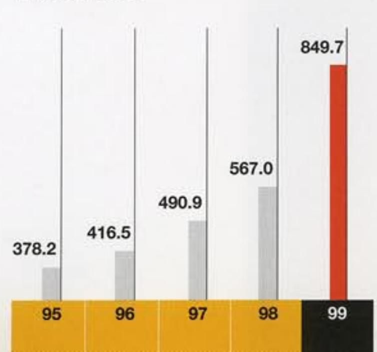
Consolidated sales
In billions of €



Earnings before interest and taxes
In millions of €



Cash flow
In millions of €



The second unprecedented project consists of an ambitious plan, drawing on all the technological resources of our Company, to significantly reduce the stopping distance of a mass-produced car in the lower mid-size category.

'99 Figures Show Improvement

The projects described above are key elements in our plan to become a systems integrator for the automotive industry. The figures for 1999 again reflect growth in volume, an upgraded product mix and successful ongoing campaigns to increase efficiency. Except for the tire dealers, all our major units operated at a profit. Thus, the turnaround in commercial vehicle tires that occurred in 1998 was confirmed, and, despite a year-long strike, our U.S. company Continental General Tire reported a positive result.

In the Passenger Tire Group we are especially proud of our record business in snow tires. The Group also succeeded in shutting down its Newbridge plant more quickly and inexpensively than had been planned. The conversion of our information systems to the year 2000 presented no problems and was remarkably cost-efficient.

Another positive highlight of 1999 was the startup of mass production for the electronic stability program (ESP) at Continental Teves, following the decision of a big customer to equip all its vehicles in Central Europe with this device. ContiTech continued its systematic shift of attention to more profitable businesses and significantly outperformed the set targets.

New Companies Successfully Integrated

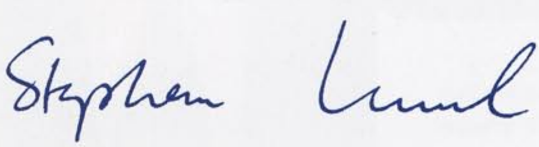
Integration of the new tire and chassis subsidiaries has been successfully completed. The Corporation's sales will rise to just under € 10 billion in the year 2000, compared with € 9.1 billion in 1999, and it will have over 62,000 employees. We have thus reached a new dimension, positioning ourselves for further profitable growth, even though business conditions are becoming more difficult.

On behalf of the Administration, I take pleasure in inviting you to the Annual Meeting of Shareholders on Friday, May 19, 2000. If, as in the past, the Meeting approves our proposal, we will be paying a higher dividend for 1999 – for the fifth successive year!

At this point, I would like to extend our thanks to Dr. Hubertus von Grünberg on behalf of the entire Executive Board. In his capacity as Chairman of the Board, he started by steering Continental AG into safe waters, and then continued to lead the Company to profitable growth. It was his initiative that gave Continental the strategic options it can enjoy today – options that open up additional sales and earnings potential through the integration of the tire as part of the vehicle chassis.

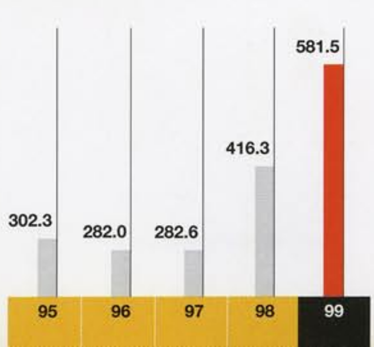
We thank all our employees for their performance and dedication and our shareholders for their confidence in our Company.

Sincerely,

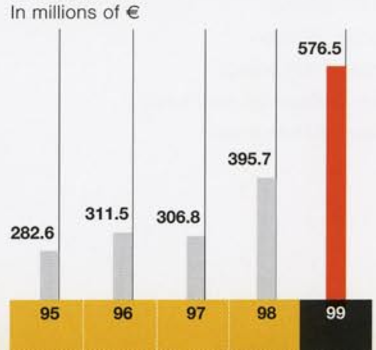


Stephan Kessel
Chairman of the Executive Board

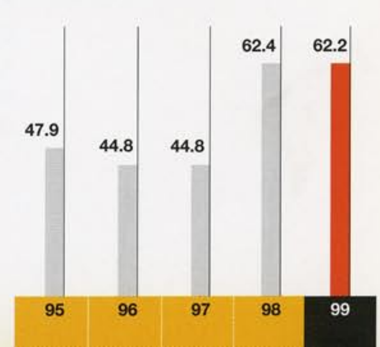
Capital expenditure
In millions of €



Depreciation, amortization and writedowns
In millions of €



Employees (at year-end)
In thousands, excluding trainees



"Our earnings have improved for the sixth year in succession. Still greater focus on cash flow and return on capital will result in our significant outperformance of the level already achieved."

Klaus Friedland
Executive Board
Finance, Controlling,
Human Resources and Law,
Director of Personnel

Review of the Fiscal Year

1999 was a very successful year for Continental. The Corporation's earning power continued to improve. Sales increased by € 2.4 billion to € 9.1 billion (+35%). Operating income or earnings before interest and taxes (EBIT) rose by € 131 million to € 511 million (+ 34%). All the Groups contributed to this growth.

Changeover to U.S. Accounting Principles

The consolidated financial statements for 1999 have been prepared throughout, for the first time, according to U.S. Generally Accepted Accounting Principles (US GAAP). For purposes of comparison, the figures of the previous year have been adjusted accordingly. During the past few years, a distinct trend emerged, in Western Europe in general and in Germany in particular, first, to publish financial statements according to International Accounting Standards (IAS) and then, increasingly, according to the US GAAP. For a number of important readers, consolidated financial statements that follow the American accounting principles are considered more meaningful.

Since the new Section 292a of the German Commercial Code gives us the option to prepare consolidated financial statements according to accounting principles other than those of the Commercial Code, we have met the requests of the capital markets and prepared our annual financial statements this year according to the US GAAP, and supplemented this report with the data pursuant to Section 292a, Commercial Code. This will enable us to improve our competitive position in the international capital markets, and the internationalization of our accounting principles becomes a logical consequence to the globalization of our business activities. The changeover to the new accounting principles led, from an accounting viewpoint, to a net increase in taxes in 1998 of € 32.8 million due to the capitalization of deferred taxes on tax loss carryforwards, in particular at Continental AG, as well as other effects. Goodwill amortization for 1998 is also charged to income at € 28.6 million. As a result, earnings after taxes rose by a total of € 138.2 million to € 234.7 million (+69.8%) in 1999.

Further Increase in Income

For the sixth year in succession, Continental's earnings improved significantly. Since 1993, the year of crisis for the automotive industry, our earnings have increased more than sevenfold. The positive trend in the three tire Groups during the past few years made a major contribution. The gain in 1999 is primarily the result of the successful integration of Continental Teves, whose earnings exceeded our original expectations during the acquisition phase.

Earnings Before Interest and Taxes (EBIT)

In millions of €	1999	1998
Passenger Tires	270.4	240.6
Commercial Vehicle Tires	47.8	49.2
Continental General Tire	73.8	62.9
ContiTech	129.8	78.2
Continental Automotive Systems	58.7	– 4.9
thereof Continental Teves*	156.1	32.2
Other	– 69.2	– 45.7
Continental Corporation	511.3	380.3

* before goodwill amortization

Fifth Consecutive Dividend Increase

A further increase in earnings has made it possible to recommend to the Annual Meeting of Shareholders a dividend of 18% for 1999, compared with 16% for 1998. This is equivalent to € 0.46 (1998: € 0.41) per no-par-value share.

The dividend is not accompanied by a German corporate income tax credit, since only profits of non-German consolidated companies will be used, almost all of which stem from previous years.

At € 327.4 million, the capital stock entitled to the dividend is considerably higher than in the previous year, so that € 58.8 million will be required for the distribution, compared with the € 47.0 million paid out for 1998. As a result, the payout will amount to 25.1% of consolidated net income, as against 34.0% in the previous year.

World Economy Restabilized

Thanks to strong growth in the U.S.A. and a recovery in Asia (with the exception of Japan), 1999 was an extremely good year for the world economy. The trend in Europe was slightly below average, due primarily to the relative weakness in Germany. Japan and Latin America continue to have considerable problems in overcoming the crises that occurred in 1998.

Automotive Industry
General forecasts for the automotive industry were somewhat skeptical at the beginning of 1999. However, the number of passenger car registrations ultimately reached record highs, with 15.1 million vehicles (1998: 14.4 million) registered in Western Europe and 17.6 million (1998: 16.0 million) in the NAFTA area.

Consolidated Sales Increase Significantly
In response to the further boom in the automobile industry, Continental was able to increase its sales by 35.4% to € 9.1 billion, based on its high share of deliveries for successful models and manufacturers. The consolidation of Continental Teves for the entire year had a particularly strong effect on sales. In addition, our tire activities in Mexico and South Africa were included for the first full year. All our Groups contributed to the 1999 sales increase. Without the companies fully consolidated for the first time for the whole year, sales would have risen by 3.9%.

Sales

In millions of €	1999	1998
Passenger Tires	2,546.9	2,389.3
Commercial Vehicle Tires	879.1	759.2
Continental General Tire	1,494.3	1,229.5
ContiTech	1,715.8	1,704.1
Continental Automotive Systems	2,543.8	629.4
thereof Continental Teves	2,480.0	582.4
Other	– 47.7	31.7
Continental Corporation	9,132.2	6,743.2

Continental Teves Successfully Integrated
The success of Continental Teves in 1999 exceeded our expectations during the acquisition phase. Indeed, as a result of Continental's skillful management, the company clearly surpassed the targets set by the former owners.

Number of Employees Virtually Unchanged
The number of employees remained approximately at the previous year's level. Reductions – due, for example, to the shutdown of the plant in Newbridge, Scotland, and the sale of a plant in Überherrn, Germany, – were offset by new hirings and the addition of the Puchov plant in Slovakia.

Procurement
Worldwide, the Continental Corporation spent € 5.1 billion for the purchase of goods and services. In the first half of 1999, the price of natural rubber in U.S. dollars was at a historically low level due to the economic and political situation in Southeast Asia. All other raw material prices remained stable up to the third quarter.

This was followed by price increases initiated by the rising price of oil, the weakness of the euro and heavy gains in the price of natural rubber.

€ 625.6 Million Spent for Property, Plant and Equipment and Software
To secure Continental's future, funds in the amount of € 687.2 million were approved during the fiscal year for future expenditure on property, plant and equipment and software.

For the Corporation as a whole, these capital expenditures rose to € 625.6 million, compared with € 461.5 million in 1998. The capital investment ratio was 6.9% (1998: 6.8%).

Capital Expenditure on Property, Plant and Equipment and Software

In millions of €	1999	1998
Passenger Tires	185.8	183.1
Commercial Vehicle Tires	61.6	43.1
Continental General Tire	111.8	75.6
ContiTech	106.2	99.7
Continental Automotive Systems	155.9	54.4
thereof Continental Teves	140.7	49.5
Other	4.3	5.6
Continental Corporation	625.6	461.5

€ 374.2 Million for Research and Development
R&D expenditures, on which successful and new products are based, rose to € 374.2 million (1998: € 267.1 million), or 4.1% of sales.

The Continental Share

During the 1999 trading year, the trend in the price of the Continental share by no means reflected the extremely gratifying development of the Corporation. It closed the year at a price more than 16% lower than on the last trading day of 1998. On February 16, 1999, it reached its high for the year, at € 26.95.

Automotive Stocks Under Pressure

The focus of investors on the New Market – on telecommunications and internet shares – and the consolidation anticipated among automotive suppliers have exerted constant pressure on automotive shares. This applies in particular to the worldwide tire industry. Analysts are also increasingly concerned by the trend in raw material prices for the tire industry. This risk has traditionally been overestimated by outsiders, although there is admittedly a correlation between rising raw material prices and declining share prices in our industry.

Trend of the Continental Share

Compared with the DAX and MDAX, the decline in the price of the Continental share during 1999 corresponds to underperformances of 55% and 20.5%, respectively. Although the announced capital measures to finance the acquisition of Continental Teves put some negative pressure on our share price, stocks of the automotive industry, including the suppliers and, in particular, the other tire manufacturers, suffered bigger losses. By comparison, the Continental share did relatively well in the second half of the year, although the general trend is very unsatisfactory. The announcement of a 30% increase in earnings, the systematic shift of production to low-cost locations, an extremely successful first full year with Continental Teves based on the strong growth potential of the electronic stability program (ESP) and the completion of a prototype vehicle in which the ESP will be controlled by an intelligent tire with a sidewall torsion sensor (SWT), have caused the majority of analysts to make buy recommendations, but has not yet led to a reasonable valuation of the share.

Since the beginning of the year 2000, the share price has meanwhile plunged in line with the general trend of securities in the automotive sector; on March 17, 2000, it was € 19.00.

Capital Increase and Convertible Debentures

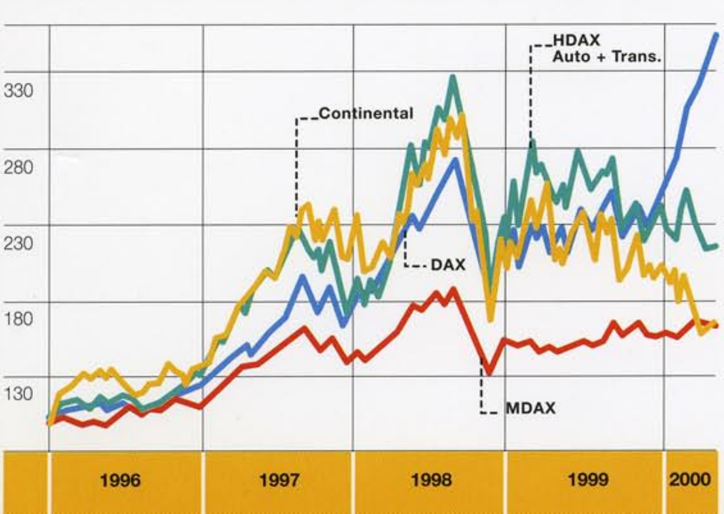
On May 19, 1999, we increased the capital by issuing 11.5 million shares at a price of € 21.50. The Company received a total of € 247 million from the capital increase.

Bonds in the amount of € 500 million with a term of seven years, issued by Continental Rubber of America on July 23, 1999, and convertible debentures in the amount of € 250 million with a term of five years, issued by Continental AG on October 25, 1999, together with the capital increase in May 1999, were used successfully for the long-term financing of the acquisition of Continental Teves.

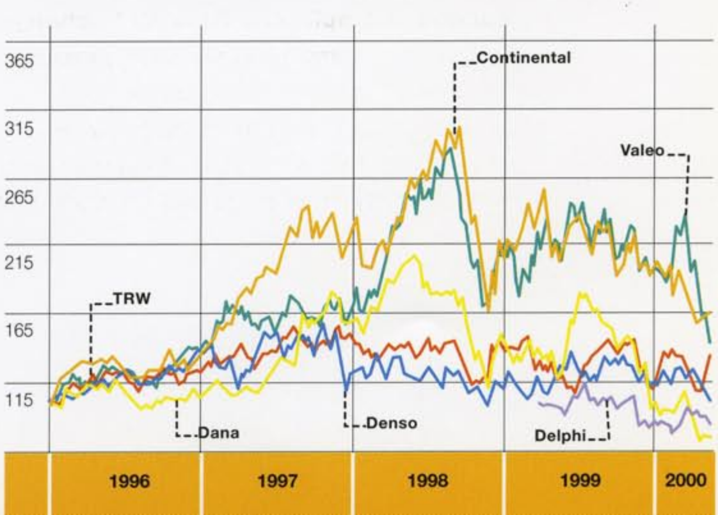
Investor Relations Further Intensified

During the past fiscal year, we intensified our contacts with investors and financial analysts, involving the operating management to an increasing extent in the discussions. The keen attention Continental received from the capital market in 1999 because of its announcement and implementation of various capital market

Share price development compared with DAX, MDAX/HDAX



Continental relative performance to automotive suppliers



Key Figures for the Continental Share

€ per share		1999	1998
Consolidated net income		1.91	1.20
Consolidated net income, diluted		1.83	1.15
Dividend		0.46	0.41
Shareholders' equity at 12/31		13.76	11.56
Stock market price at 12/31		19.55	23.26
High		26.95	31.85
Low		17.99	16.75
Number of shares, average	in millions	122.8	114.6
Number of shares at 12/31	in millions	127.9	115.0

transactions presented a special challenge. In November 1999, we organized a road show for institutional investors in Europe and the U.S.A. At numerous individual conferences, presentations and round-table discussions held by the automotive industry for analysts and fund managers – also during the International Automobile Show in Frankfurt – we explained Continental's new orientation toward Total Chassis Management.

For the first time, we presented a three-year comparison of the major items of the balance sheet and statement of income in our shareholder letters for the first three quarters, in order to give clearer information about the earnings of the various Groups.

Internationally Listed

The Continental share is listed on all eight German stock exchanges and three European floor-trading exchanges.

In London, the share price is quoted as part of the SEAQ (Stock Exchange Automatic Quotes) market-maker system. It is also traded under a sponsored ADR program in the OTC market in the United States. Insofar as it makes economic sense to recruit additional foreign shareholders for our Company, we will obtain access to other foreign exchanges.

Public Announcement Pursuant to Section 25, of the German Securities Trading Act (WpHG)

Pursuant to Section 21, Subsection 1, of the German Securities Trading Act (WpHG), Dresdner Bank AG, Frankfurt am Main, has informed us that, following our capital increase, the voting rights held by it on May 19, 1999 fell below the threshold of 5% of our Company's voting capital, and that it now has a share of 4.83% in the voting stock.

We published this announcement on May 28, 1999.

Outlook

A Stable Global Economy

In the year 2000, the U.S. economy is expected to contract slightly, but to remain at a high level. Europe should benefit in particular from the anticipated recovery in Germany. Japan and Latin America will do somewhat better than last year, but the precarious conditions in those regions are likely to continue. The rate of inflation is expected to climb worldwide; however, the increases should be moderate, compared with those in previous economic cycles.

Slight Decrease in Demand for Automobiles During 2000

A further slight increase is expected in Europe, in which Germany will participate only to a limited extent. Demand in the NAFTA region will probably show a slight decline, which, however, will have little effect on the German automotive industry. A positive image and a stronger dollar will help to improve its market share.

Continental on a Course of Expansion

The positioning of our products and the trend to higher-quality equipment, such as ESP, high-speed tires and snow tires, will more than compensate for the decrease in demand. Therefore, over the next few years, Continental will show profitable growth, with contributions from all our Groups. The potentials resulting from the acquisition of Continental Teves and the generous budget that we are making available for capital expenditures and R&D will provide us with a solid basis.

We are counting on steady internal growth, and we shall be extremely selective in making acquisitions to promote growth. For Continental, the decisive element in any acquisition is whether or not it will create values, and, in particular, its effect on return on capital, cash flow and indebtedness. ContiTech's concentration on specific business activities was already paying off in 1999. This trend will continue in 2000 and the subsequent years.

The move toward Total Chassis Management will give the systems business an added lift. In 2003, we should be delivering ISAD systems. We are expecting to deliver ESP/ABS braking systems controlled directly by intelligent tires in 2004. This breakthrough, which is already a reality today, will generate follow-up projects that will increase the delivery volume, which was still moderate in 1999, just as it was to begin with for ABS and ESP installations. We estimate that as early as 2004, one out of three passenger cars in Europe will be equipped with ESP. For the current year, we expect Continental Teves to be supplying close to 1.4 million units. By 2004, this figure should rise to a total of 3.5 million – or even more, if additional contracts are concluded.

Sales Development

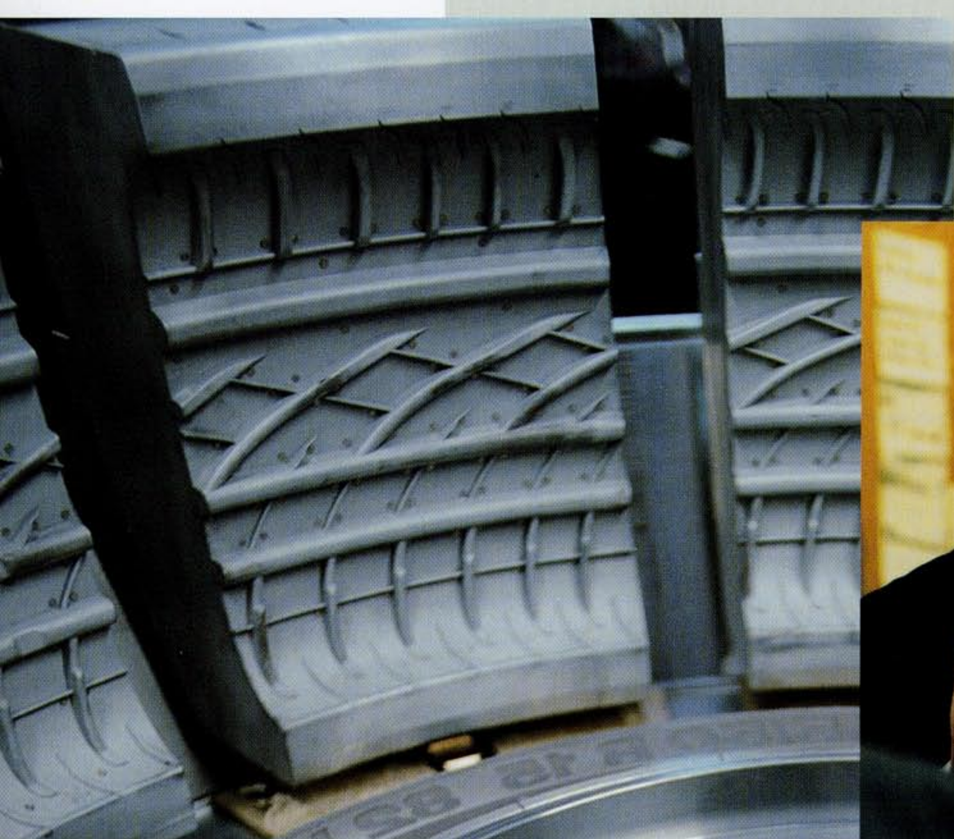
Based on current orders on hand, we expect the next years to show double-digit sales growth in the Continental Automotive Systems Group. For Tires and ContiTech, we are planning a continuation of their successful organic growth.

Capital Expenditure

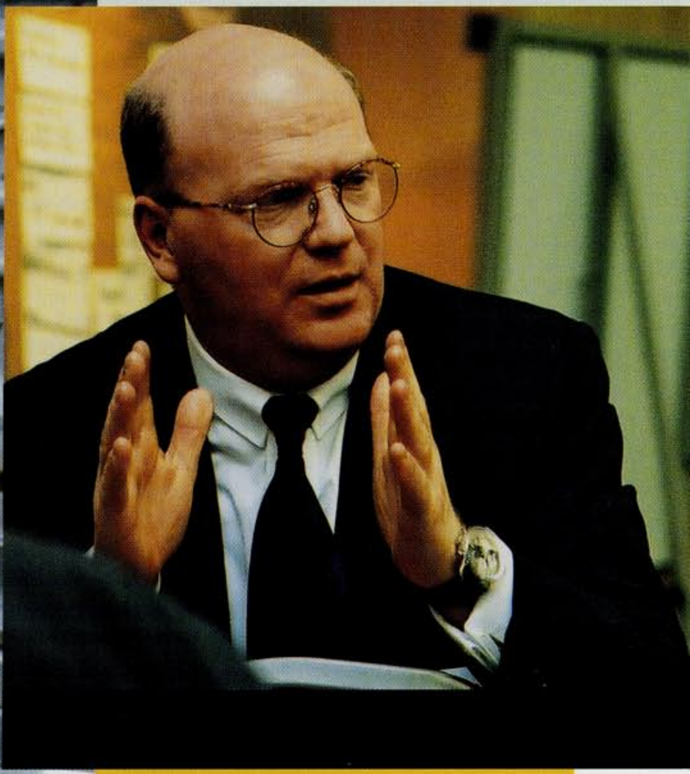
Capital expenditure on property, plant and equipment and software will, in the next few years, amount to about 5% to 6% of sales for the Tire and ContiTech Groups, and about 7% to 8% of sales for Continental Automotive Systems. For the Corporation as a whole, we are expecting these expenditures to total 6% to 7% of consolidated sales.

Earnings Prospects

For the year 2000, we anticipate a further disproportionately high increase in earnings versus sales growth. As things stand at present, the trend in the raw material market should not affect this forecast. The first weeks of the year 2000 have so far confirmed our expectations.



Tire mold for the new ContiPremiumContact

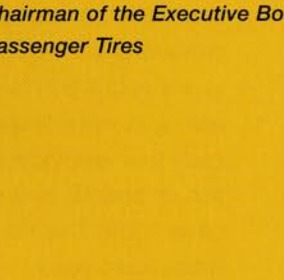


"We're placing our full trust in the high-performance tire segment. That's where we can exploit our role as technology leader and participate in the strong growth of this segment."

Stephan Kessel
Chairman of the Executive Board
Passenger Tires

Passenger Tire Group Sales by brand

Continental	**57%**
Uniroyal	**14%**
Semperit	**9%**
Gislaved/Viking	**6%**
Barum	**6%**
Other	**8%**



Passenger Tire Group

Sales of the Passenger Tire Group, including the dealer companies, amounted to € 2,547 million (1998: € 2,389 million), an increase of 6.6% over the previous year. Operating income (EBIT) rose by 12.4%, from € 240.6 million to € 270.4 million. This means that our medium-term goal of a 10% return on sales has already been reached. 1999 operating income is net of € 12 million spent in connection with the shutdown of the plant in Newbridge, Scotland, above and beyond the provision of € 26 million established in 1998.

