Continental Starts 2023 with Solid Results



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Consolidated sales of €10.3 billion (Q1 2022: €9.3 billion, +11.1 percent)

- Adjusted EBIT of €578 million (Q1 2022: €428 million, +35.0 percent)

- Adjusted EBIT margin of 5.6 percent (Q1 2022: 4.6 percent)

- EBIT of €531 million (Q1 2022: €375 million, +41.5 percent)

- Net income of €382 million (Q1 2022: €240 million, +59.6 percent)

- Adjusted free cash flow of -€949 million (Q1 2022: -€174 million)

- CEO Nikolai Setzer:

    Despite adverse market and external conditions, we ended the first quarter with solid results

- CFO Katja Dürrfeld:

    We are maintaining our full-year outlook

- Outlook for 2023 unchanged: consolidated sales of around €42 billion to €45 billion; adjusted EBIT margin of around 5.5 to 6.5 percent

- High order intake of €6.6 billion in the first quarter

- Continental receives major order in the Autonomous Mobility business area worth €1.7 billion

Hanover, May 10, 2023. Continental started 2023 with solid results, in line with its expectations. The technology company anticipates a further improvement in earnings over the course of the year, in particular due to rising production figures for passenger cars and light commercial vehicles, inflation-related price adjustments and cost

discipline. As a result of inflation, the company is expected to incur additional costs in 2023 of around €1.7 billion for materials, wages and salaries as well as energy and logistics. Continental is maintaining its outlook for 2023.

> Despite adverse market and external conditions, we ended the first quarter of 2023 with solid results. The good start to the year by our Tires group sector and the earnings performance of ContiTech are encouraging. Furthermore, Automotive's earnings were up slightly, marking a strong improvement compared with the same quarter of last year. As we anticipated, the group sector's earnings in the first quarter were below our full-year forecast and are expected to increase as the year progresses," said Continental CEO Nikolai Setzer when presenting the quarterly figures on Wednesday in Hanover, Germany. "We also made progress in other areas in the first quarter, again recording strong order intake and concluding an exclusive partnership with Aurora for autonomous trucking systems.

In the first quarter of 2023, Continental achieved consolidated sales of €10.3 billion (Q1 2022: €9.3 billion, +11.1 percent). Its adjusted operating result (adjusted EBIT) was €578 million (Q1 2022: €428 million, +35.0 percent), corresponding to an adjusted EBIT margin of 5.6 percent (Q1 2022: 4.6 percent).

Net income in the first quarter was €382 million (Q1 2022: €240 million, +59.6 percent). Adjustedfreecash flow amounted to -€949 million (Q1 2022: -€174 million).

> The negative free cash flow was caused by two main reasons: increased inventories to maintain our supply chains and a high level of receivables. We plan to reduce both over the course of the year. Free cash flow will therefore improve significantly as the year progresses, additionally supported by the increase in earnings," said Continental CFO Katja Dürrfeld. "Overall, we started 2023 in line with expectations and are therefore maintaining our full-year outlook.

Continental still anticipates consolidated sales for fiscal 2023 of around €42 billion to €45 billion and an adjusted EBIT margin of around 5.5 to 6.5 percent. This includes additional costs of around €1.7 billion as a result of the price increases for materials, wages and

salaries as well as energy and logistics. Adjusted free cash flow for the current year is expected to be around €0.8 billion to €1.2 billion.

Increase in automotive production in the first quarter of 2023

The global production of passenger cars and light commercial vehicles weakened slightly compared with the fourth quarter of 2022 (Q4 2022: 21.9 million units) but increased year-on-year, according to preliminary figures. Compared with the first quarter of 2022, it rose by around 6 percent to 21.1 million units (Q1 2022: 19.9 million units).

Vehicle production in Europe in particular grew to around 4.5 million units in the period from January to March 2023 (+17 percent). North America recorded an increase of around 10 percent to 3.9 million units. China, by contrast, suffered a weak start to the year, producing around 5.7 million vehicles in the first quarter of 2023. This was about 8 percent down year-on-year.

