

Continental Expects Higher Earnings in 2023 Supported by Sustained Market Recovery

- Consolidated sales of €39.4 billion (2021: €33.8 billion, +16.7 percent)
- Adjusted EBIT of €2.0 billion (2021: €1.9 billion, +5.2 percent)
- Adjusted EBIT margin of 5.0 percent (2021: 5.5 percent)
- Negative special effects of €1.0 billion
- Operating result of €755 million (2021: €1.8 billion, -59.1 percent)
- Net income of €67 million (2021: €1.4 billion, -95.4 percent)
- Adjusted free cash flow of €200 million (2021: €1.2 billion for continuing and discontinued operations)
- Dividend proposal: €1.50 per share
- CEO Nikolai Setzer: “Given the many challenges, we performed well operationally in 2022. We met our sales and earnings forecast for the Continental Group and achieved a respectable result”
- Order intake in Automotive in 2022 of more than €23 billion (+26 percent)
- Expectations for fiscal 2023: consolidated sales of around €42 billion to €45 billion; adjusted EBIT margin of around 5.5 to 6.5 percent

Hanover, March 8, 2023. Despite the challenging macroeconomic environment, Continental achieved its adjusted sales and earnings target in fiscal 2022. The company’s performance was particularly impacted by the effects of the war in Ukraine, the restrictions due to the coronavirus pandemic in China, the ongoing semiconductor shortage and additional costs of around €3.3 billion resulting from price increases for raw materials, semi-finished products, energy and logistics. For the current fiscal year, the technology company expects higher sales and earnings, thanks in particular to rising production figures for passenger cars and light commercial vehicles and continued high cost discipline.

“2022 was particularly challenging for us in several respects. The war against Ukraine drove up the prices for raw materials, semi-finished products, energy and logistics. It is also the reason why we continue to strive for a controlled withdrawal from the Russian market,” said Continental’s CEO Nikolai Setzer during the annual press conference in Hanover on Wednesday, adding: “Despite facing challenges, we performed well operationally. We met our sales and earnings forecast for the Continental Group and achieved a respectable result. This was thanks to the hard work and commitment of around 200,000 Continental employees worldwide, to whom I would like to express my sincere gratitude.”

To meet the many challenges and strengthen its resilience, Continental implemented more focused cost management and more integrated supervision of its procurement and logistics chain for electronics. It also broadened its supplier base. “We have proven to be resilient in times of crisis, and we are well positioned to ensure Continental’s long-term development with a focus on value creation,” said Setzer. Continental also initiated price adjustments in all group sectors to compensate for the effects of inflation.

Consolidated sales up by 16.7 percent in 2022

According to preliminary figures, **consolidated sales** totaled €39.4 billion in the past fiscal year (2021: €33.8 billion, +16.7 percent). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 12.3 percent. In a volatile market environment, the company achieved an **adjusted EBIT** of €2.0 billion (2021: €1.9 billion, +5.2 percent), corresponding to an **adjusted EBIT margin** of 5.0 percent (2021: 5.5 percent).

In the past fiscal year, net income was influenced by negative special effects amounting to around €1.0 billion. Higher interest rates and other valuation-related effects, in particular, resulted in impairment losses of more than €850 million in the Automotive group sector. In connection with its business activity in Russia, Continental also impaired assets of around €87 million as a result of the sanctions imposed. Consequently, net income amounted to €67 million (2021: €1.4 billion).

Adjusted free cash flow was €200 million (2021: €1.2 billion for continuing and discontinued operations). **Adjusted free cash flow** was lower than the previous year due primarily to the buildup of inventories and receivables, and higher capital expenditure.

Continental Executive Board to propose dividend of €1.50 per share

“The Executive Board will propose to the Annual Shareholders’ Meeting a dividend of €1.50 per share. We took two factors into account in arriving at this figure: the negative and predominantly non-cash special effects on net income and the downward share price trend last year,” said Katja Dürrfeld, CFO of Continental. This amounts to a distribution of around €300 million, she continued.