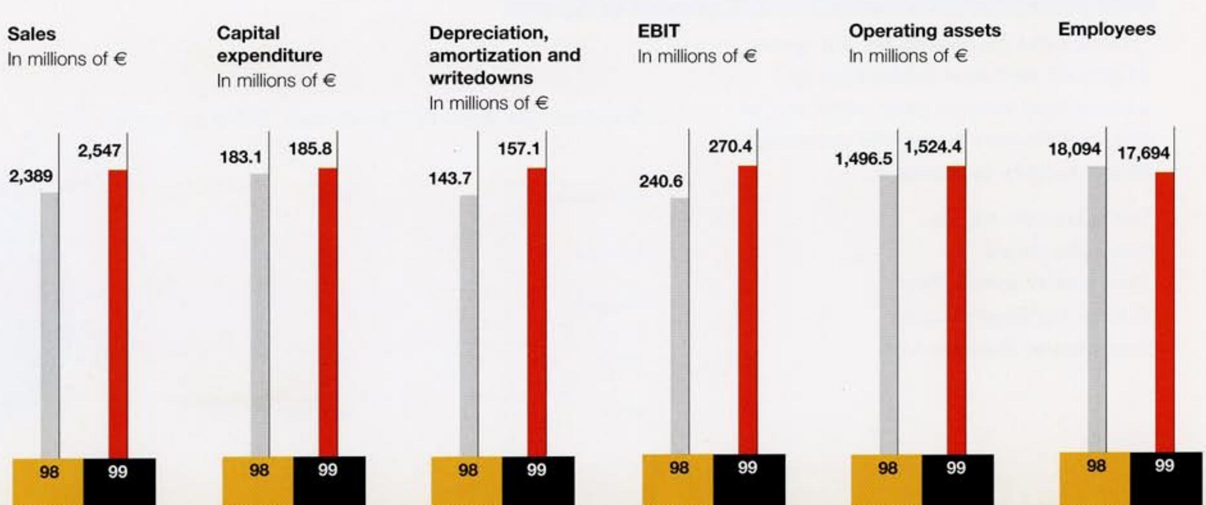
As in the previous year, business with the automotive industry expanded, with sales growing by 13% to € 467 million. The trend in the European replacement markets was also positive: Sales totaled € 1,464 million, for an increase of 5%. Particularly high gains in volume were recorded in Germany, Austria, Switzerland, France, Italy and Scandinavia.

The dealer companies boosted their sales by 6.7% to € 849 million (1998: € 796 million), but fell short of their earnings improvement goals. This was especially true of NTS in Great Britain and Vergölst in Germany. The other companies showed a positive income trend, as a result of the programs they initiated.

European passenger tire production was expanded from about 55 million units to about 58 million. In snow tires, we set another volume record, with about 13.5 million units sold, an increase of 20%. This confirmed our number one position in the European snow-tire market. The ContiWinterContact in the TS 780 and TS 790 versions received top ratings in the prominent trade journals. The Corporation's other brands, like Uniroyal, Semperit, Barum, Gislaved and Viking, also achieved high test scores. The high-performance segment, which consists of tires for the upper speed categories, also posted strong growth rates. Volumes of summer tires for speeds of 130 mph and up rose by almost 20%. We are assuming that by 2004, about half of all tires bought as replacements will have a speed index of more than 120 mph. The new ContiPremiumContact, which has been on the market since the spring of 2000, is a response to this trend. These tires, developed in close collaboration with the brake specialists at Continental Teves, permit a reduction of about one tenth in braking distance on wet and dry roads. They are also outstanding for economy and driving comfort.

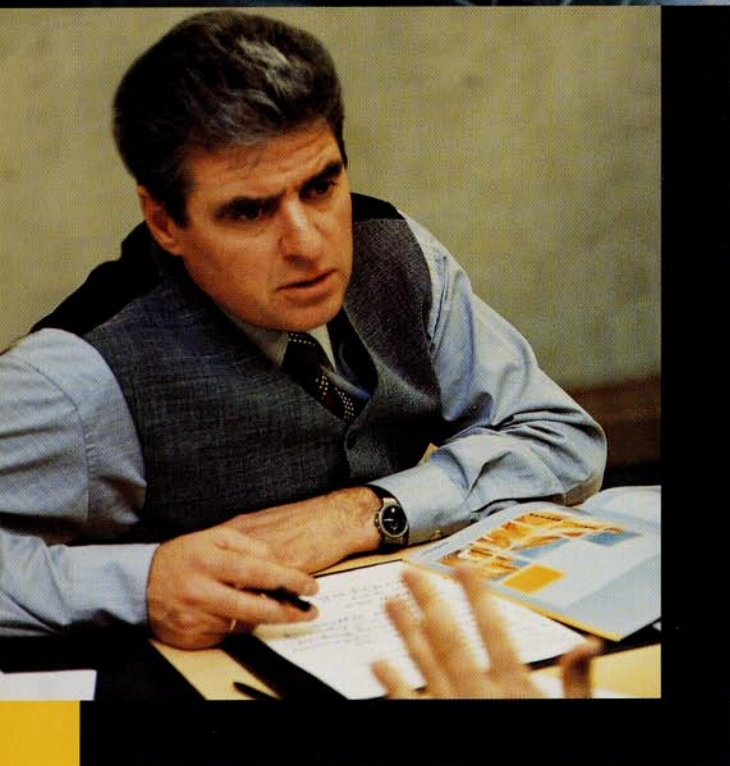
On February 19, 1999, we laid the cornerstone for a new passenger tire plant in Timişoara, Rumania, which will start production at the end of 2000. At full capacity, it will employ about 1,000 people and produce 10 million tires a year. Timişoara will supply mainly the Central European markets, with products that include the modules for the Modular Manufacturing Process (MMP). With this process, tires are made from prefabricated modules in small MMP factories close to the respective markets, permitting a quick reaction to current market requirements, especially for sizes made in small runs. MMP reduces the number of articles that need to be made at the other plants, so that they can concentrate on the more cost-efficient large-scale production runs. Three MMP sites will be set up in Europe. Our Austrian plant in Traiskirchen will be responsible for supplying the markets in the Southeast. An MMP factory for Western Europe is in the planning stage, but we are still looking for a suitable location in the North.

In Europe, passenger tires are produced in Germany, France, Austria, Portugal, Sweden, the Czech Republic and Slovakia.



Commercial Vehicle Tire Group

The **Commercial Vehicle Tire Group** increased its sales by 15.8%, from € 759 million in 1998 to € 879 million. Without the change in the scope of consolidation caused by Continental Tyre South Africa and Matador, sales would have been up 4.1%. For the Group as a whole, operating income (EBIT), at € 47.8 million, remained just below the previous year's figure of € 49.2 million. Earnings in 1998 had been positively influenced by the gain on the sale of our interests in Sava-Semperit, Kranj, Slovenia. Continental Matador, a Slovakian subsidiary in which we hold a 76% interest, will be the basis for a permanent improvement in earnings and,

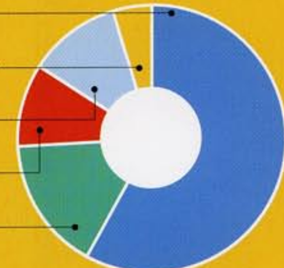


"We're right on course for our goals of growth and cost leadership in commercial vehicle tires, with one of the contributors being the expansion of our factory in Slovakia."

Hans-Joachim Nikolin
Executive Board
Commercial Vehicle Tires,
Quality and Environment,
International Business Unit

Commercial Vehicle Tire Group Sales by brand

Continental	**58%**
Uniroyal	**5%**
Semperit	**11%**
Barum	**10%**
Other	**16%**



accordingly, for the achievement of our medium-term goal of a 7% return on sales and an 11% return on capital.

Truck tires make by far the greatest contribution (two-thirds) to the Group's total sales. Unit sales of these tires rose to 3.56 million. Adjusted for changes in the scope of consolidation, this is equivalent to a gain of about 9%. The increase was due mainly to the replacement business. Above-average gains in volume occurred primarily in the big Western European markets of Germany, France and Scandinavia. In addition, since the capacities of Continental General Tire could not meet the demand, 540,000 tires were shipped to North America. In the markets outside Europe and North America, volumes grew by 9%.

600,000 tires were produced by our new joint venture with Matador in Slovakia. By the second half of 2001, its annual capacity will have been expanded to 1.5 million units. This will bring us much closer to our target of increasing the share of production at low-cost locations to 50%. Other manufacturing sites for commercial vehicle tires are located in Germany, Belgium, Austria and the Czech Republic.

To improve our competitiveness, we are currently upgrading all products of the Commercial Vehicle Tire Group. The first impressive result of this process – a new tire for trailers – will be launched in June 2000. Its principal advantage is a smaller diameter, which increases the loading height of the trailer, but it has the same load-carrying capacity and an even longer life. The tire can be mounted on existing vehicles, so conversion is inexpensive.

The industrial tire unit kept its earnings on the same high level as in the previous year, even though its sales contracted, due to the economic trend in the CEFTA countries.

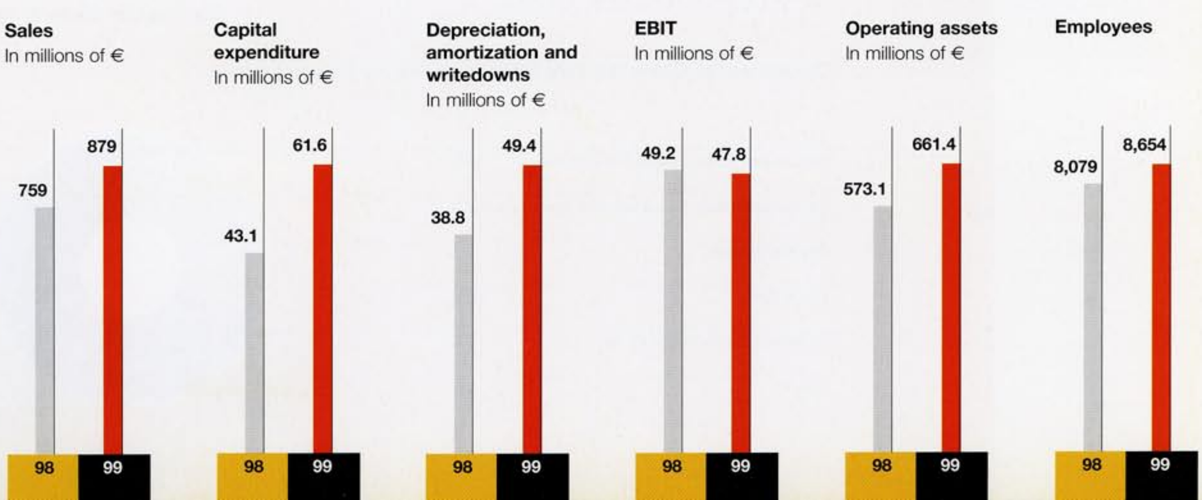
In order to secure and expand our strong market position in the industrial tire sector, we will be introducing a new tire for forklifts in spring 2000. With a radial construction, it is distinguished by high traction and a long service life.

The slump in the CEFTA region had a negative effect on agricultural tires as well. Nevertheless, net income once again improved substantially over the previous year. For farmers, we are offering a new special drive-axle tire which lasts 30% longer than its predecessors. It is gentle on fields and meadows and has a high resistance to abrasion on asphalt.

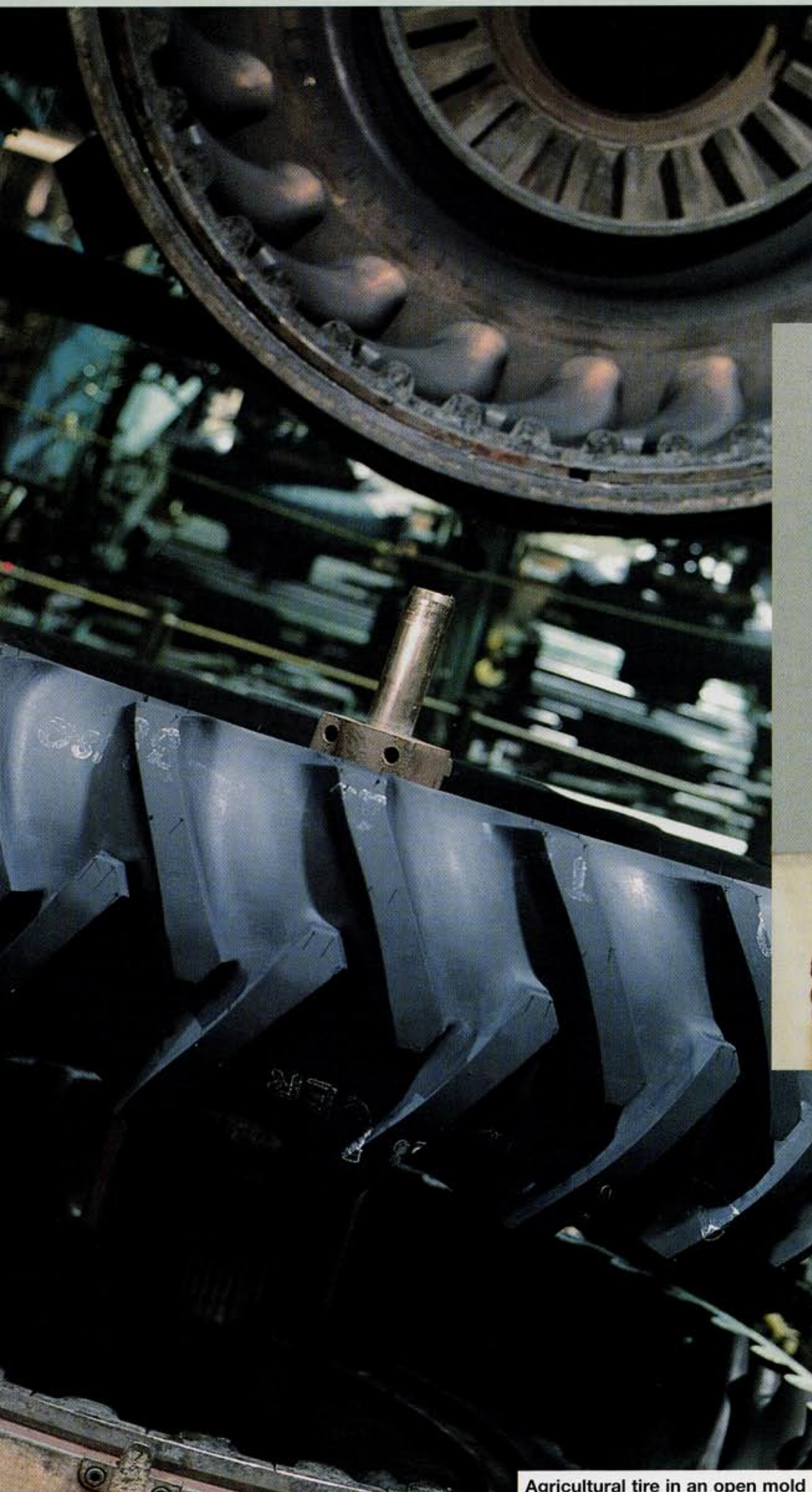
There was also a slight decline in the two-wheel tire unit's sales, but it, too, made a positive contribution to earnings. In July 1999, to secure cost and competitive advantages, we signed an agreement for the manufacture of bicycle tires and inner tubes in India. The Deutsche Telekom racing team has again selected Continental-brand bicycle tires for the year 2000. Three other teams have also chosen Continental Tires, so that Continental is now the official equipment supplier and technological partner for no less than four Tour de France teams.

The Conti International unit had a good year, with strong increases in both sales and earnings. Continental Tyre South Africa, acquired in the previous year, made a substantial contribution to this result as expected. Conti International has set up a round-the-clock flat-tire service for truck drivers in South Africa and Australia on the basis of the one already operating successfully in Europe.

In December 1999, to strengthen brand recognition in new markets, we launched a truck race in South Africa. It was the first time that such an event had been held on that continent. Our major customers from the commercial vehicle industry participated in the race, and all the vehicles were equipped with Continental racing tires. In the 2000 season, the European teams will be provided with a new generation of truck racing tires with even better performance features.

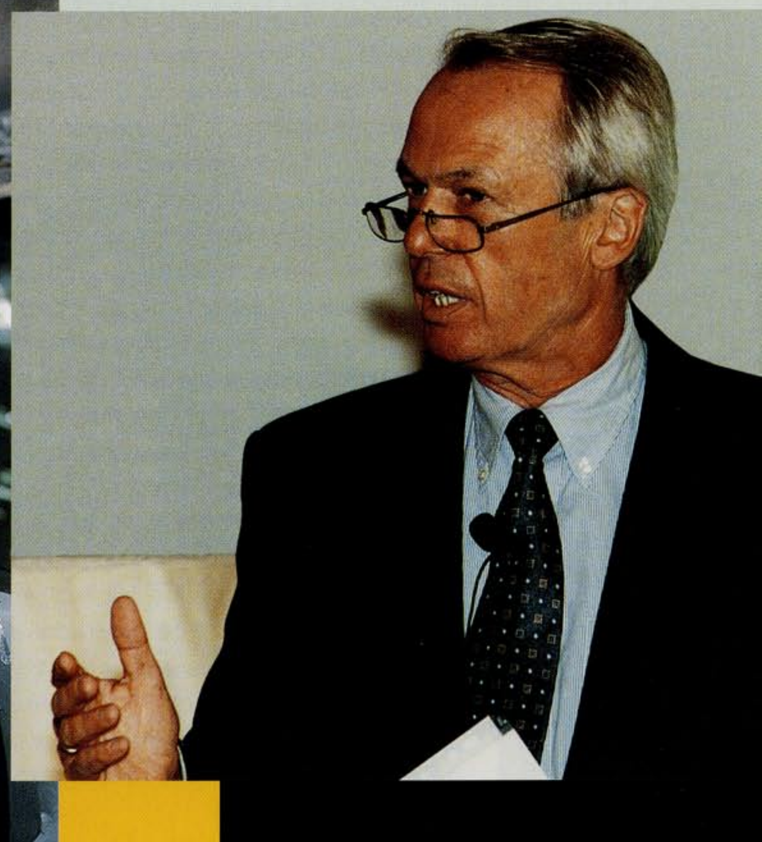


Continental General Tire Group



Agricultural tire in an open mold

With sales of € 1,494 million, up from € 1,230 million in 1998, the Continental General Tire Group recorded a gain of 21.5% over the previous year. Taking into account exchange-rate adjustments and disregarding changes in the scope of consolidation due to Mexico, sales rose by 1.8%. Despite the long strike at the Charlotte facility, operating income (EBIT) improved by 17.3% from € 62.9 million to € 73.8 million. However,



"Settlement of the strike in Charlotte (U.S.A.) has put us in a stable position thanks to the labor costs being defined for a period of six years. This means we can enjoy sustained dynamic growth. Our Mexican operations provide added benefits on the cost side and flexibility in our markets."

Bernd Frangenberg
Executive Board
Continental General Tire Inc.

Continental General Tire Group Sales by product group

Passenger Tires, Original Equipment	25%
Passenger Tires, Replacement Business	33%
Private Brands	5%
Truck Tires	29%
Farm and Earthmover Tires	5%
Other	3%

the company was unable to meet its medium-term goals for a return on sales of 8% and a return on capital of 11%. Volumes sold by the passenger tire division to the vehicle manufacturers grew by 15%, whereas, in the replacement business, they were 8% below the previous year's figure. Sales of truck tires were much higher totaling a gain of 10%. Significant growth was recorded in the replacement truck tire business while original equipment deliveries were on a par with the previous year.

The strike at the Charlotte, North Carolina tire facility was settled in September after having lasted one year. The agreement with the United Steelworkers of America (USWA) covers a period of over six years for all of Continental General Tire's union facilities. The long-term agreement provides for pay increases and enhanced benefits for the employees offset by substantial productivity improvements for the company. Most importantly, the agreement provides for long-term labor peace while securing Continental General Tire's labor cost competitive advantage.

The passenger tire division was able to negotiate the strike difficulties in 1999 without the loss of a customer and maintained the support and goodwill of the existing customer base. The promise of industrial stability and the capacity increase from the Mexican operations have enabled the business unit to add substantial new sales volume in 2000 from the three biggest U.S. retailers, Sears, Pep Boys, Discount Tires and from the two biggest programming distributors TBC (Tire and Battery Corporation) and Laramie Corporation. Success in these new channels plus the expansion of current business provides the basis for the growth of the Continental brand in the North American market in line with the company positioning that brand in the retail sector.

Product development plans over the last three years have provided new tire lines which answer the specific needs of the U.S. retail tire market and together with new forecasting, production planning and management systems will allow for substantial improvements in customer service to the targeted channels of distribution in North America. These plans will be enriched by the launch of new light truck and SUV lines in the summer of 2000 which represent the first global approach to product development from the North American organization.

The truck and off-the-highway tire division exceeded all financial targets in 1999, following a decade of solid growth. Radial truck tire manufacturing expansion at the Mt. Vernon factory and the introduction of Continental brand off-the-highway radials at the Bryan manufacturing plant will provide catalysts for continued growth.

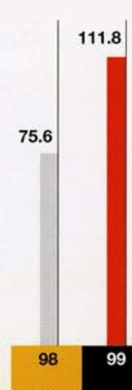
Manufacturing capacity was boosted by 27% through the integration of the Mexican operations. In Mexico, passenger tires are made for Ford, DaimlerChrysler, Volkswagen, General Motors and Nissan; commercial vehicle tires are sold to Mercedes-Benz, John Deere and New Holland. Continental General Tire has a work force of 2,700 in Mexico and is No. 1 in the Mexican tire market.

All in all, Continental General Tire sold 27 million passenger tires and 2.5 million radial truck tires from its North American production facilities in Bryan, Charlotte, Mayfield and Mt. Vernon and its Mexican plants in Guadalajara and San Luis Potosí.

A program for recycling used tire material has been started in cooperation with the State of North Carolina. The aim of this four-year program is to reduce the number of tire disposal sites, to develop new recycling methods and to provide additional possibilities for recycled material usage. The main focus is on converting used tire material into valuable resources. Since the project was launched in July 1998, over a million used tires have been kept out of the landfills. Currently, new tires already contain up to 6% recycled tire material.

Sales
In millions of €

Capital expenditure
In millions of €

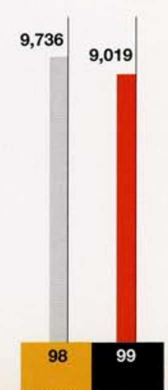


Depreciation, amortization and writedowns
In millions of €

EBIT
In millions of €

Operating assets
In millions of €

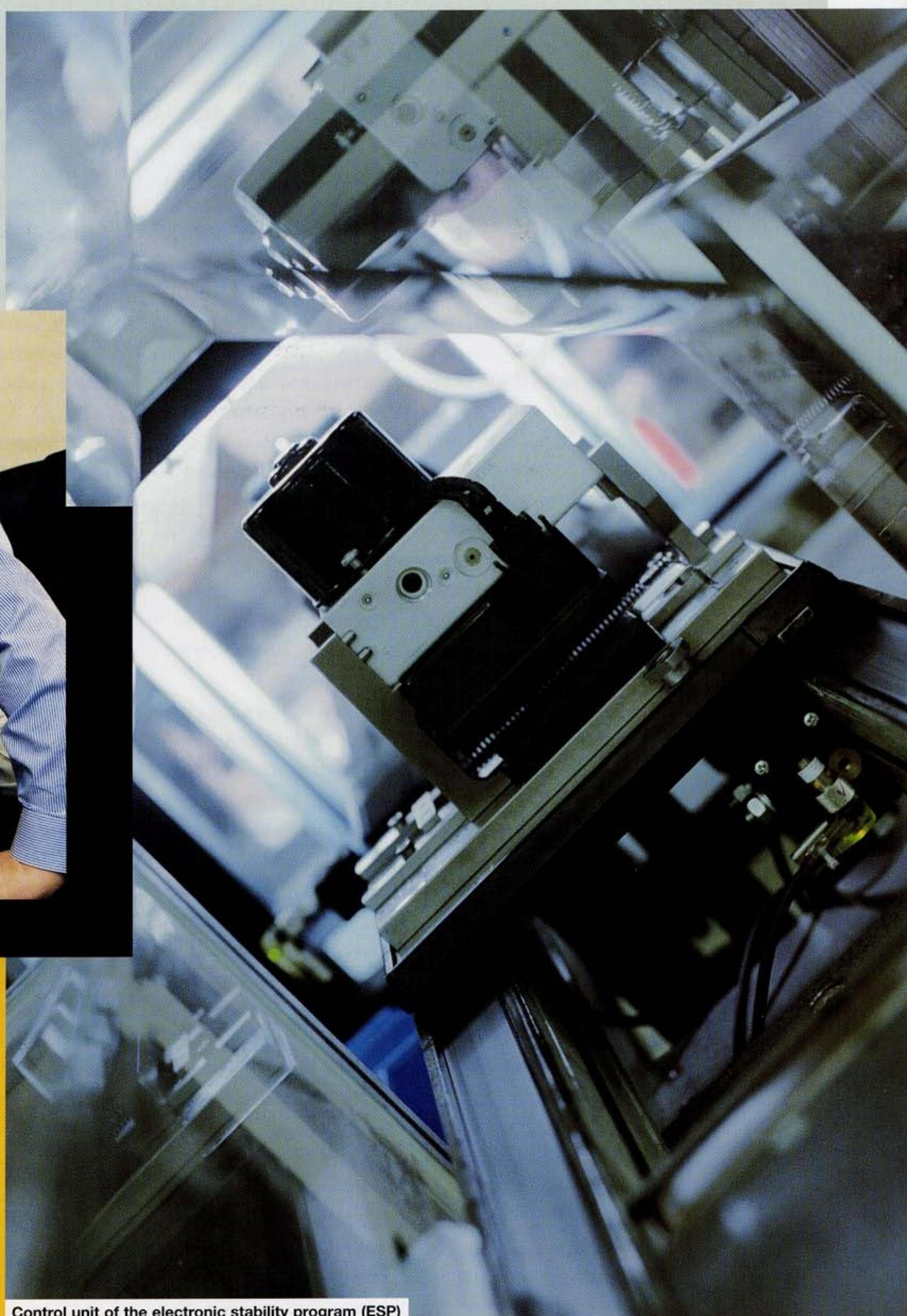
Employees



Continental Automotive Systems Group

"The increasing rate of electronic stability program (ESP) installation is adding to our success. Output in the Czech Republic, Hungary and Mexico will expand heavily in the future, thus improving our cost situation in all product areas."