For the year as a whole, Continental continues to expect the global production of passenger cars and light commercial vehicles to increase by 2 to 4 percent compared with the previous year’s figure of around 82.3 million vehicles.

Significant year-on-year improvement for Automotive

In the Automotive group sector, sales increased by 18.1 percent to €5.0 billion (Q1 2022: €4.2 billion). With its sales growing organically by 17.1 percent before exchange-rate effects and changes in the scope of consolidation and global automotive production rising only by around 6 percent, the group sector again outperformed the market. At 0.8 percent, the adjusted EBIT margin was considerably higher than in the first quarter of the previous year (Q1 2022:

-4.1 percent). Owing to the additional inflation-related costs of around €1 billion in 2023 in Automotive alone, price agreements are again being negotiated in partnership with customers. These agreements, coupled with rising automotive production, should lead to an improvement in the margin over the course of the year. This improvement should also be bolstered by operational measures such as the stabilization of supply chains, the program to improve efficiency in research and development, and savings under the Transformation 2019–2029 structural program.

In addition, Continental recorded a high order volume in the Automotive group sector. This amounted to around €6.6 billion (+13.3 percent) in the first three months of 2023 and included a major order in the Autonomous Mobility business area worth around €1.7 billion for 360-degree radar coverage from front, rear, side and long-range radars. They ensure the all-round monitoring of a vehicle's surroundings, thus increasing road safety.

The Autonomous Mobility business area has also announced an exclusive partnership with Aurora Innovation. Together, Continental and Aurora will bring autonomous trucking systems to the American market – as early as 2027. The system will be available for carriers and commercial fleet operators across the USA and will help reduce costs to facilitate broader adoption. Continental will contribute not only the entire hardware system, but also a complete fallback system.

Tires group sector makes good start to the year

The Tires group sector had a good first quarter. Despite declining volumes in the tire-replacement business, sales in Tires increased to €3.5 billion (Q1 2022: €3.3 billion, +5.1 percent) and its adjusted EBIT margin was 13.5 percent (Q1 2022: 17.1 percent). The margin was lower year-on-year because of the difference in inventory valuations, with increased raw material costs at the beginning of 2022 having a positive impact on valuations and therefore on earnings.

Continental also received the

> Environmental Achievement of the Year – Manufacturing" and "Tire of the Year" awards at the Tire Technology International (TTI) Awards for Innovation and Excellence. Continental's "Invisible Markers in Tires" project came out on top in the "Environmental Achievement of the Year – Manufacturing

category. The technology contributes to better traceability in the natural rubber supply chain. The Continental PremiumContact 7 was named Tire of the Year.

All of Continental's current car tires are also suitable for electric vehicles and thus meet their high requirements. This underlines the premium tire manufacturer's product strategy for electric vehicles.

ContiTech repositions itself and increases its adjusted EBIT margin

The ContiTech group sector took a step forward in the first quarter, posting sales of €1.7 billion (Q1 2022: €1.6 billion, +10.2 percent) and an adjusted EBIT margin of 6.4 percent, compared with 2.3 percent in the fourth quarter of 2022 (Q1 2022: 5.3 percent). In particular, the stabilization of production processes and price adjustments due to inflation contributed to its improved earnings.

From May 2023, ContiTech will also be strategically realigned with the aim of enhancing its impact and efficiency, and improving customer and market proximity. The group sector, which specializes in material applications, will step up its focus on expanding its industrial business. ContiTech will also consolidate its automotive original-equipment business to generate synergies.

With this realignment, ContiTech will create the conditions required for its development from a conventional product supplier to a provider of integrated solutions. The group sector also aims to respond in a more integrated manner than before to the constantly changing requirements of its customers in the various markets and industries.

In line with the prevailing customer structure, the industrial business will be divided regionally into three business areas: Industrial Solutions Americas, Industrial Solutions APAC (Asia & Pacific) and Industrial Solutions EMEA (Europe & Middle East). The majority of ContiTech's automotive activities will be consolidated in the Original Equipment Solutions business area, which will operate globally in accordance with its customer structure. The Surface Solutions business area will retain its current structure.

Spokesperson, Business & Finance

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