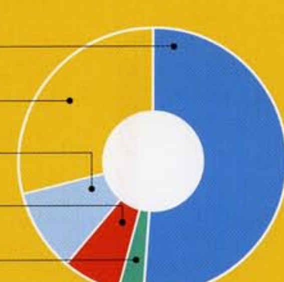
Hans Albert Beller
Executive Board
Continental Automotive Systems



Control unit of the electronic stability program (ESP)

Continental Automotive Systems Group Shares of sales

Electronic Brake Systems	51%
Foundation Brake	29%
Brake Actuation	10%
Replacement Business	7%
Complete Wheels/ Conti Air Suspension Systems	3%



The Continental Automotive Systems Group had sales of € 2,544 million. The largest part, € 2,480 million, was attributable to Continental Teves, which has been included since the fourth quarter of 1998. Due to this inclusion, the operating income (EBIT) of Continental Automotive Systems, in the amount of € 58.7 million, is not comparable to that of the previous year. Before a goodwill amortization of € 68 million, Continental Teves had an operating income of € 156 million. The Group has moved considerably closer to its medium-term goals: a return on sales of 4% and a return on capital of 6%, after goodwill amortization.

29% of total sales was attributable to the foundation brake unit, 10% to the brake actuation unit, and 7% to the replacement business.

Volumes in the electronic brake systems unit were up 26% over the previous year. They are expected to rise to 7.8 million in the year 2000, and to 10.6 million in 2004, a gain of more than 40% compared with 1999. The products of the unit comprise anti-lock braking systems (ABS), traction control systems (TCS) and, in an increasing proportion, electronic stability programs (ESP).

In 1999, Continental Teves sold 400,000 ESP units, 300,000 of them to the European automotive industry. Orders for 1.4 million ESP systems from around the world are already on hand for this year. In 2004, additional contracts will bring the volume to 3.5 million units.

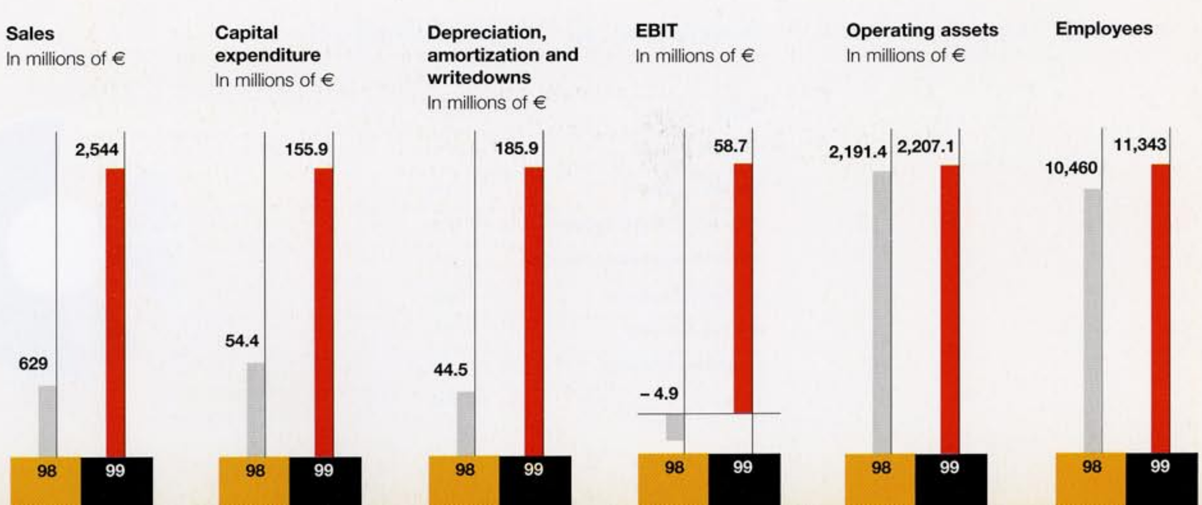
The foundation brake unit produced 24.4 million calipers worldwide and increased its sales volume by 10%. The unit's main products are calipers – including fixed, floating and combination calipers – as well as duo servo brakes and brake hoses.

Worldwide production of brake boosters in the brake actuation unit rose 25% over 1998. The unit makes brake boosters – standard and active boosters, including brake assist – as well as brake-power regulators. Thanks to a strong influx of orders, business will improve still further in the coming years.

The global sales potential of air spring systems for passenger cars will continue to expand. Several production orders were booked in Europe and the U.S.A. during 1999. Continental Teves is developing into the leading supplier of air spring systems for passenger and off-road vehicles. To respond appropriately to market requirements, we have built up a technology and development department in Auburn Hills in the United States, as an adjunct to the Development Center in Hanover. To increase manufacturing capacities, the assembly equipment has been moved from Hanover to the Gifhorn plant.

In Mexico, we are building a factory for electronic sensors. The startup of manufacturing is scheduled for the first quarter of 2001. Total worldwide production of sensors will rise from 19.3 million in 2001 to 26.2 million in 2004, an increase of 36%. Sales in the replacement business were up 7% in 1999. Owing to the expansion of activities, above all in France, Spain and Brazil, growth is expected to reach 35% by 2004.

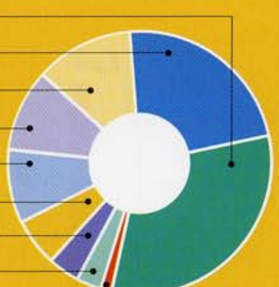
Continental ISAD has formed a joint venture with Delco Remy International in Europe for the manufacture of crankshaft starter generators which are used in the ISAD (Integrated Starter Alternator Damper) system. In addition, this unit received a large-scale order from a leading car maker in the U.S.A. Production is scheduled to begin in 2003. We plan to form a system joint venture with Delco Remy to supply the North American passenger car and commercial vehicle industry.



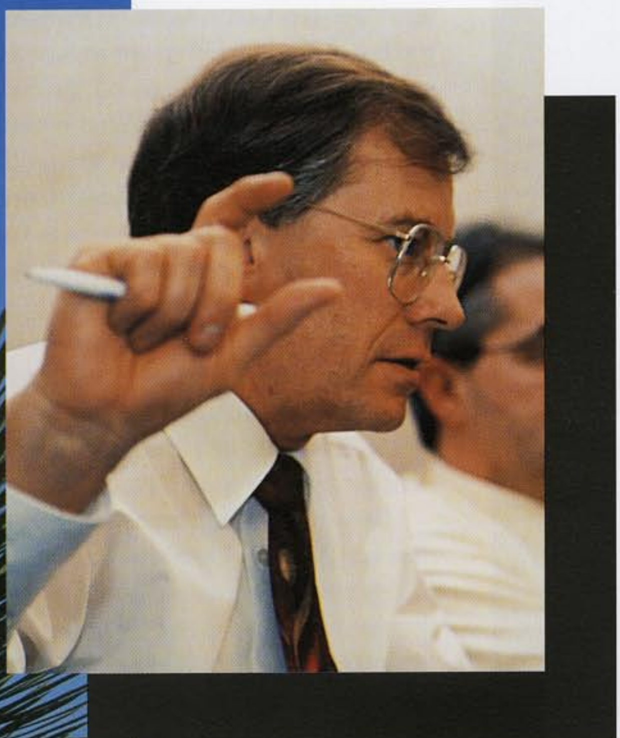
ContiTech's new plant in San Luis Potosí

ContiTech Group Sales by business unit

Fluid	32%
Benecke-Kaliko	23%
Vibration Control	12%
Conveyor Belting Systems	10%
Power Transmission Systems	9%
Air Spring Systems	6%
Sealing Systems	4%
Elastomer Coatings	3%
Other	1%



ContiTech Group



"1999 saw operating profit up despite the difficult terrain. This meant that we nearly reached our medium-term goals for the return on sales and return on capital in the year under review."

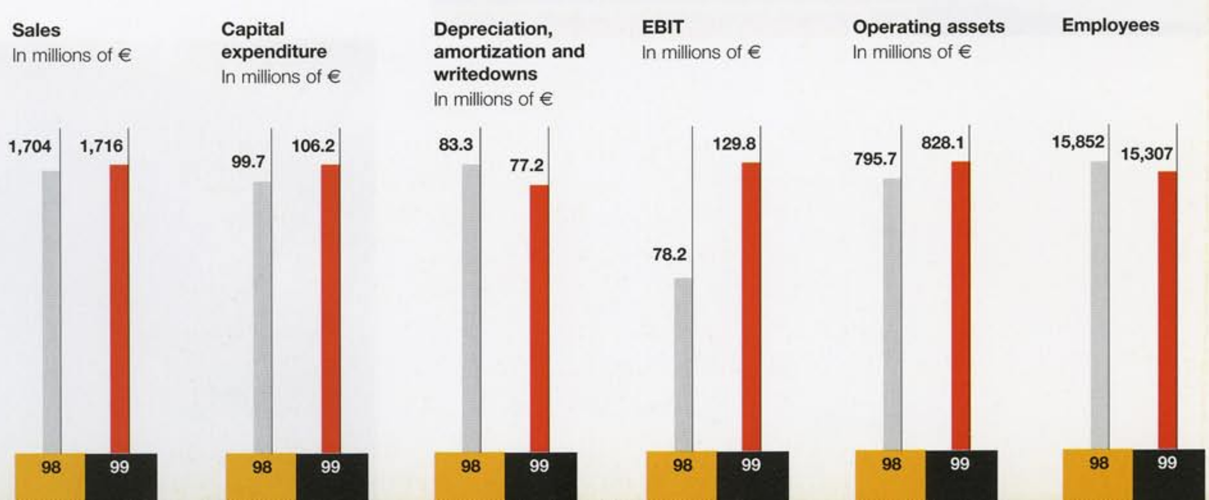
Manfred Wennemer
Executive Board
ContiTech

Sales of the ContiTech Group at € 1,716 million – due to the divestment of parts of the Group – slightly exceeded the previous year's € 1,704 million. On a comparative basis, sales would have risen by 2.5%. Business with the European automotive industry increased significantly compared with the previous year, but in most of the Group's other customer industries, sales declined due to adverse business conditions. Operating income (EBIT) rose by an impressive 66.0% to € 129.8 million (1998: € 78.2 million). As a result, the medium-term goals of a 7% return on sales and a 16% return on capital were nearly reached in 1999.

ContiTech Fluid, the Group's largest business unit, increased its sales by 3%, strengthening its market position as one of the leading hose manufacturers in the automotive sector.

Globalization was accelerated by the establishment of additional production locations in Brazil and Mexico and the preparations for a joint venture in China, which will start production in mid-2000. The acquisition of a majority interest in the Kühner company in Oppenweiler in January 2000 considerably expanded the unit's position in the European market for air-conditioning hose assembly systems.

Deliveries of hose assembly systems for the Active Body Control (ABC) system of DaimlerChrysler's top models (S, CL, SL Class) have commenced, marking the unit's entry into the promising segment of active chassis management. The development of hose assemblies with a thermoplastic inner lining, designed to sharply reduce hydrocarbon emissions, will help to protect the environment. ContiTech Fluid has 16 manufacturing sites, located in Europe, North and South America.



Capacity utilization in the core businesses of the **Benecke-Kaliko** business unit was excellent and sales and earnings rose substantially. As part of the unit's systematic concentration on these businesses, the molded headliners segment and Bamberger Kaliko were sold.

International activities were expanded with a new slush skin production facility in Palmela, Portugal. In addition, a manufacturing joint venture was concluded with Sansui in Brazil. In Thailand, the output of materials for casual shoe uppers tripled in 1999.

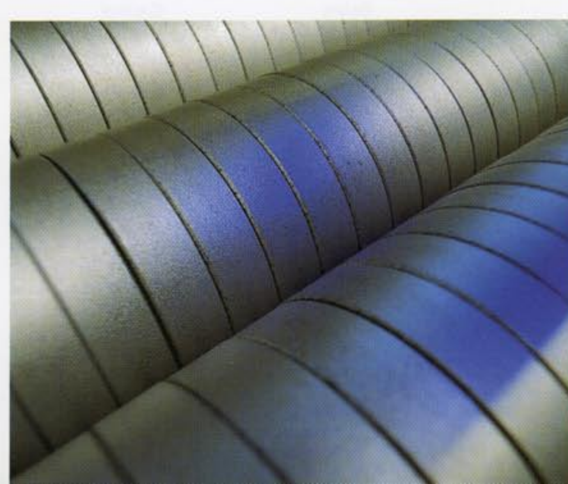
Development focused on the production of environmentally compatible polyolefin foam, as well as slush powder and slush skins for automobile dashboards. Benecke-Kaliko is the world's leading supplier of vehicle trim sheeting.

In order to accelerate Benecke-Kaliko's future development more effectively, the Continental Corporation acquired from DG BANK, Frankfurt, another 48.9% of the capital stock of Benecke-Kaliko AG in Hanover and now owns 99% of this company.

Sales of the **ContiTech Vibration Control** business unit (formerly ContiTech Molded Products) were slightly below the previous year's level. The earnings situation in this unit is unsatisfactory. The shift of production from the plant in Hanover-Limmer to a nearby plant in Stöcken and to our Slovakian company was completed on schedule, but at considerable cost. In mid-1999, the assembly of rubber-metal parts started in Brazil. By 2001, the unit's own rubber-metal manufacturing plant will be constructed in Ponta Grossa.

ContiTech Vibration Control, which manufactures components and systems to control noise, vibration and harshness, is a development partner and original equipment supplier of the worldwide automotive industry, with a total of eight manufacturing locations in Germany, Italy, Brazil and Slovakia.

Fully automatic filling station for car hydro bushings



Sales of **ContiTech Conveyor Belting Systems** remained at the previous year's level, despite continuing pressure on prices and a slowdown in volume growth. Earnings, however, were significantly higher than in 1998, helped by capital expenditures to strengthen the unit's competitiveness and the full exploitation of further potential for cost reduction. The takeover of the tire activities of Grupo Carso also provided a platform for conveyor belting activities in Mexico. The plant in Mexico City was closed, and manufacturing activities were moved to San Luis Potosí. ContiTech's conveyor belting unit is the leader in its field in Europe and manufactures its products at six locations in Germany, Greece, Mexico and Chile.

The gratifying trend in sales and earnings at **ContiTech Power Transmission Systems** continued. Sales growth was primarily attributable to business with the automotive industry resulting from the increasing use of ContiTech high-performance camshaft drive belts made of rubber and more efficient multiple V-ribbed belts for driving accessory units.

The launching of a new production facility in Brazil, the formation of a joint venture in China and the start of construction of a factory in Mexico represented three major steps toward the unit's globalization. Together with its joint venture partner INA Wälzlager Schaeffler, it has a top position worldwide in belt drive systems.

Sales of the **ContiTech Air Spring Systems** unit rose, although the markets in individual segments contracted. With the acquisition of the remaining shares of ContiTech Lastik Sanayi in Bursa, Turkey, the unit made further progress on the way to cost leadership by manufacturing in low-cost countries.

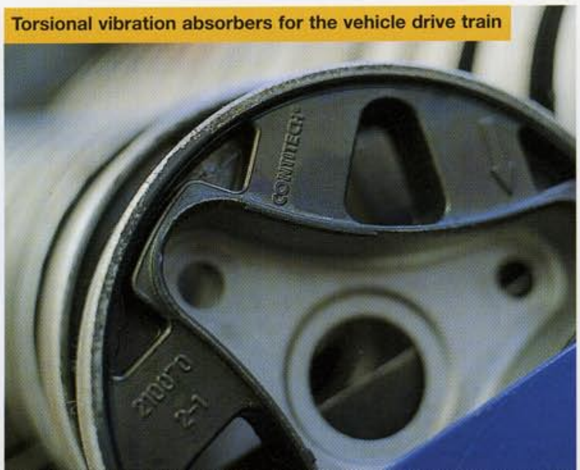
In March 2000, the first construction phase of an air spring plant for the North American market began in San Luis Potosí, Mexico. 285,000 air springs will be produced there each year. In 1999, the unit also began to supply European commercial vehicle manufacturers with new combined air spring/shock absorber modules. A height sensor integrated in air springs designed for the automotive industry, as well as a new kind of air spring for cars, were further refined.

As anticipated, sales of the **ContiTech Sealing Systems** (formerly: Extrusions) business unit did not reach the previous year's level. Losses have been reduced by more then 50%, due to the successful completion of the restructuring program that began in 1998. As part of this program, the plant in Italy was sold, and cost efficiency was maximized at the locations in Germany, Spain and Slovakia. For the year 2000, we expect the unit's earnings to be satisfactory.

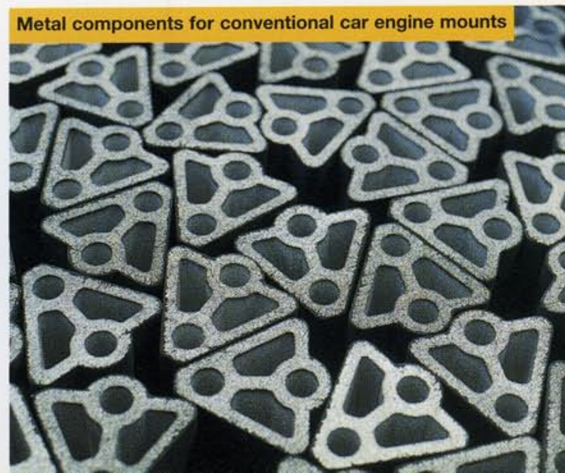
Sales of the **ContiTech Elastomer Coatings** unit declined slightly, but earnings increased. Once again, the printing blanket segment was particularly successful, due primarily to new products and expanded business with major printing machine manufacturers. Sales of products that are technologically less sophisticated or have lower value added declined. Product innovations in the printing blanket segment — such as metal printing blankets — and in highly specialized materials and preassembled products, such as bellows for articulated buses, will be introduced in 2000.

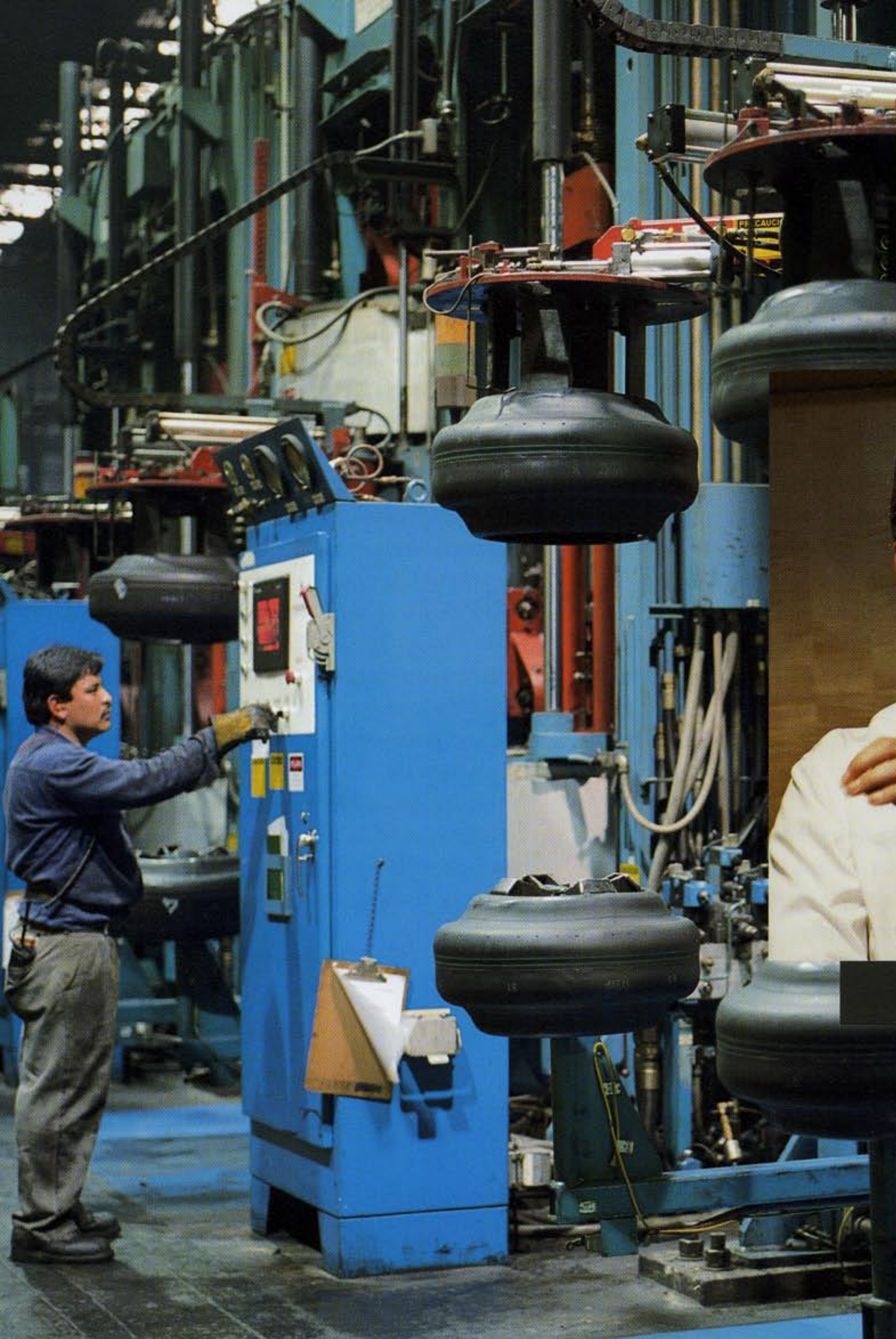
At **Deutsche Schlauchbootfabrik** and the **Fuel Tanks** segment, which are not included in the eight business units, sales increased slightly and earnings continued to be gratifying.

Torsional vibration absorbers for the vehicle drive train



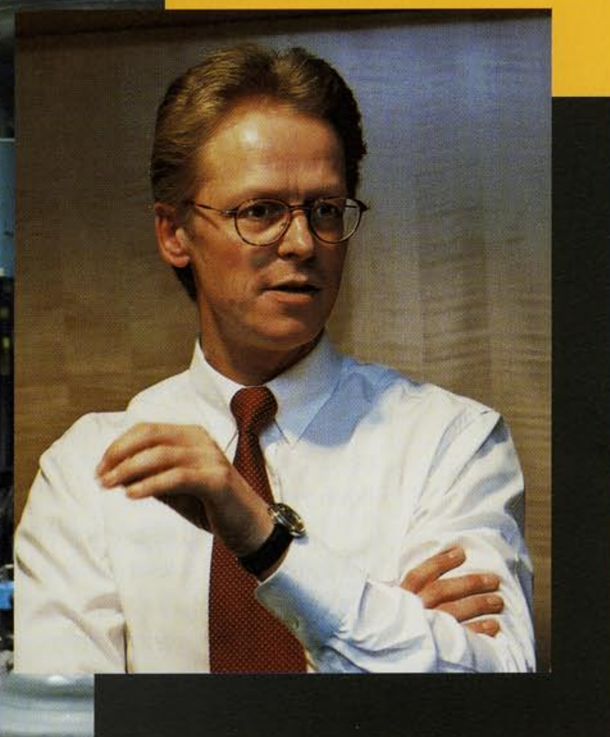
Metal components for conventional car engine mounts





Welcome to Continental! The photos here and on the following pages show scenes from the newly integrated tire plants in Mexico.

Our Employees

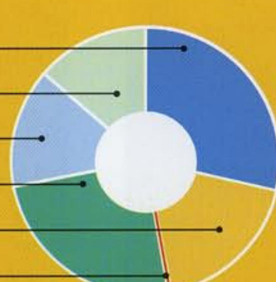


"Basics – the formulation of our visions, goals and policies – are the culmination of a process of joint input. Discussion and implementation of these guidelines have generated a thrust in creativity and drive."

Klaus Friedland
Executive Board
Finance, Controlling,
Human Resources and Law,
Director of Personnel

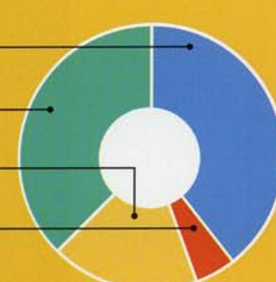
Employees by Group

Passenger Tires	28.5%
Commercial Vehicle Tires	13.9%
Continental General Tire	14.5%
ContiTech	24.6%
Continental Automotive Systems	18.2%
Other	0.3%



Employees by region

Germany	39.5%
Rest of Europe	37.3%
North America	18.1%
Other	5.1%



62,155 Employees in the Continental Corporation

At 62,155, the number of employees on December 31, 1999 remained virtually the same as in the previous year (62,357). The Corporation's personnel expense, including wages, salaries, social welfare contributions and expenses for pension plans, rose from € 1,937.1 million to € 2,387.7 million.

The number of trainees decreased by 29 to 878 worldwide, due to the completion of a special program in Great Britain. In Germany, the training posts offered were again increased, with 41 positions added.

Personnel Development is a Corporate Function

Keener competition and changing markets are constantly presenting new challenges to our employees and executives. Personnel development is a corporate function, designed to ensure that every job is staffed at all times with a competent person. This crucial activity is being vigorously expanded throughout the Corporation. Supervisors and employees alike are responsible for ongoing professional education. Every employee should have the chance to be promoted in accordance with his or her capabilities. Personnel development does not mean only career planning in the sense of advancement, but also enhancement of technical and personal skills. Two examples are given below.

Trainee Programs to Ensure International Management Potential

Due to the Corporation's increasing globalization, the international recruitment of junior staff has become a focal point in our efforts to ensure ourselves of future management potential. The goal of the trainee programs for university graduates is to create a pool of mobile, flexible men and women, who can be placed around the world. Intercultural awareness, teamwork and initiative are particularly encouraged.

So far, the programs are being offered in the areas of tire marketing and distribution, tire research and development, as well Conti International and ContiTech. Usually lasting for 12 months, these programs are quite different from the trainee programs of other companies, inasmuch as they are designed and organized to a large extent by the participants themselves. This means that such important characteristics as team spirit, perseverance and self-discipline are developed right from the start. For each field of training, a mentor, drawn from our senior management, is responsible for supervising the program. The trainees work actively and independently on comprehensive assignments and their own interdisciplinary projects, giving rise to benefits for the Company in addition to the training effect.

JMTP for the Executives of Tomorrow

In the Corporation, we prefer to promote the executives from our own ranks. For ten years now, we have successfully conducted a Junior Management Training Program (JMTP) to instill the qualifications for the executives of tomorrow. Participants in the JMTP have already been working at Continental for four to eight years and proved their worth internationally in a number of our units and locations. They possess management capabilities and have the potential and the will to acquire additional skills. The program runs for six months, parallel to their normal work. The special challenge consists of confronting these employees with topics that they would not encounter in their normal sphere of activity. In teams from different Groups and countries, they carry out tasks and projects and find solutions for concrete problems from our various business units, which are then put into practice. This gives them the opportunity to deal with international situations and to develop their management abilities accordingly. For example, it was in one of these programs that the business concept for alternative elevator drives was developed, which was industrialized in January 2000. Up to now, about 200 junior staff members have completed this program with great success.

Performance Based Remuneration Systems – Stock Option Plan

Granting subscription rights for shares is a management tool that has been in international use for some time. As early as 1986, Continental was one of the first German companies to offer its top management an initial stock option plan. The 1999 Annual Meeting of Shareholders resolved to fund a plan, which we have designed with particular emphasis on encouraging our senior executives to share, even more than in the past, the interest of our shareholders in the long-term growth of our Company's value and the continuing attractiveness of our stock.

In addition, the Executive Board and Management receive a substantial portion of their pay under a variable remuneration system based on the achievement of corporate goals and improved earnings.

Value Added

The Corporation's performance increased by € 2,419.2 million or 35.0%. After deduction of the input of other companies, the result is a value added of € 2,899.0 million, or € 581.6 million more than in 1998, for a gain of 25.1%.

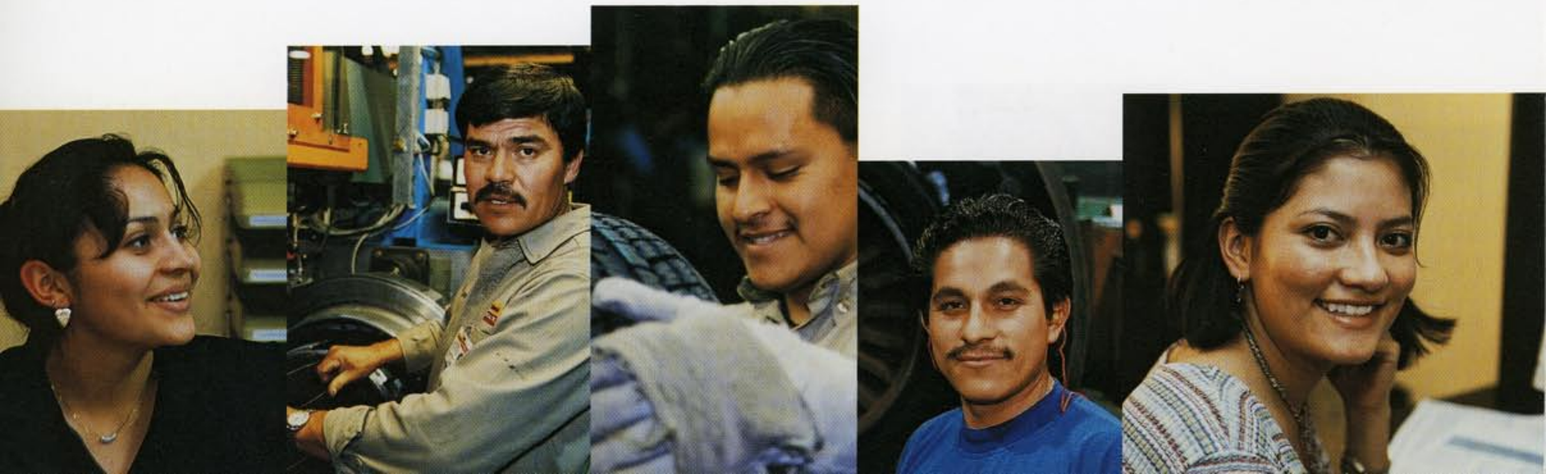
The value added was used as follows: Personnel expense accounted for 82.4%, 5.2% was required for interest, and 4.0% for income taxes. There remained a net income of € 234.7 million, or 8.4%, of which € 175.9 million was allocated to shareholders' equity and € 58.8 million is to be paid as a dividend.

Source of value added (Corporation)

In millions of €	1999	1998
Sales	9,132.2	6,743.2
Other income	190.6	160.4
Corporate performance	**9,322.8**	**6,903.6**
Cost of materials and other input from outsiders	– 5,847.0	– 4,190.3
Depreciation (total)	– 576.8	– 395.9
Value added	**2,899.0**	**2,317.4**

Distribution of value added

In millions of €	1999	1998
Personnel expense	2,387.7	1,937.1
Net of interest income and expense	151.9	99.0
Income taxes	117.2	133.8
Minority interest in net income	7.5	9.3
Net income	234.7	138.2
Value added	**2,899.0**	**2,317.4**



Our Job – To Join in Shaping Continental

In a broad-based discussion, which brought together the Groups as well as the various levels of the hierarchy, we have developed our guidelines, our vision and our values, which are designed to ensure the achievement of our strategic objectives. Under the title "Basics", we have created a closed system of goal-oriented requirements that clearly define who we are, how we work together, and where we want to go.

We have a clear vision:

We make individual mobility safer and more comfortable.
Thanks to our core competencies, our products and our services, we, together with our customers, improve the safety, comfort and fun of driving.

We will be the global technology leader in all our business areas.
As an international manufacturer of components, modules and systems, we are a backbone of the global automotive industry, setting standards worldwide and helping vehicle manufacturers to fulfill their product promises.

From this ambitious claim follows the formulation of goals, principles and modes of behavior that are oriented to the interests of all our stakeholders. At the heart of the Basics lies our commitment to increase value. For only the creation of additional value within the Company can satisfy the interests of all the groups that participate in it. The Basics are therefore focused on our customers and shareholders, our employees and, last but not least, on society as well as our partners and suppliers.

The process of developing the Basics climaxed in January 2000 at our Senior Executive Convention. On this occasion, the almost 200 senior executives of the Company pledged themselves to take the responsibility, within their spheres of competence, to ensure that the principles and goals of the Basics would form the foundation of entrepreneurial activity for themselves and their subordinates and to implement them as effectively as possible. Concrete, mandatory measures for this purpose were established. For this reason, the bulk of the internal communication program was concentrated on the Basics.

We have introduced the Balanced Scorecard in all our units as another management instrument to achieve our corporate objectives. Our vision is incorporated in the implementation structures of the Balanced Scorecard, so that every employee in every unit knows his or her role in making these principles a reality. By this means, the Balanced Scorecard will enable us to measure the success of the various units and employees in reaching their goals.

Another instrument used to assist successful implementation of the Basics are workshops in which measures for putting the Basics into effect are elaborated in a context that is very close to the daily work situation. Special emphasis is thereby placed on involving our employees and giving them the possibility of actively influencing the implementation process.

Internal Communication

As a company in transition, Continental attaches great importance to the exchange of information among the units and, to the extent possible, among all our employees. We are aware that the implementation of our strategy and the cross-linking of our fields of know-how presupposes comprehensive communication in every direction and every part of the globe.

Under these circumstances, we have expanded and intensified all the channels of information customarily used by the Company. These include the Europa Forum between the management of the units and the employee representatives, as well as conferences within or between the Groups. We have also upgraded

intranet communication as a vehicle for employee information and knowledge management and expanded our in-house newspaper *conti intern*, which is being published more frequently than in the past. An international edition, translated into no less than ten languages, was recently launched, bringing the total circulation to more than 50,000 copies.

When we conceived Continental's new website on the Internet, the employees were one of the target groups specifically addressed. Since then, we have verified the fact that many employees – even those who use the Conti Intranet – enjoy receiving further information from the Internet at **www.conti-online.com.**

Thanks

The success of our Company is based primarily on our dedicated and talented employees and executives. We thank them sincerely for their performance and commitment. We must also thank our employee representatives for their constructive and trustworthy collaboration.

High Level of Quality and Innovation in Information Technology

The change to the year 2000 was accomplished without difficulty. The Tire Groups and the parent company successfully completed their conversion to the euro. At a cost of € 30.6 million, both these measures were carried out very economically, due primarily to the high quality of the standardized software.

Our partnership with dealers based on E-commerce was solidly expanded. "ContiOnlineContact", a system developed and made available to the dealers by Continental, has since become a standard for the industry. It is already being used by over 1,000 stores in Germany, Sweden, Austria, Switzerland and France. Partners from Belgium, Great Britain and other countries will follow shortly. The central database and service concept proved capable of dealing efficiently with the increased demand, focused, again, on snow tires.

The production support systems in the Corporation's tire factories are currently undergoing a conceptual reappraisal and being refined to accommodate new technological possibilities. In the course of this project, additional European passenger tire plants are being brought up to the Corporation's current standards. Particular emphasis was placed on strengthening the interrelationship between manufacturing processes and tire development. Tire identification by bar code, as a means of monitoring production processes for the individual product has been instituted at three factories.

The ContiTech Group is benefiting from the use of the SAP/R3 standard software, whose comprehensive introduction was virtually completed during 1999.

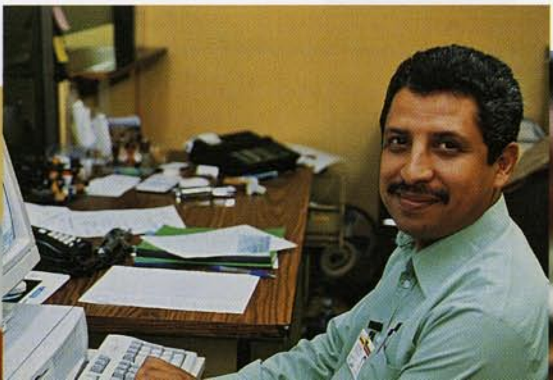
This software has also been introduced by Continental Teves at all its European locations and in Brazil, where it enhanced the synergies in a joint project with the Tire Groups and ContiTech.

Our intensive collaboration with the automotive industry in defining new processes, interfaces and methods of data exchange have enabled us to contribute our knowledge and experience at an early stage and thereby to optimize our process cycles.

Environment and Quality

In our Basics, value creation – our commitment to increasing the value of our Company – is identified as the paramount guideline for the Corporation. Environmental protection is a means of creating value, insofar as we design our products and services in such a manner that they spare the environment as much as possible, while minimizing the consumption of resources. This is not only a requirement of society as a whole and of our stakeholders; it is also an indispensable prerequisite for the competitiveness of our Company.






Quality is an indispensable prerequisite for the success of our products and services on the market and with our customers. Thus it, too, helps to secure the Company's existence over the long term and thereby benefits the stakeholders.

Both these elements, environmental protection and quality, can be assured and improved only in a professionally designed management system. Continental has a long tradition of highly developed quality assurance and environmental management techniques. This is reflected in the ISO 9001, QS 9000 and VDA 6.1 certifications granted throughout the Company for quality control and the certificates we have received under ISO 14001 and EMAS, the EU environmental audit, for environmental protection.

Our customers are acknowledging our high performance with numerous citations and awards. For example, ContiTech Vibration Control and ContiTech Fluid were named "Supplier of the Year" by General Motors and SMI Groupe Koyo. Continental Teves received Volkswagen's Corporate Supplier Award for the effectiveness of its ESP software and the development of wheel rpm sensors. Passenger tires of the Continental and Uniroyal brands received the first and second prize for retreadability given by the Association of Industrial Retreaders (AIR).

The constant upgrading of our quality and the steady improvement of our products in terms of their interaction with the environment have a permanent place among the Corporation's goals.

Regions

Consolidated Sales by Region

In %	1999	1998
Germany	31.4	33.6
Rest of Europe	37.1	40.1
North America	25.6	21.5
Other Countries	5.9	4.8

Most of the Corporation's sales were assignable to Germany, the rest of Europe, and North America, with strong growth being posted in North America. The year-on-year comparison shows sales to have gained by 26.5% in Germany, by 25.4% in the rest of Europe, by 61.3% in North America, and by 64.7% in other countries, above all in South America and South Africa.

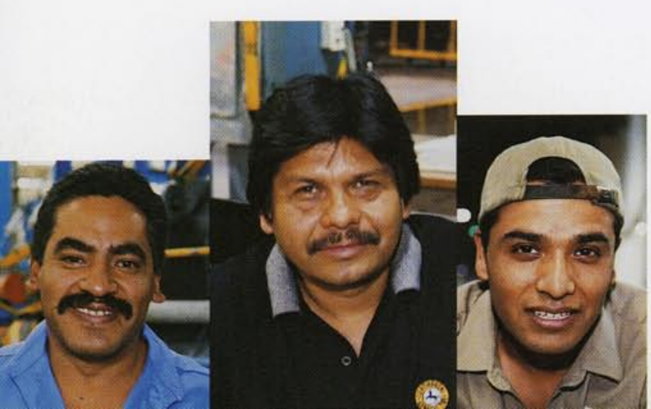
Germany accounted for about 33% of the Passenger Tire Group's sales. Approximately 62% were attributable to the rest of Europe, primarily to France, the U.K., Italy, Austria, Belgium, Switzerland, the Czech Republic and Scandinavia.

The Commercial Vehicle Tire Group made about 23% of its sales in Germany and 50% in the rest of Europe, with the main sales performers being the U.K., France, the Czech Republic, Austria, Italy and Scandinavia. Sales via the Conti International unit to other countries came to 19%.

About 52% of ContiTech's sales were attributable to Germany, 37% to the rest of Europe, and 4% to North America.

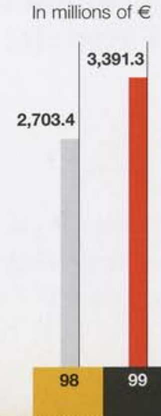
36% of the Continental Automotive Systems Group's sales were attributable to Germany, 28% to the rest of Europe, and 32% to North America.

North America accounted for about 96% of Continental General Tire's sales.

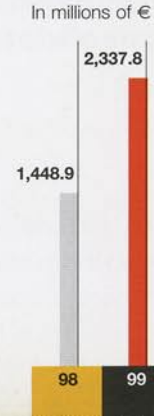


Germany
In millions of €

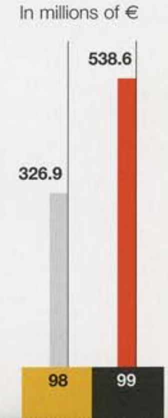
Rest of Europe
In millions of €



North America
In millions of €



Other Countries
In millions of €



Passenger tire mold

Continental Aktiengesellschaft
Consolidated Financial Statements

Note: The chapters "Review of the Fiscal Year," "Analysis of the Financial Situation" and "Outlook" together correspond to the Management Report for the Continental Corporation which is based on consolidated financial statements prepared according to U.S. accounting principles (US GAAP).

Analysis of the Financial Situation

The 1999 fiscal year was marked by the successful integration of Continental Teves and another strong increase in earnings. Operating income, by which we mean earnings before interest and taxes (EBIT), rose by 34.4% to € 511.3 million, and consolidated net income for the year reached € 234.7 million. Continental Corporation's return on capital employed (ROCE) came to 6.9% (1998: 5.6%). Cash flow from business activities increased significantly. The flow of funds and the balance sheet ratios again reflect the Corporation's ongoing expansion.

Dividend of € 0.46 per Share

Thanks to the favorable trend in earnings, we recommend to the Annual Meeting of Shareholders, which will take place on May 19, 2000, a dividend of € 0.46 (DM 0.90) per share for the 1999 fiscal year. The capital entitled to a dividend amounts to € 327.4 million, so that € 58.8 million, or 25.1% (1998: 34.0%) of consolidated net income, will be required for the distribution.

Net Income from Investments and Financial Activities

Consolidated Statement of Income

In millions of €	1999	1998
Sales	**9,132.2**	**6,743.2**
Cost of sales	7,178.9	4,987.7
Selling expenses, administrative expenses, other operating expenses and income	1,445.1	1,379.5
Earnings before financial net income and taxes	**508.2**	**376.0**
Net income from investments and other financial activities	3.1	4.3
Earnings before interest and taxes	**511.3**	**380.3**
Net interest expense	– 151.9	– 99.0
Income before taxes	**359.4**	**281.3**
Taxes on income and profits	117.2	133.8
Minority interest in earnings	7.5	9.3
Net income available for distribution	**234.7**	**138.2**

Sales rose by 35.4% and earnings before taxes by 27.8%. While cost of sales increased by 43.9%, selling and administrative expenses, including other operating expenses and income, rose by only 4.8%. As a result, the gain in earnings before taxes and net income from investments and financial activities amounted to 35.2%.

EBIT

Earnings Before Interest and Taxes by Group

	1999		1998	
	In millions of €	% of sales	In millions of €	% of sales
Passenger Tires	270.4	10.6	240.6	10.1
Commercial Vehicle Tires	47.8	5.4	49.2	6.5
Continental General Tire	73.8	4.9	62.9	5.1
ContiTech	129.8	7.6	78.2	4.6
Continental Automotive Systems	58.7	2.3	– 4.9	– 0.8
thereof Continental Teves*	156.1	6.3	32.2	5.5
Other	– 69.2	–	– 45.7	–
Continental Corporation	**511.3**	**5.6**	**380.3**	**5.6**

* before goodwill amortization of € 68 million (1998: € 15 million)

Despite the initial inclusion of Continental Teves for a full year, the EBIT of the Corporation remained at 5.6% of sales. On a comparative basis, all the Groups reported improvements, taking into account the gain on the sale in 1998 of interests in Sava-Semperit, Kranj, Slovenia, which had increased earnings of the Commercial Vehicle Tire Group by € 14 million and of the Passenger Tire Group by € 21 million.

Taxes

The necessity of capitalizing deferred taxes on tax loss carryforwards, in particular at Continental AG, as part of the changeover to US GAAP, led to a considerably higher tax charge in 1998 due to the use of these loss carryforwards. Recording the deferred taxes on the loss carryforwards in turn required an entry on the liabilities side of the risks leading to these loss carryforwards. Compared with the result under German commercial law, this leads to a total increase of € 33 million in the tax expense for 1998.

The increased tax burden on our German companies resulting from the Tax Relief Act (1999/2000/2002) consists primarily of a reversal of the former writedown of the book value of our subsidiary Continental Rubber Holding Inc., Wilmington, Delaware, U.S.A., in connection with the revaluation of the company. The requisite provisions have been set up and the resulting future tax payment is divided over the following four years. Since, for the third year in a row, the tire business of Continental General Tire in the U.S.A. showed strong earnings and the long strike at the Charlotte plant was settled, the application of FAS 109 has made it necessary to capitalize in 1999 deferred taxes, including the loss carryforward. This had a positive non-recurring effect of € 108.1 million and lowered the tax ratio to only 32.6%, from 47.6% in 1998.

Return on Capital Employed (ROCE)

	1999	1998	1999	1998
	In millions of €	In millions of €	%	%
	Operating Assets		ROCE	
Passenger Tires	1,524.4	1,496.5	17.7	16.1
Commercial Vehicle Tires	661.4	573.1	7.2	8.6
Continental General Tire	1,287.3	1,066.9	5.7	5.9
ContiTech	828.1	795.7	15.7	9.8
Continental Automotive Systems	2,207.1	2,191.4	2.7	– 0.2
thereof Continental Teves*	882.0	837.1	17.7	3.8
Continental Corporation	**7,403.8**	**6,765.7**	**6.9**	**5.6**

* excluding goodwill

The operating assets are determined on the basis of book values. The operating units of the individual Groups are frequently not legal entities or separate companies and therefore do not have a fully developed financing structure. Accordingly, the values are derived by an appropriate deduction of trade accounts payable from the assets.

Balance Sheet Structure and Financial Position

Balance Sheet

In millions of €	12/31/1999	12/31/1998
Fixed assets and investments	4,220.6	3,999.3
Inventories, receivables and other assets	2,709.9	2,364.1
Cash and cash equivalents, and marketable securities	439.9	373.5
Prepaid expenses	33.4	28.8
Total assets	**7,403.8**	**6,765.7**
Shareholders' equity	1,760.6	1,329.1
Minority interests	142.4	174.5
Shareholders' equity including minority interests	1,903.0	1,503.6
Provisions	1,842.3	1,702.5
Indebtedness	2,152.7	2,292.5
Other liabilities	1,505.8	1,267.1

Total assets rose by 9.4% from € 6,765.7 million in 1998 to € 7,403.8 million. This increase was primarily the result of foreign exchange rate fluctuations, in particular due to the strong U.S. dollar and the British pound. The capital turnover rate amounts to 1.23.

As a result of additions, fixed assets and investments increased by 5.5%, and their share in total assets, at 57.0%, remained almost unchanged. Intangible assets account for 36.7% (1998: 39.8%) of total fixed assets and investments. Inventories, receivables and other assets rose by 14.6%. The deferred taxes included in other assets amount to € 204.4 million (1998: € 128.8 million).

On December 31, 1999, the Corporation had at its disposal cash and cash equivalents, including marketable securities, in the amount of € 439.9 million (1998: € 373.5 million).

Consolidated equity rose by € 431.5 million to € 1,760.6 million. As a result, the equity ratio amounts to 23.8% (1998: 19.6%), or 25.7% (1998: 22.2%), if minority interests are included.

Provisions increased by 8.2% and account for 24.9% of total assets. As a result of the capital increase, indebtedness, less cash and cash equivalents and marketable securities, decreased to € 1,712.8 million (1998: € 1,919.0 million). The gearing ratio is 97.3% (1998: 144.3%). The financing of fixed assets and investments and inventories by shareholders' equity and long-term debt amounts to 83.4% (1998: 93.1%).

Higher Cash Flow

Compared with 1998, the cash flow showed a further substantial gain of 49.9%, increasing to € 849.7 million or 9.3% of sales, compared with 8.4% in 1998. Due to the higher cash flow, we were able to reduce the debt ratio in 1999 from 3.4 to 2.0.

The ratio of the cash flow to net indebtedness is 49.6% (1998: 29.5%).

Financing

Bonds in the amount of € 500 million with a term of seven years, issued by Continental Rubber of America on July 23, 1999, and convertible bonds in the amount of € 250 million with a term of five years, issued by Continental AG on October 25, 1999, together with the capital increase in May 1999 of € 247 million, were used for the scheduled long-term financing of the acquisition of Continental Teves.

Long-term credit lines available through capital market instruments or banks excluding ABS programs amount to € 2,880.5 million.

Euro Introduced as Corporate Currency

On January 1, 1999, the euro was officially introduced as common currency in central Europe. Due to the global orientation of our activities, we welcomed this step, since the gains in productivity we achieve for goods and services manufactured and sold in the euro region will no longer be affected by exchange rate fluctuations.

As of April 1, 1999, we introduced the euro retroactively as our Corporation's currency in the European Tire Groups and replaced the DM as calculating unit. For this purpose, our accounting and reporting systems were converted to the euro, at a cost of about € 9.3 million. This comparatively low expense is offset by reduced transaction and currency hedging costs, which will lead to annual savings over the long term.

Hedging of Foreign Exchange Risks

The international orientation of our business activities results in shipment and payment flows in various currencies. Since imports into the euro area exceed the export flows into other currency areas, Continental is exposed to exchange risks. The net exposure obtained by netting the exports with the imports in the individual currencies is regularly compiled and evaluated. Based on a constant monitoring of exchange rate forecasts, risks are hedged, if necessary, with appropriate financial instruments.

As a rule, the Corporation's net assets permanently located outside Germany are not hedged against exchange rate fluctuations.

Thanks to the introduction of the euro on January 1, 1999, the currency risks for the currencies in the euro area have been eliminated.

According to our budget for the year 2000, currency exposure for the Corporation will amount to € 500 million. Exposure currencies include the Czech koruna with a short exposure of € 160 million. Long exposures exist, among others, for the British pound at € 80 million, the U.S. dollar at about € 20 million and the Slovakian koruna at € 22 million.

Future Risks

Due to its global business, Continental is naturally exposed to a number of risks which are inherent in entrepreneurial activities. Economic developments in the countries that are important for us cause uncertainties which are intensified by the cyclical nature of demand in our key markets. The automotive sector, in particular, is marked by stiff competition which will probably intensify in the future because of surplus capacities worldwide. Like all international automotive suppliers, Continental is also affected by more stringent statutory regulations and safety standards in the various markets. Thanks to our acquisition of Continental Teves and the systematic buildup of our innovative capability, we are well prepared for these developments. As in the past, we will be able to offer our customers attractive products and services at highly competitive prices.

To appraise and manage the existing risks, we have established effective control and monitoring systems, including the application of uniform guidelines throughout the Corporation, the use of reliable software, the selection and training of qualified personnel and ongoing checks by our internal auditors.

Transition to the Year 2000

The costs for the entire transition process amounted to € 21.3 million. Thanks to our careful preparation, the transition was carried out on schedule.

Events Subsequent to December 31, 1999

No events that might be of major importance for the Continental Corporation and lead to a different evaluation of the Company have occurred since the end of the 1999 fiscal year. The business trend during the first few months of this year confirms the statements made in the chapter "Outlook".

Note Pursuant to Section 292a HGB (German Commercial Code)
The consolidated financial statements presented below (consolidated balance sheets as of December 31, 1999 and 1998, consolidated statements of income, consolidated statements of changes in financial position and changes in consolidated shareholders' equity for the 1999 and 1998 fiscal years) have been prepared according to U.S. generally accepted accounting principles (US GAAP). When, in this annual report, figures are given for periods prior to 1998, they are those published according to the accounting requirements of the German Commercial Code (HGB).

To exempt us from the obligation to prepare consolidated financial statements according to German law, we have supplemented these consolidated financial statements, expressed in euros, with the components of a consolidated management report and further notes pursuant to Section 292a HGB. The consolidated financial statements thus correspond to the Fourth and Seventh Guideline of the Council of the European Communities. In interpreting these guidelines, we have relied on the opinion of the Contact Committee for Accounting Guidelines, which have also been approved by the EU Commission and the Federal Ministry of Justice.

These consolidated financial statements as of December 31, 1999, presented in euros pursuant to Section 292a HGB, and the consolidated management report will be filed in the Commercial Register of the Hanover District Court under No. HRB 3527.

In accordance with Section 264 Paragraph 3 HGB, the exemption provisions have been used with regard to the following German corporations with whom profit-and-loss-transfer agreements exist.

Conti Versicherungsdienst GmbH, Hanover
Continental Caoutchouc-Export-AG, Hanover
ContiTech Antriebssysteme GmbH, Hanover
ContiTech Elastomer-Beschichtungen GmbH, Northeim
ContiTech Formpolster GmbH, Hanover
ContiTech Holding GmbH, Hanover
ContiTech Luftfedersysteme GmbH, Hanover
ContiTech Profile GmbH, Hanover
ContiTech Schlauch GmbH, Hanover
ContiTech Transportbandsysteme GmbH, Hanover
ContiTech Vibration Control GmbH, Hanover
Formpolster GmbH, Löhne-Gohfeld
Göppinger Kaliko GmbH, Eislingen
KA-RI-FIX Transportband Technik GmbH, Kerpen-Sindorf
Liga Reifenhandel GmbH, Hanover
Techno-Chemie Kessler & Co. GmbH, Karben
Union-Mittelland-Gummi-GmbH, Hanover
UNIROYAL ENGLEBERT Reifen GmbH, Hanover

Note concerning the principal accounting, valuation and consolidation methods that are used in the consolidated financial statements under the exemption and deviate from German law

Basic Differences
Fundamentally different points of view lie behind the principles of German and U.S. accounting. While accounting under the German Commercial Code emphasizes the principle of prudence and the protection of creditors, the primary goal of U.S. accounting is to present information that will enable shareholders to make relevant decisions. US GAAP therefore places more importance than German commercial law on the comparability of annual financial statements – both those from different years and those published by different companies – and on the computation of earnings for each period.

Unrealized Gains
Applying the principle of unequal treatment, German law requires that only unrealized losses be shown in the financial statements; US GAAP provides that certain unrealized gains must be shown as well.

This applies, in particular, to unrealized gains resulting from the translation of amounts in foreign currency at year-end rates and from certain derivatives.

According to German accounting principles, securities are carried at the lower of cost or market. US GAAP, on the other hand, requires that, under certain circumstances, securities be carried at the market price, even if it is higher, and that the changes in market price be entered either directly in the statement of income or in shareholders' equity.

Goodwill
Under US GAAP, goodwill must be amortized over its estimated useful life, with a charge to income. The option, provided by German commercial law, of offsetting it directly against shareholders' equity, is not available.

Leasing
Under US GAAP, leasing is treated in much the same way as under the provisions of German commercial law. It is accounted for by the economic rather than the legal owner. The individual criteria for assigning a leased asset are, however, different. In a capital lease, the risks and rewards inherent in ownership of the leased item are ordinarily with the lessee, without any simultaneous transfer of title. Under US GAAP, therefore, a capital lease is treated as a purchase. Accordingly, the lessee carries the leased item as an asset, which is balanced by a corresponding liability.

Deferred Taxes
Contrary to the German Commercial Code, US GAAP requires not only that deferred tax obligations are carried as a liability but also that deferred tax assets are recorded, insofar as they result from timing differences between valuations for tax purposes and valuations in the consolidated balance sheet. Moreover, the basis for calculating deferred taxes is defined to a broader extent under US GAAP than it is according to the principles of German Commercial Code. Correspondingly, deferred taxes are also recorded for tax loss carryforwards, because of the financial benefit of reduced tax payments in the future. The future (deferred) tax advantage is carried as an asset, depending on the likelihood that it can be utilized.

Issue Costs
Under German commercial law, costs related to IPOs and capital increases are treated as an expense. According to US GAAP, these costs are offset directly against the new, increased shareholders' equity, with no effect on income. Under German commercial law, costs for issuing convertible bonds are also charged directly to income; under US GAAP, they are amortized over the term of the bonds.

Minority Interests
Under US GAAP, minority interests are not included in shareholders' equity. As with the DVFA computation in the past, consolidated net income is adjusted to reflect the share of the income or loss that is attributable to the other shareholders.

Provisions for Pension Plans
By contrast with the German statutory method of computing provisions for pension plans for tax purposes, such provisions are calculated taking into account anticipated wage and salary increases. The calculation is based not on a discount rate of 6% oriented to tax revenues, but more related to the market interest rates of long-term investments.

There are basic differences in the structure and financing of the pension plans of U.S. and German companies. While, in the U.S.A., the company pension plan is usually administered through outside pension funds, German companies make allowance for them in their balance sheets, by setting up provisions for future pension payments. These structural distinctions, caused mainly by the state of the tax law, are also reflected in the consolidated financial statements. For U.S. companies, only the premiums to be paid to the pension fund are included in the costs. On the other hand, in German financial statements, the allocation to provisions for pension plans, which is chargeable against income and – insofar as it relates to Germany – tax-deductible, consists of a premium portion and an interest portion. For the sake of greater clarity, we show this interest portion separately, without, however, including the interest in income from financial activities.

Miscellaneous Provisions
The possibilities for creating provisions are far more strictly limited in U.S. accounting than under the German Commercial Code. Provisions are to be set up when an obligation to a third party exists and is likely to be enforced and the probable amount of the necessary provision can be reliably estimated. General provisions for expenses and for deferred maintenance are not permissible under US GAAP.

Statement of the Executive Board

The Executive Board of Continental AG is responsible for preparing the consolidated financial statements.

To ensure that the accounting principles are complied with and that the Company's financial reporting is correct, we employ effective internal control and monitoring systems, which include the application of uniform guidelines throughout the Corporation, the use of reliable software, the selection and training of qualified personnel and ongoing checks by our internal auditors.

The existing early warning systems meet the requirements of the KonTraG (Corporate Control and Disclosure Law). The Executive Board is thus in a position to detect possible risks at an early stage and to take appropriate countermeasures.

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, has audited the consolidated financial statements prepared in accordance with U.S. accounting principles and issued the report printed below.

The Supervisory Board has discussed the consolidated financial statements, the consolidated management report and the auditor's report in detail with the auditors.

The Executive Board

Independent Auditors' Report

We have audited the consolidated financial statements, consisting of the balance sheet, the income statement and the statements of changes in financial position and of changes in shareholders' equity as well as the notes to the financial statements prepared by Continental Aktiengesellschaft for the business year from January 1 to December 31, 1999. The preparation and the content of the consolidated financial statements in accordance with generally accepted accounting principles in the United States (US GAAP) are the responsibility of the Company's executive board. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with US GAAP.

Our audit, which also extends to the group management report prepared by the executive board for the business year from January 1 to December 31, 1999, has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 1999 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German accounting law. We conducted our audit of the consistency of the group accounting with the 7th EU Directive required for the exemption from the duty for consolidated accounting pursuant German commercial law on the basis of the interpretation of the Directive DRS1 by the German Accounting Standards Committee.

Hanover, March 21, 2000
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Reinke
Wirtschaftsprüfer

Schulze
Wirtschaftsprüfer

Consolidated Statement of Income

	See Note	1999 In millions of €	1998 In millions of €
Sales	(28)	**9,132.2**	**6,743.2**
Cost of sales		7,178.9	4,987.7
Gross profit on sales		**1,953.3**	**1,755.5**
Selling expenses, administrative expenses, other operating expenses	(5)	1,632.3	1,535.5
Other income	(6)	187.2	156.0
Net income from investments and financial activities	(7)	– 148.8	– 94.7
Earnings before taxes		**359.4**	**281.3**
Taxes on income and earnings	(8)	117.2	133.8
Minority interests in earnings		7.5	9.3
Net income for the year		**234.7**	**138.2**
Earnings per share (in €)	(29)		
Earnings per share		1.91	1.20
Earnings per share (diluted)		1.83	1.15

Consolidated Balance Sheet

Assets	See Note	**As of 12/31/1999** In millions of €	**As of 12/31/1998** In millions of €
Intangible assets	(9)	1,549.5	1,589.8
Property, plant and equipment	(10)	2,578.3	2,327.0
Investments	(11)	92.8	82.5
Fixed assets and investments		**4,220.6**	**3,999.3**
Inventories	(12)	1,083.2	987.1
Trade accounts receivable	(13)	1,096.7	860.9
Other assets and miscellaneous receivables	(14)	530.0	516.1
Marketable securities	(15)	81.8	81.8
Cash and cash equivalents	(16)	358.1	291.7
Current assets		**3,149.8**	**2,737.6**
Prepaid expenses	(18)	**33.4**	**28.8**
		7,403.8	**6,765.7**

Shareholders' equity and liabilities	See Note	**As of 12/31/1999** In millions of €	**As of 12/31/1998** In millions of €
Subscribed capital		327.4	294.0
Capital reserves		915.2	687.1
Retained earnings		634.1	470.1
Other changes in shareholders' equity		– 116.1	– 122.1
Shareholders' equity	(19)	**1,760.6**	**1,329.1**
Minority interests		**142.4**	**174.5**
Provisions	(21)	**1,842.3**	**1,702.5**
Indebtedness	(22)	2,152.7	2,292.5
Other liabilities	(23)	1,505.8	1,267.1
Total liabilities		**3,658.5**	**3,559.6**
		7,403.8	**6,765.7**

Consolidated Statement of Changes in Financial Position

	1999 In millions of €	1998 In millions of €
Consolidated net income for the year	234.7	138.2
Minority interest in earnings	7.5	9.3
Depreciation, amortization and writedowns on fixed assets and investments	576.8	395.9
Other expenses/income with no effect on funds	30.7	23.6
Cash flow	**849.7**	**567.0**
Income from disposal of fixed assets and investments	– 6.3	– 37.2
Change in inventories and receivables	– 350.4	2.9
Change in other debt capital	308.2	60.9
Changes in the scope of consolidation	–	250.0
Funds received from current business activity	**801.2**	**843.6**
Proceeds from disposal of fixed assets and investments	56.8	74.2
Capital expenditure on property, plant and equipment, and intangible assets	– 627.0	– 477.9
Purchase of new companies	– 16.6	– 8.4
Changes in the scope of consolidation	– 30.5	– 2,167.9
Changes in fixed assets and investments due to foreign exchange differences	– 174.5	59.0
Funds paid due to investment activity	**– 791.8**	**– 2,521.0**
Sum of cash flow before financing activity	**9.4**	**– 1,677.4**
Change in short-term borrowings	– 1,068.0	1,519.5
Raising of long-term debt	1,110.8	151.4
Repayment of debt	– 182.6	– 164.4
Dividends paid	– 47.0	– 41.0
Issue of shares	261.5	8.3
Other changes in shareholders' equity	– 17.7	41.0
Cash flow due to financing activity	**57.0**	**1,514.8**
Change in cash and cash equivalents	**66.4**	**– 162.6**
Cash and cash equivalents at January 1	291.7	454.3
Cash and cash equivalents at December 31	358.1	291.7

Changes in Consolidated Shareholders' Equity

In millions of €	Sub-scribed capital	Capital reserves	Retained earnings	Accumulated other comprehensive income: Foreign currency translation	Accumulated other comprehensive income: Pension valuation	Total
At January 1, 1998	**292.7**	**680.1**	**317.1**	**– 107.3**		**1,182.6**
Consolidated net income for the year			138.2			138.2
Other comprehensive income				– 14.8		– 14.8
Total miscellaneous changes in shareholders' equity			**138.2**	**– 14.8**		**123.4**
Issue of shares	1.3	7.0				8.3
Dividends			– 41.0			– 41.0
Other			55.8			55.8
At December 31, 1998	**294.0**	**687.1**	**470.1**	**– 122.1**		**1,329.1**
Consolidated net income for the year			234.7			234.7
Other comprehensive income				18.8	– 12.8*	6.0
Total miscellaneous changes in shareholders' equity			**234.7**	**18.8**	**– 12.8**	**240.7**
Issue of shares	33.4	228.1				261.5
Dividends			– 47.0			– 47.0
Other			– 23.7			– 23.7
At December 31, 1999	**327.4**	**915.2**	**634.1**	**– 103.3**	**– 12.8**	**1,760.6**

* Taxes on the gross amount: € 9.7 million

Changes in Consolidated Fixed Assets and Investments

In millions of €				Acquisition/Manufacturing cost		
	1/1/1999	Currency changes	Additions	Reclassifi-cations	Disposals	12/31/1999
Franchises, operating licenses, industrial property and similar rights and assets, and licenses for such rights and assets	170.6	2.8	39.8	15.0	22.1	206.1
Goodwill	1,780.9	44.3	–		1.0	1,824.2
Advances to suppliers	17.6		6.9	– 15.0		9.5
Intangible assets	**1,969.1**	**47.1**	**46.7**	**–**	**23.1**	**2,039.8**
Land, land rights and buildings including buildings on land not owned	1,234.8	44.2	43.0	23.7	28.6	1,317.1
Technical equipment and machinery	3,472.3	169.2	163.3	188.6	152.5	3,840.9
Other equipment, factory and office equipment	1,135.6	12.6	95.5	31.0	114.7	1,160.0
Advances to suppliers and assets under construction	275.0	15.3	309.0	– 243.3	1.3	354.7
Property, plant and equipment	**6,117.7**	**241.3**	**610.8**	**–**	**297.1**	**6,672.7**
Shares in affiliated companies	9.4	–	–	–	5.0	4.4
Shares in associated companies	52.9	1.3	2.6	–	1.8	55.0
Participations	4.8	–	0.5	–		5.3
Loans granted to companies in which participations are held	2.9	–	0.1	–		3.0
Securities held as investments	13.5	–	–	–	0.7	12.8
Other loans granted	4.4	0.8	13.3	–	0.7	17.8
Other financial assets	1.6	–	0.1	–	0.2	1.5
Investments	**89.5**	**2.1**	**16.6**	**–**	**8.4**	**99.8**
	8,176.3	**290.5**	**674.1**	**–**	**328.6**	**8,812.3**

Depreciation						Book values	
1/1/1999	Currency changes	Additions	Reclassifications	Disposals	12/31/1999	**12/31/1999**	12/31/1998
111.9	0.6	36.0	–	21.9	126.6	79.5	58.7
267.4	1.6	94.9	–	0.2	363.7	1,460.5	1,513.5
						9.5	17.6
379.3	**2.2**	**130.9**	**–**	**22.1**	**490.3**	**1,549.5**	**1,589.8**
560.6	12.3	39.2	–	14.9	597.2	719.9	674.2
2,314.5	92.9	290.7	0.3	128.5	2,569.9	1,271.0	1,157.8
914.4	8.6	114.3	– 0.3	112.0	925.0	235.0	221.2
1.2	–	1.4	–	0.3	2.3	352.4	273.8
3,790.7	**113.8**	**445.6**	**–**	**255.7**	**4,094.4**	**2,578.3**	**2,327.0**
1.9	–	–	–	0.1	1.8	2.6	7.5
1.0	–	–	–	–	1.0	54.0	51.9
0.1	–	–	–	–	0.1	5.2	4.7
1.5	–	–	–	–	1.5	1.5	1.4
1.7	–	0.2	–	0.2	1.7	11.1	11.8
0.6	–	–	–	–	0.6	17.2	3.8
0.2	–	0.1	–	–	0.3	1.2	1.4
7.0	**–**	**0.3**	**–**	**0.3**	**7.0**	**92.8**	**82.5**
4,177.0	**116.0**	**576.8**	**–**	**278.1**	**4,591.7**	**4,220.6**	**3,999.3**

Notes to the Consolidated Financial Statements

(1) Accounting Principles

Consolidation

The consolidated financial statements include all major subsidiaries which are de facto or legally under the control of Continental AG. Significant investments in companies are valued by the equity method if Continental holds between 20% and 50% of the shares ("associated companies"). Joint ventures which are under joint management are always valued by the equity method, while the other participations are shown at acquisition cost.

We use the book value method for capital consolidation, offsetting the acquisition cost against the parent company's interest in shareholders' equity on the date of acquisition. Any difference between the acquisition cost and the interest in shareholders' equity is entered, in whole or in part, among the subsidiary's assets. Any remaining positive difference is entered on the assets side as goodwill and amortized over its anticipated useful life, with a charge against income.

The effects of transactions within the Corporation are eliminated.

Foreign Currency Translation

As a rule, the balance sheets of foreign subsidiaries, with a functional currency other than the euro, are translated into euros according to the functional currency concept at the mean rate on the balance sheet date; and the statement of income, including net income for the year, is translated into euros at average rates for the year. Translation differences compared with the previous year in the values of assets and liabilities are included in shareholders' equity, with no effect on income.

Monetary assets and liabilities of subsidiaries in countries with high inflation are translated at the rates on the balance sheet date, and non-monetary items are translated at historical rates; translation differences are reflected in the statement of income. Depreciation and income from the disposal of fixed assets in countries with high inflation are determined on the basis of historical rates.

The following table shows the changes in the exchange rates of the major currencies involved in the currency translation:

Currency	Rate prevailing on the balance sheet date in €		Average rate for the year in €	
	12/31/1999	**12/31/1998**	**1999**	**1998**
1 USD	0.99721	0.85539	0.94038	0.89952
1 GBP	1.61238	1.43059	1.51999	1.49001
100 SEK	11.67910	10.58630	11.35718	11.31387
100 SKK	2.35426	2.31922	2.27332	2.55237
100 ZAR	16.18568	14.50279	15.38201	16.38844
100 MXN	10.48779	8.64237	9.80786	9.91242
1 BRL	0.55002	0.70737	0.51749	0.77417
100 CZK	2.76778	2.86277	2.71598	2.79370

Recognition of Sales

Sales are recorded when title (or risk) has passed to the buyer, either at the time of shipment or upon delivery to the customer. Discounts, bonuses and rebates are deducted from sales.

Expenses Relating to Products

Expenses for advertising and sales promotion and other expenses relating to sales are charged against earnings at the time they are incurred. Provisions for warranties are established when the products are sold. Research and development expenditures are charged directly to income.

Earnings per Share

Where a potential dilution is present, two measures of earnings per share are shown. In computing "basic earnings per share", the dilution is not taken into account; the number of shares is determined according to FAS 128 on the basis of the weighted average of the number of shares issued. "Earnings per share (diluted)" takes into account not only shares that have actually been issued but also shares obtainable through option rights. The computation is explained in Note 29. Consolidated net income for the year is the net income less minority interests.

Intangible Assets

Intangible assets acquired from third parties are valued at acquisition cost and amortized by the straight-line method over a useful life of 5 to 20 years. Goodwill resulting from acquisitions is amortized over a period of 5 to 20 years, with a charge against income. We check the value of goodwill regularly on the basis of estimated future cash flows.

Property, Plant and Equipment

Property, plant and equipment is valued at acquisition or manufacturing cost, less straight-line depreciation. The manufacturing cost of fixed assets produced by the Company consists of the individual cost, plus the attributable material and manufacturing overhead, including depreciation. For long-term construction projects, financing costs are included, if a direct allocation is possible. The useful life is selected as follows:

up to 25 years	for buildings and installations on land
up to 10 years	for technical equipment and machinery
2 to 10 years	for factory and office equipment.

Accelerated depreciation is taken where necessary.

Leasing

Continental leases property, plant and equipment, especially buildings. US GAAP contains rules to determine, on the basis of risks and rewards, whether the leased object is actually owned by the lessee ("capital lease") or the lessor ("operating lease"). Applying these rules in two major instances, we already capitalized assets in 1998 during the changeover to the new accounting principles, showing the respective liabilities as indebtedness.

Current assets

Current assets consist of inventories, receivables, marketable securities and cash and cash equivalents, the latter including amounts due in one year or more, as indicated in the Notes.

Marketable Securities and Equity Investments

Marketable securities are valued at cost if they are likely to be held until maturity. Writedowns are made on all marketable securities or equity investments in the event of a permanent impairment in value.

Inventories

Inventories are carried at the lower of acquisition or production cost or market value. Manufacturing cost includes direct costs and production-related material and production overhead, as well as depreciation. Appropriate adjustments are made for declines in value due to reduced usability. Inventories of natural rubber and of the U.S. companies are valued according to the LIFO method, provided that the current acquisition cost is not lower than the original price.

Derivatives

Continental uses derivatives only for hedging purposes. If there is a direct connection and a correlation between a derivative and a basic transaction, a valuation unit is established. Gains and losses from these valuation units which are designed to hedge interest and currency risks relating to specific assets, liabilities or orders, are reflected in the income statement only when the underlying transaction has occurred (see Note 26).

Stock Option Plans

Stock option plans are shown in accordance with the rules set forth by the Accounting Principles Board (APB), in its Opinion 25, which deals with accounting for employee stock options. This remuneration is charged against income on the issue date only if the market price of the shares in question exceeds the exercise price. The Company has applied the disclosure regulations of FAS 123 (accounting for stock remuneration). It has taken advantage of the option to follow the rules of APB 25, and is showing the comparable values pursuant to FAS 123 accordingly.

Provisions

Provisions for pensions and similar obligations are valued by actuarial principles pursuant to FAS 87, using the vested-interest cash-value method taking into account the trend in salaries and pensions, as well as fluctuations in the work force; the interest rate is based on conditions in the capital market.

Pension commitments and similar obligations of some foreign companies are covered by pension funds. Employee claims for severance benefits under national laws have also been provided for.

The obligations for post-retirement medical benefits in the U.S.A., including provisions for non-vested employees, are shown in their full amount on the liability side, in accordance with FAS 106.

Provisions for taxes and miscellaneous provisions are set up, if an obligation to another party exists, if it is likely that the provisions will be utilized, and if the amount necessary for the provision can be reliably estimated. In determining miscellaneous provisions, in particular for warranties and probable losses from pending transactions, all cost components which are also capitalized in inventories are usually considered. Price increases are taken into account.

Continental sets up provisions for environmental risks if the expenses are likely to occur and the amount can be reliably estimated.

Restructuring Provisions

Restructuring provisions are established if a formal, approved plan containing all the necessary information exists before the balance-sheet date and if the measures are carried out as quickly as possible in compliance with the applicable legal provisions in the country in question, and if the Company has forwarded the required information.

Accounting for Income Taxes

Income taxes are stated according to the liability method. Deferred tax assets and liabilities are recorded if it can be assumed that the difference between the values under the commercial law and the tax law will reverse in the future. In principle, this treatment applies to all assets and liabilities, except for the goodwill resulting from consolidation. Deferred tax assets and liabilities are valued at the current tax rates. If it is to be expected that the differences will be offset against each other in years with other tax rates, the rates valid at that time will be used. Should the tax rates change, this will be taken into account in the year in which the changes are published.

Deferred tax assets are adjusted, if, due to the long-term earnings forecasts for the company in question, the anticipated tax benefit is unlikely to occur.

Estimates
To a certain extent, estimates and assumptions must be made in the consolidated financial statements with regard to assets and liabilities, contingent liabilities on the balance sheet date and income and expenses during the reporting period. The actual amounts may deviate from the estimates.

New Accounting Principles
When changing over to US GAAP, Continental has applied those principles currently in force.

The Statement of Position (SOP) 98-1 prescribes that certain costs for software in use by the Company be capitalized as soon as certain criteria are met. The initial application of this rule had no significant effect on the consolidated financial statements.

SOP 98-5 requires expenses for the start-up and expansion of the business to be entered immediately when incurred. This rule has no effect on Continental's consolidated financial statements.

FAS 133 requires that derivatives included among assets and liabilities be entered at the current value. Gains and losses from changes in the current value of derivatives are entered according to the purpose of the individual derivative and the prerequisites for proper and complete accounting. This Statement must be applied in fiscal years starting after June 15, 2000.

(2) 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%. A table showing the major companies of the Continental Corporation can be found on page 68 of this report. A complete list of the Corporation's holdings is filed with the Commercial Register of the Hanover District Court under reference number HRB 3527.

We have consolidated 192 domestic and foreign companies, in addition to the parent company. Two companies that merged with other consolidated companies are no longer included. Three companies were newly incorporated with no significant effect on the Corporation's total assets. The scope of consolidation has changed since the previous year. Six companies not included in the past were consolidated for the first time.

Companies whose property, debts, expenses and income, individually and collectively, are of only minor significance to the net worth, financial and earnings situation of the Corporation are not consolidated.

(3) Acquisition of New Companies
Effective September 26, 1998, we acquired the brakes and chassis division of ITT Industries, White Plains, New York, for USD 1.93 billion. This unit, now known as Continental Teves, has been integrated into the Continental Automotive Systems Group. Its acquisition caused assets to increase by € 2,272.1 million. On December 18, 1999, Continental acquired a further interest of 48.9% in Benecke-Kaliko AG, Hanover, with a right to earnings as of January 1, 1999, and now owns 99% of this company. The interests of minority shareholders and their share in earnings decreased accordingly in 1999. Other acquisitions during 1998 and 1999 did not have a significant effect on the consolidated figures.

Notes to the Consolidated Statement of Income

In 1999, the companies acquired in 1998 – Continental Teves, in particular – were, for the first time, consolidated for an entire year. This must be taken into account when comparing the figures for 1998 and 1999.

(4) Research and Development Expense

Research and development expense amounted to € 374.2 million (1998: € 267.1 million).

(5) Selling Expenses, Administrative Expenses, Other Operating Expenses

In millions of €	1999	1998
Selling expenses	1,056.1	968.7
Administrative expenses	356.4	317.9
Other expenses	219.8	248.9
	1,632.3	**1,535.5**

The following personnel expenses are included in the expense items of the statement of income:

In millions of €	1999	1998
Wages and salaries	1,828.8	1,503.0
Social welfare benefits	473.5	386.3
Expenses for pension plans	85.4	47.8
	2,387.7	**1,937.1**

On an annual average, the number of people employed by the Corporation was as follows:

	1999	1998
Wage earners	41,753	33,699
Salaried employees	20,801	16,528

The total remuneration paid in 1999 to the Executive Board of Continental AG was € 5.183 million and that paid to the Supervisory Board was € 0.930 million. Under the stock option plans of 1990 and 1996, members of the Executive Board subscribed to convertible bonds with a par value of € 75,160. In addition, 36,000 subscription rights to acquire Continental shares were granted to members of the Executive Board within the scope of the 1999 stock option plan (Note 20). Option price models can be applied to determine the value of the option rights. The value to be determined will vary considerably, depending on the assumptions made. Therefore, no definitive value can be calculated. For the result according to US GAAP valuation of the option rights, its terms and the conditions for the conversion rights, reference is made to the explanations in Note 20. As of December 31, 1999, there were no outstanding advances or loans to members of the Executive or Supervisory Boards of Continental AG.

(6) Other Income

This item includes income from the disposal of property, plant and equipment in the amount of € 19.1 million (1998: € 46.2 million), leasing income in the amount of € 10.3 million (1998: € 9.2 million), foreign exchange gains in the amount of € 42.7 million (1998: € 19.1 million) and income from the settlement of miscellaneous obligations in the amount of € 34.8 million (1998: € 23.5 million).

(7) Net Income from Investments and Financial Activities

In millions of €	1999	1998
Income from equity investments	2.6	3.6
including: affiliated companies	0.7	0.9
including: companies valued by the equity method	1.9	2.7
Writedowns of equity investments and		
interests in affiliated companies	–	– 0.1
Income from investments	**2.6**	**3.5**
Other interest and similar income	35.5	21.9
Interest and similar expenses	187.4	120.9
Net interest expense	**– 151.9**	**– 99.0**
Income from securities and loans	0.8	0.9
Writedowns of securities and loans	– 0.3	– 0.1
Miscellaneous income	**0.5**	**0.8**
Net income from investments and financial activities	**– 148.8**	**– 94.7**

The Corporation's net interest expense amounts to 1.7% (1998: 1.5%) of sales.

(8) Taxes on Income and Earnings

Of the income before taxes and minority interest in the amount of € 359.4 million (1998: € 281.3 million), € 169.2 million (1998: € 112.7 million) was earned in Germany.

The taxes paid by the Corporation in Germany and abroad were as follows:

In millions of €	1999	1998
Current taxes		
Germany	58.9	30.2
Abroad	89.7	48.1
Deferred taxes		
Germany	90.6	63.3
Abroad	– 122.0	– 7.8
	117.2	**133.8**

The reconciliation from the expected to the reported tax expense is shown in the following table:

In millions of €	1999	1998
Expected tax expense	186.9	158.9
Dividend tax credits	– 3.1	– 0.3
Foreign tax rate differences	– 26.0	– 32.5
Change in valuation allowances	– 78.7	– 30.3
Writedowns of goodwill not deductible for tax purposes	19.3	19.6
Other	18.8	18.4
Tax expense reported in the financial statements	**117.2**	**133.8**

There was no tax income from the establishment of the dividend payment fund at Continental AG, because only profits of non-German consolidated companies will be used.

In 1999, the use of tax loss carryforwards in Germany led to a reduction of € 38.2 million in deferred tax assets in Germany. As a result of the Tax Relief Act, the writedowns of investments under the Commercial Code made in the previous years, primarily at Continental Rubber Holding Inc., Wilmington, Delaware, U.S.A., had to be reversed for tax purposes. Use was made of the option to extend the tax payments over five years, so that in 1999 and each of the four subsequent years, only 1/5 of the additional tax burden will be included in the tax base.

In the previous years, due to the persistence of operating losses in the Continental General Tire and Commercial Vehicle Tire Groups, deferred tax assets arising from tax loss carryforwards bore a full valuation allowance.

As the prospect of earnings has improved significantly since the previous years, leading to a lasting increase in taxable income, there was no longer a basis for this valuation allowance. In 1999, this produced a non-recurring result of € 108.1 million.

In Germany, the rate of the corporate income tax, including the trade tax and reunification surtax, for Continental AG amounts to 52.0% (1998: 56.5%).

Deferred tax assets and liabilities result from temporary valuation differences in the following balance-sheet items:

In millions of €	1999	1998
Property, plant and equipment	– 36.2	– 29.3
Inventories	15.6	10.5
Tax loss carryforwards	174.0	177.7
Provisions for pension plans	– 0.8	6.7
Other provisions	138.8	98.2
Other	25.3	43.9
Value adjustments	– 112.3	– 178.9
Deferred tax assets	**204.4**	**128.8**
Property, plant and equipment	– 157.4	– 150.7
Inventories	– 22.6	– 22.1
Provisions for pension plans	24.1	25.7
Other provisions	– 32.2	– 2.6
Liabilities	35.2	30.6
Other	– 3.6	8.6
Deferred tax liabilities	**– 156.5**	**– 110.5**
Net deferred taxes	**47.9**	**18.3**

In 1999, the domestic tax loss carryforward was fully utilized, with the exception of the part relating to the trade tax paid by partnerships.

On December 31, 1999, the Corporation had corporate income tax loss carryforwards of € 376.1 million (1998: € 420.9 million) and trade tax loss carryforwards of € 127.0 million (1998: € 42.0 million). Most of the corporate income tax loss carryforwards available to the Corporation relate to subsidiaries abroad and their use is in some cases limited. The valuation allowance on deferred tax assets on the balance sheet changed by € 66.6 million. The current estimate may change, based on the earnings situation in future years, making higher or lower allowances necessary.

After netting, the deferred tax assets and liabilities are as follows:

In millions of €	12/31/1999		12/31/1998	
	Total	**> 1 year**	**Total**	**> 1 year**
Deferred tax assets	204.4	94.7	128.8	22.4
Deferred tax liabilities	156.5	97.0	110.5	79.3
Net deferred taxes	**47.9**	**– 2.3**	**18.3**	**– 56.9**

Notes to the Consolidated Balance Sheet

(9) Intangible Assets

For the change in intangible assets and property, plant and equipment, we refer to the Changes in Consolidated Fixed Assets and Investments. Intangible assets consist, in particular, of the goodwill acquired with Continental Teves in 1998, with National Tyre Service in 1992 and with Continental General Tire in 1987/88. The additions of € 46.7 million were mainly software purchased from third parties. Concessions, industrial property rights and similar rights and assets, and licenses for such rights and assets, as well as advances to suppliers relate almost exclusively to externally sourced DP software.

(10) Property, Plant and Equipment

The principal additions were new machinery and molds to maintain and secure our technical and economic performance capability, to expand capacity, to boost efficiency, to increase productivity and assure product quality. Disposals consisted mainly of land and of technically and economically obsolete machinery and equipment.

The increase in property, plant and equipment due to the initial consolidation of new companies amounted to € 28.6 million (gross value of € 29.3 million, less accumulated depreciation of € 0.7 million).

Property, plant and equipment includes leased buildings, equipment and other facilities in the total amount of € 35.4 million (1998: € 37.3 million). Due to the nature of the underlying leasing agreements (so-called "capital leases"), the Corporation is regarded as holding title to these assets. The depreciation taken on leased equipment during the year came to € 1.9 million (1998: € 1.9 million).

The other additions are shown in the following table:

In millions of €	1999	1998
Passenger Tires	166.3	163.1
Commercial Vehicle Tires	60.4	40.7
Continental General Tire	108.4	68.7
ContiTech	103.8	92.0
Continental Automotive Systems	142.1	51.5
Other	0.5	0.3
	581.5	**416.3**

(11) Investments

The associated companies purchased during the year contain the income from investments relating to joint ventures of Continental Teves. Securities held as investments consist mainly of fixed-interest government obligations, which serve to cover the provisions established on the balance sheets of our Austrian companies for retirement claims of employees. Loans granted include residential construction loans to employees, financing contributions to utility companies and other loans.

(12) Inventories

In millions of €	12/31/1999	12/31/1998
Materials and supplies	305.8	273.3
Work in progress	126.2	130.0
Finished goods and merchandise	651.4	583.0
Advances to suppliers	0.9	1.2
Advances from customers	1.1	0.4
	1,083.2	**987.1**

Inventories include a LIFO reserve of € 4.7 million (1998: € 1.1 million).

(13) Trade Accounts Receivable

In millions of €	12/31/1999	12/31/1998
Trade accounts receivable	1,168.0	924.3
Allowances	71.3	63.4
	1,096.7	**860.9**

€ 4.0 million (1998: € 0.9 million) of trade accounts receivable are due after one year or more.

Continental sells its trade accounts receivable through ongoing programs, primarily asset-backed securitization programs, which provide that new receivables are added, on a revolving basis, to the ones already sold, and that payments reduce the amount of the receivables on hand. The consolidated companies that sell the receivables manage and collect them on behalf of the buyers.

The reserved (holdback) portion of the receivables sold, amounting on December 31, 1999 to € 38.0 million (1998: € 93.2 million) is shown under other assets. The total amount of the corresponding sold receivables is € 466.2 million (1998: € 547.4 million).

(14) Other Assets and Miscellaneous Receivables

In millions of €	12/31/1999	12/31/1998
Receivables from affiliated companies	1.5	5.7
Receivables from companies in which		
a participation is held	13.2	17.8
Other assets and other receivables	516.4	499.0
Allowances	1.1	6.4
	530.0	**516.1**

€ 177.1 million (1998: € 155.0 million) of other assets and other receivables is due after one year or more. The other assets and other receivables include € 60.0 million (1998: € 51.5 million) in excess coverage of pension obligations and € 204.4 million (1998: € 128.8 million) in prepaid taxes.

(15) Marketable Securities

Marketable securities consist primarily of fixed-interest bonds, which are held until maturity.

(16) Cash and cash equivalents

Cash and cash equivalents comprise cash in banks and on hand, accounts at the Bundesbank and checks. They have an original term of three months or less.

(17) Consolidated Statement of Changes in Financial Position

The following payments are included in calculating the cash flow from business activity:

In millions of €	1999	1998
Interest paid	173.0	120.2
Income tax paid (estimated)	95.4	108.0

(18) Prepaid Expenses

This item consists mainly of prepayments of rent, leasing fees, interest and insurance premiums.

(19) Shareholders' Equity

Number of no-par shares	**1999**	**1998**
Subscribed capital		
January 1	115,012,390	114,504,730
Change due to employee shares	281,715	312,406
Change due to exercise of conversion and option rights	1,113,750	195,254
Change due to capital increase	11,501,239	–
December 31	**127,909,094**	**115,012,390**

Subscribed capital rose during the year by € 29.4 million through the issue of new shares, by € 0.7 million through the issue of employee shares, and by € 2.9 million through the exercise of conversion and option rights. An increase of € 0.4 million resulting from the conversion of the par value to euros was withdrawn from capital reserves.

A resolution of the Annual Meeting of Shareholders on June 5, 1998 gave the Company an authorized capital of € 102.3 million (after rounding off upon the conversion to euros) for the issue of new shares on or before June 4, 2003. The issue of € 29.4 million in new shares reduced this authorized capital to € 72.9 million.

A resolution of the Annual Meeting of Shareholders on June 4, 1997 gave the Company an authorized capital in an original amount of € 5.1 million for the issue of employee shares. The issue of employee shares with a par value of € 0.7 million reduced this authorized capital to € 3.3 million.

The capital of the Company entitled to the dividend amounts to € 327,447,280.64 and is divided into 127,909,094 no-par shares.

€ 0.082 million in conversion rights from existing stock option plans established in 1990 for Executive Board members and other executives and € 0.721 million in similar rights from the 1996 plan have not yet been exercised. Each € 0.51 of the loan amount of the convertible bonds can be exchanged for one share of Continental AG. Loan amounts of € 2,556.46 each under the bonds with warrants floated in 1993 by Conti-Gummi Finance B.V., Amsterdam, The Netherlands, entitle the holder to purchase 240 shares of Continental AG. On December 31, 1999, 5.553 million option rights were still outstanding.

Of the total of 1,564,664 subscription rights under the stock option plans established in the year under review for Executive Board members and other executives, 144,500 have been issued, each of which entitles the holder to acquire one share.

The 2% 1999/2004 convertible bonds issued on October 25, 1999 are linked with the right to acquire 38.83 shares with a par value of € 1,000 on exchange of one bond.

€ 29.1 million was added to the conditional capital by a resolution of the Annual Meeting of Shareholders on June 1, 1999, for the granting of conversion and option rights in connection with new issues of convertible bonds or bonds with warrants.

A resolution of the Annual Meeting of Shareholders on June 1, 1999 increased the conditional capital by € 29.1 million for granting conversion and option rights in connection with new issues of convertible bonds or bonds with warrants. The existing conditional capital for granting conversion and option rights, amounting to DM 50.0 million, was canceled by a resolution of the Annual Shareholders' Meeting on June 1, 1999.

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

In thousands of €		
Conditional capital on December 31, 1998		121,797
Reduction:	Conversion and option rights	28,416
Addition:	Conversion and option rights	29,173
Conditional capital on December 31, 1999		**122,554**

The reserves include capital reserves and retained earnings of Continental AG in the amount of € 918.0 million and € 122.9 million, respectively. In 1999, a dividend of € 0.41 per share for the 1998 fiscal year was paid from Continental AG's net income available for distribution, for a total payout of € 47.0 million. The remainder was brought forward.

Under the German Stock Corporation Law, the dividends distributable to the shareholders are equivalent to Continental AG's net income available for distribution, as shown on its balance sheet in the annual financial statements prepared in accordance with the German Commercial Code. We recommend to the Annual Meeting of Shareholders that a dividend of € 58.8 million (1998: € 47.0 million), or € 0.46 (1998: € 0.41) per share, be paid to the shareholders from the 1999 net income available for distribution in the amount of € 60.0 million.

(20) Stock-Based Compensation

On the balance-sheet date, the Corporation has one variable and two fixed-amount stock option plans within the meaning of Accounting Principles Board (APB) Opinion No. 25. The Corporation shows on its balance sheet, stock-based compensation plans pursuant to APB Opinion No. 25.

Variable Stock Option Plan

With the consent of the Annual Meeting of Shareholders on June 1, 1999, Continental AG has introduced a variable stock option plan ("1999 stock option plan"). The plan grants stock options in the form of subscription rights to certain members of the top management. Following a blocking period of three years starting from the date on which the Executive Board resolves to grant the subscription rights, these stock options can be exchanged for shares of Continental AG within certain exercise windows during the subsequent two years. Each subscription right granted under this plan gives the right to subscribe one share.These subscription rights may, however, only be exercised if the average market price of the Continental share in the Xetra closing auction (average closing price) on the Frankfurt Securities Exchange during the last ten trading days before the respective exercise window is at least 15% (= exercise hurdle) above the average closing price during the last ten trading days before the issue date. The subscription price thus amounts to at least 115% of the market price immediately prior to granting the options, minus a performance-oriented reduction and an outperformance-oriented reduction. 144,500 of the total subscription rights under the stock option plan launched for the top management have been issued.

Fixed-Amount Stock Option Plans

The following tables show the changes in conversion rights granted by Continental under its fixed-amount stock option plans established in 1990 and 1996:

1990 Convertible bonds		**1999**		**1998**
	Number of conversion rights **in thousands**	Average exercise price **€/share**	Number of conversion rights **in thousands**	Average exercise price **€/share**
On January 1	117.4	12.93	203.6	13.29
Granted	–	–	–	–
Exercised	31.4	13.20	80.2	13.20
Expired	4.0	13.20	6.0	13.09
Still outstanding at year-end	82.0	12.89	117.4	12.93
Exercisable on December 31	82.0	12.89	117.4	12.93

1996 Convertible bonds		1999		1998
	Number of conversion rights **in thousands**	Average exercise price **in €/share**	Number of conversion rights **in thousands**	Average exercise price **in €/share**
On January 31	411.4	15.87	341.4	15.96
Granted	333.6	18.70	132.0	15.70
Exercised	16.2	13.80	56.0	15.98
Expired	8.0	17.14	6.0	15.98
Still outstanding at year-end	720.8	17.21	411.4	15.87
Exercisable on December 31	357.2	16.22	314.4	15.96

According to the rules set forth by the APB in its Opinion No. 25, these are fixed-amount stock option plans which do not lead to the personnel expenses being stated in the consolidated statement of income.

Goal-Based Stock Compensation at Continental

Miscellaneous

If the expenses for the stock option plans had been computed, according to the method of FAS 123, on the basis of the present value at the time of granting the rights, consolidated net income for the year would have changed only insignificantly, and so there would have been no effects on the earnings per share. The effects during fiscal 1998 would likewise have been insignificant.

The present value of the variable stock options was calculated, at the time of granting the rights, on the basis of an option price model that takes the exercise hurdles into account accordingly. The included premises and the resulting present value at the time of granting the rights are calculated at an average anticipated future dividend yield of at least 2% of the market price. Assuming an anticipated volatility of about 24%, a 5% interest rate for a risk-free investment, and an anticipated period of 5 years until the rights are exercised, the present value of one subscription right amounts to € 6.92.

The present value of one conversion right granted under the fixed-amount stock option plans, at the time of granting the rights, was assumed to be € 12.90 for the 1990 convertible bonds and € 13.30 for the 1996 convertible bonds.

(21) Provisions

The provisions can be broken down as follows:

In millions of €		12/31/1999		12/31/1998
	Total	**thereof > 1 year**	**Total**	**thereof > 1 year**
Pensions and similar obligations	1,041.3	923.7	950.8	804.7
Taxes	322.2	165.9	295.4	157.4
Other risks	478.8	151.2	456.3	154.8
	1,842.3	**1,240.8**	**1,702.5**	**1,116.9**

a) Pensions and Similar Obligations

The provisions for pensions and similar obligations concern:

Pension Plans

In Germany and Austria, pension obligations have been made to almost the entire work force, for which reserves have been charged. They are determined according to general plans and individual agreements. In the U.S.A., pension obligations are financed by pension funds. Years of service are a major consideration in all pension plans.

In millions of €	12/31/1999	12/31/1998
Pension obligations (pension plans)	677.0	638.4
Postemployment health and life insurance benefits	265.5	221.5
Similar obligations	38.8	39.4

The assets and income of the pension funds and retirement benefit organizations are intended exclusively for pension payments and the expenses of administering the pension plans.

The following information about Continental's pension plans is divided into U.S. pension plans and other pension plans, mainly those in Germany and Austria. The disclosure meets the requirements of FAS 132. The pension commitments were valued pursuant to FAS 87.

In evaluating the German pension obligations in 1999, we used the new Heubeck actuarial tables, which take into account the longer life expectancies and the reduced probability of permanent disability. This led to a substantial increase in the provisions during the fiscal year.

Provisions for other postemployment benefit obligations consist primarily of provisions for lump-sum retirement bonuses in Austria and for payments to employees when they leave the companies.

In millions of €		12/31/1999		12/31/1998
	U.S.	Other	U.S.	Other
	pension plans	pension plans	pension plans	pension plans
Change in projected benefit obligations				
Projected benefit obligations at beginning of year	361.8	680.2	325.3	360.8
Foreign currency exchange rate changes	61.4	0.3	– 24.7	–
Service cost	11.3	15.5	8.1	8.4
Interest cost	27.3	43.0	23.4	21.0
Plan amendments	28.2	–	6.3	–
Actuarial gains/losses	– 19.7	37.8	35.1	8.4
Effects of curtailments/settlements	–	0.1	–	–
Acquisitions and other	2.8	– 0.4	8.1	307.8
Benefits paid	– 25.4	– 37.8	– 19.8	– 26.2
Projected benefit obligations at end of year	447.7	738.7	361.8	680.2
Change in plan assets				
Fair value of plan assets at beginning of year	407.2	–	379.3	–
Foreign currency exchange rate changes	67.9	0.2	– 27.9	–
Actual return on plan assets	32.9	0.1	72.9	–
Employer contributions	–	0.5	–	–
Acquisitions and other	–	4.2	2.7	–
Benefits paid	– 25.4	– 0.2	– 19.8	–
Fair value of plan assets at end of year	482.6	4.8	407.2	–

The following table shows the reconciliation of the funded status to the amounts recognized in the balance sheet:

In millions of €	12/31/1999		12/31/1998	
	U.S. pension plans	Other pension plans	U.S. pension plans	Other pension plans
Funded status*	34.9	– 733.9	45.4	– 680.2
Unrecognized actuarial net gains/losses	– 24.4	35.0	– 10.8	–
Unrecognized prior service cost	34.8	– 23.4	7.2	–
Net amount recognized	45.3	– 722.3	41.8	– 680.2
The amount recognized in the balance sheet consists of:				
Other assets and other receivables	56.4	–	48.6	–
Accrued pension liability	– 11.1	– 722.3	– 6.8	– 680.2
Intangible assets	–	–	–	–
Net amount recognized	45.3	– 722.3	41.8	– 680.2

* Difference between the fair value of plan assets and the projected benefit obligations.

The assumptions used for computing the pension obligations with regard to discount, salary increases and the long-term rates of return on plan assets vary according to the economic situation of the country in which the pension plan has been established. In the principal pension plans, the following weighted-average assumptions have been used:

	1999		1998	
	U.S. pension plans	Other pension plans	U.S. pension plans	Other pension plans
	%	%	%	%
Weighted-average assumptions at end of year				
Discount rate	7.5	6.0	7.0	6.0
Expected return on plan assets	9.0	6.9	8.5	–
Rate of compensation increase	5.0	3.0	5.0	3.0

The components of net periodic pension cost were as follows:

In millions of €	1999		1998	
	U.S. pension plans	Other pension plans	U.S. pension plans	Other pension plans
Service cost	11.3	15.5	8.1	8.4
Interest cost	27.3	43.0	23.4	21.0
Expected return on plan assets	– 39.5	– 0.3	– 31.5	–
Amortization of prior service cost	0.9	–	–	–
Other pension expense	2.8	0.5	–	–
Net periodic pension cost	2.8	58.7	0.0	29.4

The projected benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows:

In millions of €	12/31/1999	12/31/1998
Projected benefit obligation with salary increases	2.0	9.4
Plan assets	–	2.6

Other Postemployment Benefits

Certain subsidiaries in North America give eligible active and retired employees payments for health care and life insurance. When these employees leave Continental, they can receive these payments continually, if they have fulfilled prerequisites relating to age and years of service. However, the payments and the right to them can be duly altered or terminated.

The disclosure meets the requirements of FAS 132. The obligations continue to be valued pursuant to FAS 106:

In millions of €	1999	1998
Change in accumulated postemployment benefit obligations		
Accumulated postemployment benefit obligations at beginning of year	221.5	214.4
Foreign currency exchange rate changes	36.5	– 15.4
Service cost	3.8	3.6
Interest cost	16.9	15.3
Actuarial gains/losses	– 13.2	15.3
Acquisitions and other	–	0.9
Benefits paid	– 13.2	– 12.6
Accumulated postemployment benefit obligations at end of year	252.3	221.5

No separate plan assets have been allocated to these additional payments. An obligation is therefore recorded in this amount.

The following table shows the reconciliation of the funded status to the amounts recognized in the balance sheet:

In millions of €	12/31/1999	12/31/1998
Funded status*	– 252.3	– 221.5
Unrecognized actuarial net gains/losses	– 13.2	–
Net amount recognized	– 265.5	– 221.5

* Difference between the fair value of plan assets and the projected benefit obligations.

The balance-sheet amount is the obligation for postemployment health and life insurance benefits.

The assumptions used for computing the accumulated postemployment benefit obligations, with regard to discount, salary increases and the long-term rates of return on plan assets, vary according to the economic situation of the country in which the plans have been established. The following weighted-average assumptions have been used:

In %	1999	1998
Weighted-average assumptions at end of year		
Discount rate	7.50	7.00
Health care inflation rate in following year	6.75	7.00
Ultimate health care inflation rate to 2006	5.25	5.50

The components of net periodic postemployment benefit cost were as follows:

In millions of €	1999	1998
Service cost	3.8	3.6
Interest cost	16.9	15.3
	20.7	18.9

The following table shows the effects of a one-percentage-point increase or decrease in the rate of increase in assumed health care cost trend rates.

In millions of €	1999	1998
1% increase:		
Effect on total of service and interest cost components	20.7	18.9
Effect on accumulated postemployment benefit obligations	243.3	213.8
1% decrease:		
Effect on total of service and interest cost components	18.8	17.1
Effect on accumulated postemployment benefit obligations	237.3	208.7

Provisions for Obligations Similar to Pensions

Certain companies of the Corporation have granted benefits to employees under which the company's costs are based on a fixed percentage of their compensation. These payments are made when the employees leave the company; in 1999 they amounted to € 4.6 million (1998: € 8.5 million).

b) Provisions for Taxes

Provisions for taxes increased in 1999 by € 26.8 million to € 322.2 million (1998: € 295.4 million).

c) Miscellaneous Provisions

These provisions can be broken down as follows:

In millions of €	12/31/1999	12/31/1998
Warranties	86.5	79.5
Restructuring	72.3	108.5
Anniversary bonuses for long-serving employees	24.2	22.5
Litigation and environmental risks	45.1	49.3
Other provisions	250.7	196.5
	478.8	**456.3**

The other provisions include allowances for losses anticipated in connection with uncompleted contracts and for other obligations. A reasonable amount is accrued for anticipated losses under long-term delivery contracts.

It is estimated that € 151.2 million of the miscellaneous reserves (1998: € 154.8 million) have a remaining term of over one year.

Restructuring Provisions

In millions of €	Severance payments	Shutdown costs	Total
At January 1, 1998	13.3	20.1	33.4
Utilization and reclassifications	4.5	4.9	9.4
Additions	56.7	27.8	84.5
At December 31, 1998	65.5	43.0	108.5
Utilization and reclassifications	39.7	15.7	55.4
Additions	5.2	14.0	19.2
At December 31, 1999	**31.0**	**41.3**	**72.3**

In 1999, the Corporation established provisions for severance payments in the amount of € 5.2 million (1998: € 56.7 million), primarily in the Passenger Tire Group, in connection with restructuring measures. In the previous year, the principal units affected were the Passenger Tire and Continental Automotive Systems Groups. 1,196 employees were laid off in connection with restructuring programs. On December 31, 1999, provisions sufficient for the reduction of about 472 employees were available.

Shutdown costs in 1999 and 1998 were due primarily to restructuring.

(22) Indebtedness

In millions of €	with a remaining term of			with a remaining term of		
		up to	over		up to	over
	12/31/1999	1 year	5 years	**12/31/1998**	1 year	5 years
Bonds*	1,017.5	202.9	500.8	251.8	0.1	0.4
Bank borrowings**	918.9	681.2	26.0	1,905.8	231.7	6.4
Leasing liabilities	48.0	0.1	45.2	48.1	0.1	46.1
Liabilities on acceptances and notes payable	0.2	0.2	–	0.6	0.6	–
Other indebtedness	168.1	96.6	67.4	86.2	66.5	1.2
	2,152.7	**981.0**	**639.4**	**2,292.5**	**299.0**	**54.1**

* Including € 379.8 million (1998: € 71.0 million) in convertible bonds
** Including € 1.5 million (1998: € 13.6 million) covered by land charges, mortgages and similar security

After the deduction of marketable securities and cash and cash equivalents in the amount of € 439.9 million, the net indebtedness amounts to € 1,712.8 million.

Financing Commitments from Banks

Company	Type	Amount in millions of €	Value at 12/31/1999 in millions of €	Interest	Maturity
CUK	Syndicated Euroloan	112.9	108.0	variable	June 2001
CAG	Long-term bank loan	120.1	120.1	5.40%	Nov. 2001
CAG			150.0		
CRoA	Syndicated Euroloan	1,500.0	59.8	variable	Dec. 2003
CUK			–		
CB			30.0		
CAG	Commercial paper program	750.0	–	variable	indefinite
CAG	Loan on notes	50.0	50.0	fixed	Dec. 2003
CAG	Loan on notes	20.0	20.0	fixed	Dec. 2005
Miscellaneous	Short-term bank lines	721.6	381.0	variable	usually < 1 year
Financing commitments from banks		**3,274.6**			
Due to banks			**918.9**		

The total value of the loans on December 31, 1999 was € 1,017.5 million. In addition, we have factoring programs totaling € 550.8 million, € 512.8 million of which had been used on December 31, 1999.

There is a further financing commitment, valued at € 60 million, in addition to the commitments from banks. This commitment has been included under other indebtedness.

CAG = Continental Aktiengesellschaft, Hanover, Germany
CGF = Conti-Gummi Finance B. V., Amsterdam, The Netherlands
CRoA = Continental Rubber of America Corp., Wilmington, Delaware, U.S.A.
CUK = Continental UK Group Holdings Ltd., Newbridge, Scotland
CB = Continental Benelux S.A., Zaventem, Belgium

Bonds

Issuer	Type	Option for	Issue amount in millions of €	Book value at 12/31/1999	Coupon p.a.	Issue date/ Maturity	Issue price	Subscription price in €
CRoA	Eurobond	–	500,000	500.4	5.25%	1999/2006	99.09%	–
CAG	Convertible bonds	Shares	250.00	250.6	2.00%	1999/2004	100.00%	25.75
CGF	Bonds with warrants	Shares	127.80	127.8	7.50%	1993/July 2000	120.25%	10.17
CGF	Zero coupon bonds	–	76.70	74.0	–	1985/July 2000	36.50%	–
CAG	Convertible bonds*	Shares	0.51	1.1	9.50%	1990/Nov. 2000	–	12.7 min.
CRoA	Bonds**	–	62.3	63.3	4.75%	1987/Oct. 2002	127.00%	–
CAG	Convertible bonds*	Shares	0.51	0.3	6.75%	1996/June 2005	–	10.2 min.
				1,017.5				

* Stock option plan for senior executives
** The issue price of 127% includes the option rights from the stock warrants that expired on October 6, 1997.

Continental Rubber of America, Corp. issued 5¼% bonds in the amount of € 500 million on July 23, 1999. These bonds, with a term of 7 years, are secured by a guaranty from Continental AG. Payment flows in connection with the bonds have been switched to U.S. dollars via an interest and currency swap, with interest amounts being paid, in equal shares, on the basis of a fixed and variable U.S. dollar interest rate.

On October 25, 1999 convertible bonds in the amount of € 250 million, subdivided into 250,000 partial bonds of € 1,000 each, were issued by Continental AG with subscription rights excluded. The bonds have a term of 5 years and are provided with a coupon of 2% p.a.

The indebtedness will mature within the next five years and thereafter as follows:

In millions of €	**2000**	**2001**	**2002**	**2003**	**2004**	**After 2004**
Indebtedness	981.0	148.7	73.4	54.0	256.2	639.4

At year-end, short-term credit lines in the amount of € 1,090.6 million were still available. Available long-term credit lines amount to € 1,265.1 million.

(23) Other Liabilities

In millions of €	**December 31, 1999**			**December 31, 1998**		
	Total	thereof < 1 year	thereof > 5 years	**Total**	thereof < 1 year	thereof > 5 years
Trade accounts payable	752.4	752.4	–	649.3	648.8	–
Payables to affiliated companies	4.7	4.2	–	5.1	5.1	–
Payables to companies in which a participation is held	16.3	16.3	–	16.3	16.3	–
Miscellaneous liabilities	732.4	626.8	13.4	596.4	566.3	13.4
	1,505.8	**1,399.7**	**13.4**	**1,267.1**	**1,236.5**	**13.4**

Miscellaneous liabilities include payroll liabilities for the month of December and tax liabilities. They contain taxes in the amount of € 132.3 million (1998: € 80.8 million) and liabilities relating to social security and similar obligations in the amount of € 61.8 million (1998: € 54.0 million).

Miscellaneous Notes

(24) Litigation and Claims for Damages

Various lawsuits, official investigations, administrative proceedings, and other claims against consolidated companies are pending or may be initiated or asserted in the future, including class actions and suits for heavy damages or other indemnification, which could involve considerable expenses. Litigation is affected by many variables and the outcome of individual proceedings cannot be predicted with certainty. A possibility exists that Continental may incur expenses based on the final judgments in some of these cases, which exceed the provisions established for this purpose and whose timing and extent cannot be reliably predicted. The outcome of such cases may have a substantial effect on Continental's earnings in the reporting period in which the adjustment of the provisions occurs. However, in view of the existing provisions, the obligations that may result will not, in our opinion, have a significant effect on the Corporation's financial position.

Foundation Initiative of German Industry

Several class actions in the U.S.A. and individual actions in Germany in connection with forced labor during World War II have been brought against Continental and other German companies. We are of the opinion that the actions are legally inadmissible and unfounded.

However, Continental supports the "Foundation Initiative of German Industry: Remembrance, Responsibility and the Future" which has been proposed by several German corporations and the Federal Government. Should this Foundation be formed, Continental will participate in this Fund, provided that this will render satisfactory legal security against the assertion of further claims in this connection.

Adjustment of Continental Teves Purchase Price

On September 25, 1998, Continental acquired the brake and chassis business of ITT Industries, Inc. (ITTI), White Plains, New York. According to the purchase agreement, Continental is entitled to a reduction of the purchase price in the amount by which the audited shareholders' equity of the business at December 31, 1997 is less than the unaudited shareholders' equity computed by ITTI for that date. Continental has asserted its claims in this regard. However, we cannot predict what final decision will be made regarding these claims, nor how long it will be before a final decision is reached.

(25) Guarantees and Other Financial Obligations

In millions of €	12/31/1999	12/31/1998
Contingent liabilities on notes	118.9	61.2
Liabilities on guarantees	16.5	15.0
Liabilities on warranties	3.1	3.2

Guarantees and other commitments relate primarily to guarantees for the liabilities of non-consolidated associated companies and third parties, as well as contractual warranties of joint ventures.

Continental may have obligations relating to environmental issues under governmental regulations and statutes or as a result of various proceedings and claims that are pending or might be asserted against it. Estimates of future expenses in this area are naturally subject to many uncertainties, such as the enactment of new statutes and regulations, the development and application of new technologies, the identification of land restoration projects for which Continental is responsible or may be jointly or severally liable.

Whenever prescribed by law, or deemed necessary and appropriate in order to guarantee the satisfaction of its customers and compliance with its own safety standards, Continental conducts recall and voluntary exchange actions with regard to the products it has sold. The Corporation's warranty provisions include the anticipated expenses for such measures. Estimates of the anticipated expenses are based primarily on the experiences of prior years.

The estimate of future expenses is naturally subject to numerous uncertainties, such as the enactment of new laws and regulations, the number of products sold or the type of measures to be taken, all of which could lead to an adjustment of the provisions. There is a possibility that the actual expenses for these measures will exceed the provisions in an unforeseeable amount. Although the actual expenses may have a substantial effect on Continental's earnings in the reporting period in which the adjustment of the provisions occurs, the resulting possible obligations, considering the existing provisions, will not, in our opinion, have any significant effect on the Corporation's financial position.

In 1999, expenses for leasing and rental agreements amounted to € 107.8 million (1998: € 92.2 million).

Future obligations consisting of expenses for leasing and rental agreements with an original or remaining term on December 31, 1999 of more than one year, which concern property that is deemed not to belong to the Corporation and is therefore not shown among fixed assets, amount to:

Leasing and Rental Agreements

In millions of €	**2000**	**2001**	**2002**	**2003**	**2004**	**After 2004**
	120.3	92.2	75.3	54.4	49.6	202.4

Purchase commitments for property, plant and equipment amount to € 177.7 million.

(26) Financial Instruments

a) Use of Financial Instruments

Changes in interest and foreign exchange rates involve risks for the Continental Corporation which are actively controlled through its risk management system. Continental uses both traditional and modern financial instruments. The traditional instruments include overnight money and time deposits, euro commercial papers, multi-currency revolving credit facilities, foreign exchange spot deals, forward transactions and options, as well as eurobonds. Modern instruments include: interest future contracts, FRAs, interest-rate swaps and cross-currency swaps. Based on the requirements which the Corporate Control and Disclosure Law (KonTraG) imposes on corporate risk management, we have formulated a procedural guideline defining mechanisms to control the use of financial instruments. The guideline requires, among other things, a clear separation of functions between trading, processing, bookkeeping and controlling.

b) Face Values and Contract Risk

The contract volumes or face amounts of derivatives listed below do not always represent volumes that are exchanged by the contracting parties, and are therefore not necessarily a measure of the risk to which Continental is exposed by using them.

The face values of derivatives amount to:

In millions of €	12/31/1999	12/31/1998
Currency hedging contracts	–	160.4
Interest hedging contracts	30.7	30.7

The currency hedging contracts include forward exchange transactions and options in foreign currency, which are used to hedge the revolving 12-month exposure in the individual currencies. The term of these contracts is usually not more than 12 months.

Within the framework of the Continental Corporation's interest management, the interest contracts mentioned above are used mainly to protect us against changes in interest rates and to reduce financing costs.

The Corporation is exposed to a contract risk which results from breach of contractual provisions by the contracting parties. Our contract partners are ordinarily international banks. Based on the ratings they receive from respected rating agencies, Continental runs no substantial risk by depending on individual contracting parties. The general credit risk from the derivatives used is not deemed to be significant.

c) Market Values of Financial Instruments

The market value of a financial instrument is the price at which the instrument can be sold on the market on the balance-sheet date. The market values have been computed on the basis of the market information available on the balance-sheet date and the valuation methods described below, which are based on specific prices. Due to a number of variable factors, the values listed here may differ from those realized subsequently on the market.

On December 31, 1999, there were no open currency hedging transactions. The outstanding interest hedging contract had a market value of € 0.4 million.

Owing to the short term of financing instruments included in cash and cash equivalents and miscellaneous receivables and payables, their book values are approximately the same as the market values.

(27) Segment Information

Our organizational structure is described below:

Passenger Tires

This segment is engaged in manufacturing and distributing passenger tires in the European original equipment and replacement markets, under the Continental, Uniroyal, Semperit, Barum, Gislaved, Viking and Mabor brands. It also runs the European dealer companies.

Commercial Vehicle Tires

This segment is engaged in manufacturing and distributing commercial vehicle tires in the European original equipment and replacement markets. It also includes our activities in industrial, agricultural and two-wheel (cycle) tires and the Conti International Unit, which manages and coordinates all our business outside the European and NAFTA areas.

Continental General Tire

This segment handles the original equipment and replacement business in the NAFTA region, with tires for passenger cars, trucks and earth-moving machinery under the Continental, General Tire and Euzkadi brands.

ContiTech

This segment comprises the production and worldwide distribution of industrial products, most of them based on rubber, such as elastomer coatings, air springs, conveyor belting, drive belts, hoses, extrusions, rubber-metal parts and plastic sheeting, primarily with the ContiTech brand.

Continental Automotive Systems

Apart from the ISAD and CASS (air springs for passenger cars) projects, this segment consists mainly of Continental Teves, which produces and distributes ATE-brand electronic braking systems, brakes and brake boosters throughout the world.

Miscellaneous

These are directly managed subsidiaries and affiliates, such as holding, financing and insurance companies. The segment also includes the holding function of Continental Aktiengesellschaft and consolidations.

The control and reporting within the Continental Corporation is based primarily on the accounting principles described in Note (1) (US GAAP). The Corporation measures the performance of its segments by their operating income, defined as EBIT.

Inter-segmental sales and other transactions are ordinarily conducted at arm's-length prices.

Sales are allocated to the country that is determinative for the transaction.

Capital expenditure consists of the purchase of property, plant and equipment and software.

Segment Information

In millions of €	Passenger Tires	Commercial Vehicle Tires	Continental General Tire	ContiTech	Continental Automotive Systems	Other	Continental Corporation
1999							
External sales	2,488.6	804.0	1,475.0	1,699.0	2,543.8	121.8	9,132.2
Intercompany sales	58.3	75.1	19.3	16.8	–	– 169.5	–
Total sales	2,546.9	879.1	1,494.3	1,715.8	2,543.8	– 47.7	9,132.2
EBIT	270.4	47.8	73.8	129.8	58.7	– 69.2	511.3
EBIT (as a % of sales)	10.6	5.4	4.9	7.6	2.3	–	5.6
Capital expenditure[1]	185.8	61.6	111.8	106.2	155.9	4.3	625.6
Capital expenditure as a % of sales	7.3	7.0	7.5	6.2	6.1	–	6.9
Depreciation, amortization and writedowns[2]	157.1	49.4	106.2	77.2	185.9	1.0	576.8
Operating assets	1,524.4	661.4	1,287.3	828.1	2,207.1	895.5	7,403.8
EBIT (as a % of operating assets)	17.7	7.2	5.7	15.7	2.7	–	6.9
Number of employees	17,694	8,654	9,019	15,307	11,343	138	62,155
1998							
External sales	2,341.8	721.1	1,188.5	1,700.5	629.4	161.9	6,743.2
Intercompany sales	47.5	38.1	41.0	3.6	–	– 130.2	–
Total sales	2,389.3	759.2	1,229.5	1,704.1	629.4	31.7	6,743.2
EBIT	240.6	49.2	62.9	78.2	– 4.9	– 45.7	380.3
EBIT (as a % of sales)	10.1	6.5	5.1	4.6	– 0.8	–	5.6
Capital expenditure[1]	183.1	43.1	75.6	99.7	54.4	5.6	461.5
Capital expenditure as a % of sales	7.7	5.7	6.2	5.8	8.6	–	6.8
Depreciation, amortization and writedowns[2]	143.7	38.8	83.0	83.3	44.5	2.6	395.9
Operating assets	1,496.5	573.1	1,066.9	795.7	2,191.4	642.1	6,765.7
EBIT (as a % of operating assets)	16.1	8.6	5.9	9.8	– 0.2	–	5.6
Number of employees	18,094	8,079	9,736	15,852	10,460	136	62,357

[1]) Capital expenditure in property, plant and equipment and software
[2]) Including amortization and writedowns on goodwill and investments

Reconciliation from EBIT to Net Income Available for Distribution

In millions of €	1999	1998
Passenger Tires	270.4	240.6
Commercial Vehicle Tires	47.8	49.2
Continental General Tire	73.8	62.9
ContiTech	129.8	78.2
Continental Automotive Systems	58.7	– 4.9
Other	– 69.2	– 45.7
Consolidated EBIT	**511.3**	**380.3**
Net interest expense	– 151.9	– 99.0
Income before taxes	**359.4**	**281.3**
Taxes on income	117.2	133.8
Minority interest in earnings	7.5	9.3
Net income available for distribution	**234.7**	**138.2**

(28) Sales by Region

In millions of €	Germany	Rest of Europe	North America	Other Countries	Continental Corporation
1999 Sales	**2,864.7**	**3,391.3**	**2,337.8**	**538.6**	**9,132.2**
1998 Sales	2,264.0	2,703.4	1,448.9	326.9	6,743.2

(29) Earnings per Share

The parameters for earnings per share are as follows:

In millions of €/millions of shares	1999	1998
Basic earnings per share		
Consolidated net income	234.7	138.2
Weighted average of shares issued	122.8	114.6
Basic earnings per share	**1.91**	**1.20**
Diluted earnings per share		
Consolidated net income	234.7	138.2
Interest expense for convertible bonds		
and bonds with warrants (after taxes)	2.1	2.2
	236.8	140.4
Weighted average of shares issued	122.8	114.6
Shares from assumed exercise of diluting options	6.5	7.2
	129.3	121.8
Diluted earnings per share	**1.83**	**1.15**

Major Companies of the Continental Corporation

Company	Corporate interest	Shareholders' equity	Net income/loss		Sales	Employees
			1999	1998	1999	
	%	€ 000	€ 000	€ 000	€ 000	12/31/1999
I. Affiliated companies						
(according to accounting and valuation principles uniform throughout the Corporation)						
1. Domestic companies						
Benecke-Kaliko AG, Hanover	99.0	134,299	26,188	17,188	326,122	1,628
Continental Teves AG & Co. oHG, Frankfurt/Main	100.0	92,138	60,165	2,378	1,275,589	5,102
ContiTech Antriebssysteme GmbH, Hanover	100.0	9,025	1,191 *	303 *	141,692	1,005
ContiTech Vibration Control GmbH, Hanover	100.0	11,733	2,275 *	– 876 *	186,678	1,351
ContiTech Luftfedersysteme GmbH, Hanover	100.0	3,967	898 *	437 *	97,189	608
ContiTech Schlauch GmbH, Hanover	100.0	12,877	1,045 *	2 *	192,305	1,814
ContiTech Transportbandsysteme GmbH, Hanover	100.0	8,014	1,218 *	695 *	109,246	637
Techno-Chemie Kessler & Co. GmbH, Karben	100.0	13,267	– 446 *	166 *	189,738	1,451
2. Foreign companies						
Anoflex SNC, Caluire, France	100.0	16,660	– 2,548	– 1,678	133,488	1,283
Barum Continental spol.sr.o., Otrokovice, Czech Republic	70.0	145,775	41,892	15,072	578,318	3,849
Continental Benelux S.A., Herstal-lez-Liège, Belgium	100.0	114,394	31,428	13,354	667,322	1,610
Continental Däck Sverige AB, Göteborg, Sweden	100.0	3,674	461	562	79,819	47
Continental Dekk Norge AS, Oslo, Norway	100.0	6,297	85	310	59,751	88
Continental France SNC, Clairoix, France	100.0	21,802	7,566	5,607	246,859	162
Continental General Tire (subgroup), Charlotte, North Carolina/U.S.A.***	100.0	403,918	132,427	50,411	1,296,641	6,404
Continental Gislaved Däck AB, Gislaved, Sweden	100.0	77,594	7,844	12,297	128,458	802
Continental Industrias del Caucho SA, Coslada, Madrid, Spain	100.0	24,871	2,694	4,334	142,997	353
Continental Italia S.p.A., Milan, Italy	100.0	1,211	– 376	181	98,664	65
Continental Mabor Indústria de Pneus S.A., Lousado, Portugal	100.0	79,503	29,610	30,052	228,091	1,019
Continental Pneus SNC, Sarreguemines, France	100.0	81,907	23,441	22,795	338,371	2,186
Continental Suisse S.A., Dietikon, Switzerland	100.0	17,899	1,681	1,125	77,448	79
Continental Teves, Inc., Auburn Hills, Michigan, U.S.A.	100.0	– 13,109	– 7,534	– 4,391	765,545	2,123
Continental Tyre Group Ltd., West Drayton, U.K.	100.0	25,198	1,046	3,044	209,085	160
Continental Tyre South Africa (Pty) Ltd., Port Elizabeth, South Africa	60.0	33,581	1,631	1,135	122,746	1,982
ContiTech AGES S.p.A., Santena, Italy	100.0	36,893	– 5,219	1,128	93,978	759
National Tyre Service Ltd., Stockport, U.K.	100.0	– 23,968	– 31,003	– 15,555	215,919	2,154
Semperit Reifen Ges.m.b.H, Vienna, Austria	100.0	185,433	7,640	45,202	340,633	1,658
II. Associated companies						
Compañía Ecuatoriana del Caucho, Cuenca, Ecuador	38.2	17,244 **	–	3,342	51,454 **	
Drahtcord Saar GmbH & Co. KG, Merzig, Saar, Germany	50.0	10,898	161	175	42,626	
General Tire & Rubber Company of Morocco, Casablanca, Morocco	34.2	13,985	– 4,281	– 1,644	42,860	
KG Deutsche Gasrusswerke GmbH & Co., Dortmund, Germany	32.1	7,669	767	767	62,986	

A complete list of the companies of the Continental Corporation and those of Continental Aktiengesellschaft is 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

** Figure for the previous fiscal year

*** Includes joint venture GTY Tire Company and minority interests at Continental General Tire Inc. (19.4%).

Continental Corporation Ten Year Survey

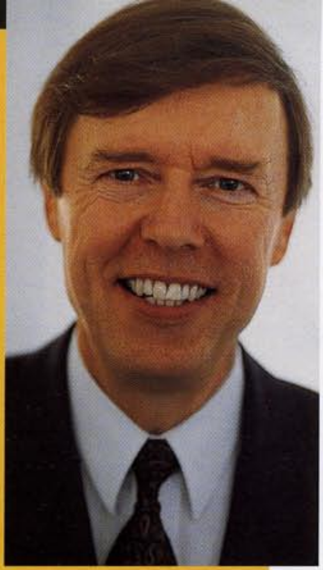
		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Balance sheet											
Fixed assets and investments	Millions of €	1,458.9	1,747.0	1,817.3	1,949.8	1,843.3	1,781.9	1,797.3	1,797.7	3,999.3	4,220.6
Current assets	Millions of €	1,694.5	1,652.7	1,791.3	1,696.6	1,642.4	1,645.5	1,629.4	2,112.6	2,766.4	3,183.2
Balance sheet total	Millions of €	3,153.4	3,399.7	3,608.6	3,646.4	3,485.7	3,427.4	3,426.7	3,910.3	6,765.7	7,403.8
Shareholders' equity[1]	Millions of €	842.6	725.1	765.3	780.2	756.6	764.2	816.7	1,232.3	1,329.1	1,760.6
Minority interests	Millions of €	48.2	49.4	61.5	88.5	100.1	102.7	134.5	149.5	174.5	142.4
Long-term debt	Millions of €	1,068.5	1,344.6	1,452.4	1,399.7	1,356.8	1,102.5	1,245.7	1,268.5	3,003.4	2,343.9
Capital expenditure on property, plant and equipment	Millions of €	352.5	424.0	362.7	319.1	263.2	302.3	282.0	282.6	416.3	581.5
Equity ratio	%	26.7	21.3	21.2	21.4	21.7	22.3	23.8	31.5	19.6	23.8
Long-term financing of fixed assets, investments and inventories	%	89.6	89.0	90.0	86.3	90.1	79.4	85.1	104.6	93.1	83.4
Total indebtedness	Millions of €	790.4	1,100.8	1,235.7	1,170.6	1,089.3	1,016.8	836.9	283.4	1,919.0	1,712.8
Self-financing ratio	%	68.1	52.1	133.8	86.4	113.5	122.9	132.9	173.7	117.1	135.3
Liquidity ratio	%	77.1	74.6	76.5	68.3	76.6	61.3	68.7	107.1	82.5	69.3
Statement of income											
Sales	Millions of €	4,372.1	4,794.3	4,954.4	4,790.3	5,050.0	5,242.0	5,333.1	5,719.4	6,743.2	9,132.2
Foreign markets' share	%	61.8	62.8	63.9	65.4	67.6	66.5	66.1	67.4	66.4	68.6
Cost of sales[2]	%	75.9	74.7	73.2	74.1	74.0	73.9	73.4	71.9	74.0	78.6
Selling expenses[2]	%	14.7	14.8	15.0	16.7	16.3	15.6	15.8	16.0	14.4	11.6
Administrative expenses[2]	%	5.9	6.5	6.7	6.2	6.2	5.7	5.5	5.3	4.7	3.9
EBIT	Millions of €	152.8	171.2	239.4	151.8	154.2	198.2	268.0	320.4	380.3	511.3
Personnel expenses	Millions of €	1,548.4	1,654.7	1,709.4	1,683.7	1,669.4	1,673.9	1,672.2	1,751.5	1,937.1	2,387.7
Depreciation[3]	Millions of €	193.3	271.5	257.0	284.7	298.3	282.6	311.5	306.8	395.7	576.5
Cash flow	Millions of €	260.8	269.0	358.6	296.0	320.0	378.2	416.5	490.9	567.0	849.7
Value added	Millions of €	1,766.5	1,697.4	1,904.7	1,835.5	1,823.5	1,872.0	1,899.2	2,071.9	2,317.4	2,899.0
Net income/loss	Millions of €	47.8	– 65.5	68.0	33.3	36.2	79.4	98.4	164.5	138.2	234.7
Employees											
Annual average	Thousands	48.4	50.8	50.4	49.8	49.0	48.4	46.4	44.8	50.2	62.6

[1] excluding minority interests

[2] % to sales

[3] excluding writedowns on investments

The consolidated financial statements for 1998 and 1999 were prepared in accordance with US GAAP, and those for 1990 to 1997 in accordance with the German Commercial Code (HGB).



Report of the Supervisory Board

Dear Shareholders and Friends of Continental,

The Supervisory Board of Continental AG monitored the work of the Executive Board at regular intervals during the 1999 fiscal year, giving its advice whenever appropriate. Its supervision was based on its own meetings, the sessions of the Executive Committee and individual conferences, as well as the oral and written reports of the Executive Board concerning the development and important business transactions of the Company. The members of the Supervisory Board were also regularly available to the Executive Board for advice outside the meetings. In addition, the Chairmen of the Supervisory and Executive Boards frequently shared their thoughts and information with one another.

The financial situation and growth prospects of the Corporation and its individual divisions, as presented in the reports of the Executive Board, were the subject of painstaking examination. A major topic for discussion was the Company's policy with regard to capital spending and research and development. In addition to our routine examination of earnings growth in all the Groups, the budget for the year 2000 and the long-term plan through 2002, we paid close attention to the progress made in the integration of Continental Teves.

Other important topics in the reports and discussions at the Supervisory Board meetings were the competitive situation among the automotive suppliers and the strike, now ended, at the plant in Charlotte, North Carolina, U.S.A.

The 1999 financial statements and management report of Continental AG, as well as the bookkeeping, have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Hanover, which has issued an unqualified certificate. This is also true of the consolidated financial statements, prepared according to US GAAP and supplemented with a consolidated management report and additional notes pursuant to Section 292a of the German Commercial Code. Under the latter provision, the publication of these financial statements releases the Company from the obligation to prepare consolidated financial statements according to German law.

All the relevant documents, as well as the Executive Board's proposal for the allocation of net income and the auditor's reports, were submitted to the Supervisory Board, which examined them and discussed them in the presence of the auditor. The Board has endorsed the result of the audit and determined, on the basis of its own examination, that there are no objections to be raised. At its meeting on April 3, 2000, it approved the financial statements of Continental AG, as prepared by the Executive Board, which are thereby definitively confirmed, and the Executive Board's proposal for the allocation of net income.

During the fiscal year, the Supervisory Board held four regular meetings, and the Executive Committee met three times. The permanent committee under Section 27, Subsection 3 of the Codetermination Law was not obliged to meet during the past fiscal year. There are no other committees of the Supervisory Board.

The Supervisory Board was newly constituted after the Annual Meeting of Shareholders on June 1, 1999. Hans H. Angermueller, Adolf Bartels, Dr. Casimir Ehrnrooth, Wilfried Hilverkus, Dieter Kölling, Dr. Günther Saßmannshausen, Siegfried Schille and Dirk Sumpf retired. After Dr. Hubertus von Grünberg had, at his own wish, been relieved of his duties as Chairman of the Company's Executive Board at the end of the Meeting of Shareholders, the Meeting elected him, together with Dr. Michael Frenzel and Fred G. Steingraber, as new members of the Supervisory Board. Michael Deister, Wilfried Eickmann, Karl-Heinz Hilker, Gerhard Knuth and Jürgen Wingefeld were elected as new employee representatives. The Supervisory Board elected Dr. von Grünberg to be its Chairman and Richard Köhler to be its Deputy Chairman. Dr. von Grünberg thus succeeds Dr. Ulrich Weiss, whom we would like to thank for his many years of successful work as Chairman of the Supervisory Board. As a member of the Board he will continue to be available to us with his expertise and competence.

Mr. Sumpf was reappointed to the Supervisory Board on August 11, 1999, as the successor to Hartmut Löschner, who had resigned on June 28, 1999. On October 13, 1999, H. Peter Hüttenmeister replaced Mr. Wingefeld, who had retired on October 6, 1999. We thank the Board Members who have retired for their commitment and valuable collaboration.

On April 12, 1999, Dr. Stephan Kessel was elected by the Supervisory Board, with retroactive effect to the end of the Annual Meeting of Shareholders on June 1, 1999, to succeed Dr. von Grünberg as Chairman of the Executive Board. He also took over the management of the Passenger Tire Group. At the Supervisory Board meeting on June 1, 1999, Dr. Hans-Joachim Nikolin was appointed to the Executive Board, where he is responsible for the Commercial Vehicle Tire Group, Quality and Environment and the International Business Unit. He thus became the successor of Dr. Kessel, who had performed this function until June 1, 1999. In addition to his duties as Personnel Director, Klaus Friedland has, since June 8, 1999, been in charge of the Executive Board area of Finance, Controlling and Law. He took over this responsibility from Dr. Jens P. Howaldt, who retired on June 7, 1999. The Supervisory Board thanks Dr. Howaldt for his many years of successful work on the Executive Board and extends its best wishes for his future.

The Supervisory Board thanks the Executive Board and all the employees for their dedication and the shareholders for the confidence they have placed in the Company.

Hanover, April 2000

For the Supervisory Board

Hubertus von Grünberg
Chairman

Members of the Supervisory Board

Hubertus von Grünberg
(Member since June 1, 1999)
Chairman

Richard Köhler*
Deputy Chairman (as of June 1, 1999)

Hans H. Angermueller
(through June 1, 1999)

Heidemarie Aschermann*

Adolf Bartels*
(through June 1, 1999)

Manfred Bodin

Diethart Breipohl

Werner Breitschwerdt

Michael Deister*
(as of June 1, 1999)

Casimir Ehrnrooth
(through June 1, 1999)

Wilfried Eickmann*
(as of June 1, 1999)

Michael Frenzel
(as of June 1, 1999)

Hans-Olaf Henkel

Karl-Heinz Hilker*
(as of June 1, 1999)

Wilfried Hilverkus*
(through June 1, 1999)

H. Peter Hüttenmeister*
(as of October 13, 1999)

Gerhard Knuth*
(as of June 1, 1999)

Dieter Kölling
(through June 1, 1999)

Hartmut Löschner*
(through June 28, 1999)

Werner Mierswa*

Günther Saßmannshausen
(through June 1, 1999)

Siegfried Schille
(through June 1, 1999)

Rainer Stark*

Fred G. Steingraber
(as of June 1, 1999)

Dirk Sumpf *
(through June 1, 1999,
as of August 11, 1999)

Giuseppe Vita

Bernd W. Voss

Ulrich Weiss
(Chairman through June 1, 1999)

Jürgen Wingefeld
(June 1 through October 6, 1999)

* Employee representatives

The Supervisory Board

Members of the Supervisory Board of Continental AG	Memberships held in other supervisory boards required by law and in comparable controlling bodies of companies in Germany and abroad:
Hubertus von Grünberg Member of Various Supervisory Boards Chairman	Allianz Versicherungs-AG, Munich MAN Aktiengesellschaft, Munich Schindler Holding AG, Hergiswil, Switzerland
Richard Köhler Deputy Chairman Chairman of the Corporate Employee Council and of the Employee Council for the Korbach Plant Chairman of the Euro Employee Council	–
Hans H. Angermueller (through June 1, 1999) Of Counsel	Munich American Reinsurance Company, U.S.A. Munich Management Company, U.S.A.
Heidemarie Aschermann Deputy Chairperson of the Employee Council, Northeim Plant	–
Adolf Bartels (Deputy Chairman through June 1, 1999)	–
Manfred Bodin Chairman of the Board of Management Norddeutsche Landesbank –Girozentrale–	Berlin-Hannoversche Hypothekenbank AG, Hanover-Berlin dvg Datenverarbeitungsgesellschaft Hannover mbH, Hanover Nordland Papier AG, Doerpen CeWe Color Holding AG, Oldenburg Dragoco Gerberding & Co. Aktiengesellschaft, Holzminden Burgwedeler Golf AG, Burgwedel Niedersächsische Staatstheater Hannover GmbH, Hanover Höft & Wessel AG, Hanover Bankgesellschaft Berlin AG, Berlin Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen* NORD/LB Luxembourg S.A., Luxembourg* DGZ-DekaBank, Frankfurt/Main LBS Norddeutsche Landesbausparkasse, Hanover (Chairman) LHI Leasing GmbH, Munich (Chairman) Skandifinanz AG, Zürich, Switzerland* Fürstenberg Ehemalige Herzoglich Braunschweigische Porzellanmanufaktur, Fürstenberg an der Weser (Chairman) Provinzial Lebensversicherung, Hanover
Diethart Breipohl Member of Various Supervisory Boards	Bayerische Hypo- und Vereinsbank AG, Munich Beiersdorf AG, Hamburg Karstadt AG, Essen KM Europa Metal AG, Osnabrück Metallgesellschaft AG, Frankfurt/Main RWE AG, Essen Les Assurances Générales de France (AGF), Paris, France Crédit Lyonnais, Paris, France
Werner Breitschwerdt Consultant	Ed. Züblin AG, Stuttgart ZF Friedrichshafen AG, Friedrichshafen MTU Motoren- und Turbinen-Union Friedrichshafen GmbH, Friedrichshafen Dornier GmbH, Friedrichshafen DaimlerChrysler of South Africa (Pty.) Ltd., Pretoria, South Africa Mercedes-Benz USA, Montvale, U.S.A. Planungsgesellschaft Bahnbau Deutsche Einheit mbH, Berlin
Michael Deister Member of the Employee Council, Stöcken Plant	–
Casimir Ehrnrooth (through June 1, 1999) Chairman of the Board of Directors Nokia Group	UPM-Kymmene Corporation, Finland Merita-Nordbanken Plc, Finland Merita Plc, Finland Nordbanken Holding AB, Sweden
Wilfried Eickmann Senior General Manager of the Wolfsburg Administrative Office Metalworkers Union	–

Members of the Supervisory Board of Continental AG	**Memberships held in other supervisory boards required by law and in comparable controlling bodies of companies in Germany and abroad:**
Michael Frenzel Chairman of the Management Board Preussag AG	AXA-Colonia Versicherungs AG, Cologne Deutsche Hypothekenbank (Act.-Ges.), Hanover Hapag-Lloyd AG, Hamburg (Chairman)* Hapag-Touristik Union GmbH, Hanover (Chairman)* IVG AG, Bonn PreussenElektra AG, Hanover TU Holding GmbH, Hanover (Chairman)* VTG-Lehnkering AG, Duisburg/Hamburg (Chairman)* VTG Vereinigte Tanklager und Transportmittel GmbH, Hamburg (Chairman)* Algeco S.A., Paris/Mâcon, France* Creditanstalt AG, Vienna, Austria EXPO 2000 Hannover GmbH, Hanover Norddeutsche Landesbank –Girozentrale–, Hanover Kreditanstalt für Wiederaufbau, Frankfurt/Main Preussag North America, Inc., Greenwich, U.S.A.* Thomas Cook Holding Ltd., London, U.K.*
Hans-Olaf Henkel Member of the Supervisory Board IBM Deutschland GmbH	IBM Deutschland GmbH, Berlin DaimlerChrysler Aerospace AG, Munich IKB Deutsche Industriekreditbank AG, Düsseldorf Audi AG, Ingolstadt Viag AG, Munich Kreditanstalt für Wiederaufbau (KfW), Frankfurt/Main Merrill Lynch International, London, U.K. Ringier AG, Zürich, Switzerland
Karl-Heinz Hilker Chairman of the Employee Council for the Vahrenwald Plant and Deputy Chairman of the Joint Employee Council	–
Wilfried Hilverkus (through June 1, 1999) Deputy Chairman of the Employee Council, Stöcken plant	–
H. Peter Hüttenmeister Northern Region Manager Union for the Mining, Chemical, Energy Industries	DuPont Performance Coatings GmbH & Co. KG., Wuppertal Mitteldeutsche Sanierungs- und Entsorgungsgesellschaft GmbH (MDSE), Bitterfeld Buna Sow Leuna Olefinverbund GmbH (BSL), Schkopau
Gerhard Knuth Chairman of the Joint Employee Council of Continental Teves AG & Co. oHG	–
Dieter Kölling (through June 1, 1999) Member of the Employee Council, Vahrenwald Plant	–
Hartmut Löschner (through June 28, 1999) Member of the Executive Board Union for the Mining, Chemical, Energy Industries	Veba Öl AG AKZO Nobel Faser AG
Werner Mierswa Chairman of the Joint Employee Council of Continental AG and of the Employee Council for Continental Headquarters	–
Günther Saßmannshausen (through June 1, 1999) Member of the Supervisory Board Preussag AG	Deutsche Shell AG Heraeus Holding GmbH Nord/LB Preussag Energie GmbH VAW aluminium AG Volkswagen AG
Siegfried Schille (through June 1, 1999) Commercial Employee, through April 24, 1999 Chairman of the Employee Council, Limmer Plant	–
Rainer Stark Head of Corporate Quality and Environmental Affairs	–
Fred G. Steingraber Chairman of the Board and Chief Executive Officer A.T. Kearney	Maytag Corporation, Newton, U.S.A. Southeastern Thrift & Bank Fund, Boston, U.S.A.
Dirk Sumpf (through June 1, 1999 and again since August 11, 1999) Hanover District Manager Union for the Mining, Chemical, Energy Industries	Wolff Walsrode AG, Walsrode

Members of the Supervisory Board of Continental AG	Memberships held in other supervisory boards required by law and in comparable controlling bodies of companies in Germany and abroad:
Giuseppe Vita Chairman of the Board of Executive Directors Schering AG	Allianz Lebensversicherungs-AG, Stuttgart Berliner Kraft- und Licht (BEWAG) AG, Berlin Herlitz AG Holding, Berlin Herlitz PBS AG, Berlin Hoechst Schering AgrEvo GmbH, Berlin (through December 1999) Deutsche Bank SpA, Milan, Italy (Chairman)
Bernd W. Voss Member of the Board of Managing Directors Dresdner Bank AG	Deutsche Hyp Deutsche Hypothekenbank Frankfurt-Hamburg AG, Frankfurt/Main* Deutsche Schiffsbank AG, Bremen/Hamburg Dresdner Bauspar AG, Frankfurt/Main* Karstadt Quelle AG, Essen Oldenburgische Landesbank AG, Oldenburg (Chairman)* Preussag AG, Hanover/Berlin Quelle AG, Fürth Stinnes AG, Mülheim VARTA AG, Hanover VEBA AG, Düsseldorf VOLKSWAGEN AG, Wolfsburg Wacker Chemie GmbH, Munich Bankhaus Reuschel & Co., Munich (Chairman)*
Ulrich Weiss Member of Various Supervisory Boards	ABB-Asea Brown Boveri AG, Mannheim Heidelberger Zement AG, Heidelberg O&K Orenstein & Koppel AG, Berlin (Chairman) Südzucker AG, Mannheim Benetton SpA, Ponzano, Italy Ducati SpA, Bologna, Italy
Jürgen Wingefeld (June 1, 1999 through October 6, 1999) Northern Region Manager Union for the Mining, Chemical, Energy Industries	–

Group companies pursuant to Section 100, Subsection 2 of German Stock Corporation Law are marked with an asterisk (*).

The Executive Board

Members of the Executive Board of Continental AG	List of the seats of active and former Executive Board members on supervisory boards required by law and on comparable domestic and foreign controlling bodies of consolidated companies pursuant to Section 285, No. 10 of the German Commercial Code (HGB):
Hubertus von Grünberg (through June 1, 1999) Chairman Passenger Tires	Allianz Versicherungs-AG, Munich MAN Aktiengesellschaft, Munich Schindler Holding AG, Hergiswil, Switzerland Continental General Tire, Inc., Charlotte, U.S.A.* (through May 31, 1999) Continental Teves, Inc., Wilmington, U.S.A.* (through May 31, 1999) ContiTech North America, Inc., Wilmington, U.S.A.* (through May 31, 1999)
Stephan Kessel (as of June 1, 1999) Chairman Passenger Tires	Continental General Tire, Inc., Charlotte, U.S.A.* Continental Teves, Inc., Wilmington, U.S.A.* ContiTech North America, Inc., Wilmington, U.S.A.*
Hans Albert Beller Continental Automotive Systems	TÜV Nord Gruppe, Hanover Continental Teves, Inc., Wilmington, U.S.A.*
Bernd Frangenberg Continental General Tire, Inc.	Continental General Tire, Inc., Charlotte, U.S.A.*
Klaus Friedland Finance, Controlling, Human Resources and Law (as of June 8, 1999) Director of Personnel	Vergölst GmbH, Bad Nauheim (Chairman)* Continental Rubber Holding Inc., Wilmington, U.S.A.* Continental General Tire, Inc., Charlotte, U.S.A.* Continental Rubber of America, Corp., Wilmington, U.S.A.* Continental Teves, Inc., Wilmington, U.S.A.* ContiTech North America, Inc., Wilmington, U.S.A.* Semperit Reifen Gesellschaft m.b.H., Traiskirchen, Austria*
Jens P. Howaldt (through June 7, 1999) Finance, Controlling and Law	Continental Rubber Holding Inc., Wilmington, U.S.A.* (through May 31, 1999) Continental General Tire, Inc., Charlotte, U.S.A.* (through May 31, 1999) Continental Rubber of America, Corp., Wilmington, U.S.A.* (through May 31, 1999) Continental Teves, Inc., Wilmington, U.S.A.* (through May 31, 1999) ContiTech North America Inc., Wilmington, U.S.A.* (through May 31, 1999)
Hans-Joachim Nikolin (as of June 1, 1999) Commercial Vehicle Tires, Quality and Environment, International Business Unit	Drahtcord Saar GmbH & Co. KG, Merzig Semperit Reifen Gesellschaft m.b.H., Traiskirchen, Austria (Chairman)* Continental General Tire, Inc., Charlotte, U.S.A.*
Manfred Wennemer ContiTech	Benecke-Kaliko AG, Hanover (Chairman)* ContiTech Antriebssysteme GmbH, Hanover* ContiTech Vibration Control GmbH, Hanover* ContiTech Luftfedersysteme GmbH, Hanover (Chairman)* ContiTech Schlauch GmbH, Hanover (Chairman)* ContiTech Transportbandsysteme GmbH, Hanover* Techno-Chemie Kessler & Co. GmbH, Karben (Chairman)* ContiTech AGES SpA, Santena, Italy (Presidente)* ContiTech North America, Inc., Wilmington, U.S.A.*

Generalbevollmächtigte

Bernadette Hausmann
Purchasing and
Strategic Technology

Werner P. Paschke
Controlling

Consolidated companies pursuant to Section 100, Subsection 2 of German Stock Corporation Law are marked with an asterisk (*).

Selected Financial Terms

Asset Backed Securitization Program.
Under this program, trade receivables from the tire replacement business are pooled for each country and individual blocks sold to financing companies who obtain refinancing by issuing commercial papers on the U.S. capital market.

Associated companies.
In these companies, one of the companies belonging to the → Corporation holds an interest and exercises a significant degree of control. However, our consolidated financial statements do not include their balance sheets and income statements, but only the corresponding proportion of their shareholders' equity and earnings.

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 defined in several different ways. Its principal components are net income, depreciation, the current-period pension charge, and significant extraordinary items.

Conditionally authorized capital.
This item indicates the amount up to which holders of convertible bonds or option rights can acquire newly issued shares of the Company and thereby participate in a capital increase previously authorized by the Annual 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 common control of a parent company. According to US GAAP, all domestic and foreign subsidiaries controlled by the parent company, i.e. as a rule, companies in which the parent company holds, either directly or indirectly, more than 50% of the voting rights, are consolidated. Consolidation is also considered if one company is controlled de facto by another company, regardless of the voting rights situation.

Debt ratio.
The debt ratio is the ratio of → indebtedness to the → cash flow. It indicates how quickly the → 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 in the financial accounts, then taxes will be either high or low in relation to the published earnings. An accounting adjustment for deferred taxes is recorded to compensate for the difference in those cases in which it is clear that the valuation difference will reverse in the course of time. A deferred tax liability is recorded if less tax has been paid than would be due on the basis of the published earnings. According to US GAAP, a deferred tax asset is recorded, contrary to the German Commercial Code, if more tax has been paid than would be due on the basis of the published earnings. At the same time, deferred tax assets on loss carryforwards have to be capitalized. A valuation allowance must be made on deferred tax assets if they are not likely to be realized.

Derivatives.
These are securities representing transactions used to manage interest and/or currency risks.

EBIT.
Earnings Before Interest and Taxes.
In this annual report, EBIT is understood to be earnings before taxes adjusted for interest.

Equity ratio.
The equity ratio is the ratio of the shareholders' equity, without minority interests, to total assets.

Gearing ratio.
This ratio, obtained by dividing → indebtedness by shareholders' equity, indicates the relationship between interest-bearing liabilities and total shareholders' equity.

Indebtedness.
Indebtedness is computed by deducting cash and cash equivalents from interest-bearing liabilities.

Interest swap.
An interest swap is the exchange of interest payments between two parties. By this means, for example, variable interest can be exchanged for fixed interest, or vice versa.

LIFO (Last In First Out).
Method of inventory accounting which is based on the cost of the most recent purchases being used first.

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.

Operating assets.
A Group's operating assets comprise its assigned fixed assets and investments, including goodwill, as well as current assets plus sold receivables and contingent liabilities on notes, less cash and cash equivalents, prepaid taxes and trade payables.

Return on shareholders' equity.
The return on shareholders' equity is defined as the ratio of net income to shareholders' equity excluding minority interests.

ROCE.
Return On Capital Employed. We define the ROCE as the ratio of → EBIT to → operating assets.

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

US GAAP.
U.S. Generally Accepted Accounting Principles.

Value added.
The sum of personnel expense, interest, income taxes and net income.

Financial Calender

2000

First figures for fiscal year 1999	March 15
Presentation of the financial statements	April 5
International analysts conference	April 5
Letter to the shareholders, 1st quarter 2000	May 10
Telephone conference, 1st quarter 2000	May 10
Annual meeting of the shareholders	May 19
Dividend payout	May 22
Letter to the shareholders, mid-year 2000	August 9
Telephone conference, mid-year 2000	August 9
Letter to the shareholders, 9 months 2000	November 15
International analysts conference	November 15

2001

First figures for fiscal year 2000	March
Presentation of the financial statements	April
International analysts conference	April
Letter to the shareholders, 1st quarter 2001	May
Telephone conference, 1st quarter 2001	May
Annual meeting of the shareholders	May 23
Letter to the shareholders, mid-year 2001	August
Telephone conference, mid-year 2001	August
Letter to the shareholders, 9 months 2001	November
International analysts conference	November

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

Continental Aktiengesellschaft
Corporate Communications
Telefax +49 (0) 5 11 938 10 55
E-mail: prkonzern@conti.de

Continental Aktiengesellschaft
P.O. Box 169
30001 Hanover
Germany
Telephone +49 (0) 5 11 938-01
Telefax +49 (0) 5 11 938 27 66
Email: mail_service@conti.de
www.conti-online.com

Company address:
Vahrenwalder Strasse 9
30165 Hanover
Germany

Continental