Expectations for fiscal 2023

Continental expects global production of passenger cars and light commercial vehicles to increase by between 2 and 4 percent in 2023. In 2022, this increased by around 7 percent to approximately 82 million vehicles.

Significantly higher costs for materials, wages and salaries as well as energy and logistics – amounting to around €1.7 billion – are again expected to weigh heavily on the earnings position in fiscal 2023.

Based on these assumptions and given the exchange rates at the beginning of the fiscal year, Continental anticipates consolidated sales for 2023 of around €42 billion to €45 billion and an adjusted EBIT margin of around 5.5 to 6.5 percent.

Continental expects the **Automotive** group sector to generate sales of around €20.5 billion to €21.5 billion and an adjusted EBIT margin of around 2 to 3 percent.

For the **Tires** group sector, Continental forecasts sales of about €14.5 billion to €15.5 billion with an adjusted EBIT margin of around 12 to 13 percent.

Continental expects the **ContiTech** group sector will achieve sales of about €6.8 billion to €7.2 billion and an adjusted EBIT margin of around 6 to 7 percent.

Capital expenditure before financial investments is forecast to be around 6 percent of sales.

Adjusted free cash flow is expected to be around €0.8 billion to €1.2 billion.

“We stabilized our profitability over the course of the year. In the second half of 2022 in particular, we achieved year-on-year gains and implemented and optimized many things. Nevertheless, we know that we need to continue improving if we want to meet our mid-term targets, which is why we are determined to increase our earnings,” said Katja Dürrfeld, CFO of Continental.

In the medium term, Continental is aiming to achieve a consolidated adjusted EBIT margin of around 8 to 11 percent.

Key figures for Continental

€ millions	2022	2021	Δ in %
Sales	39,408.9	33,765.2	16.7
EBIT	754.8	1,845.8	-59.1
in % of sales	1.9	5.5	
Net income attributable to the shareholders of the parent ¹	66.6	1,435.2 ⁴	-95.4
Basic earnings per share in € ¹	0.33	7.18 ⁴	-95.4
Diluted earnings per share in € ¹	0.33	7.18 ⁴	-95.4
Adjusted sales ²	39,265.6	33,606.3	16.8
Adjusted operating result (adjusted EBIT) ³	1,950.7	1,854.7	5.2
in % of adjusted sales	5.0	5.5	
Research and development expenses (net)	2,871.4	2,586.8	11.0
in % of sales	7.3	7.7	
Capital expenditure ⁵	2,426.4	1,947.4	24.6
in % of sales	6.2	5.8	
Adjusted free cash flow (before acquisitions and divestments)	199.7	1,154.3 ⁴	-82.7
Net indebtedness	4,499.4	3,765.5	19.5
Gearing ratio in % ¹	32.8	29.7	
Equity ¹	13,735.0	12,668.5	8.4
Equity ratio in % ¹	36.2	35.5	
Number of employees as at December 31 ⁶	199,038	190,875	4.3
Dividend per share in €	1.50 ⁷	2.20	
Share price at year end ⁸ in €	55.98	93.11	
Share price at year high ⁸ in €	99.80	118.53	
Share price at year low ⁸ in €	44.31	87.53	

¹ In the year under review, the Continental Group changed the methodology used for the recognition of uncertain tax positions. The comparative period has been adjusted accordingly. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements.

² Before changes in the scope of consolidation.

³ Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

⁴ For continuing and discontinued operations.

⁵ Capital expenditure on property, plant and equipment, and software.

⁶ Excluding trainees.

⁷ Subject to the approval of the Annual Shareholders' Meeting on April 27, 2023.

⁸ All market prices are quotations of the Continental share in the Xetra system of Deutsche Börse AG. In order to improve comparability, figures prior to September 16, 2021, have been adjusted to account for the effect from the spin-off of Vitesco Technologies. Data source: Bloomberg.

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Continental significantly increases order intake for future technologies by around 26 percent

Continental is in a strong position when it comes to purchase-relevant future technologies for mobility. This is shown by the sharp increase in order intake for the Automotive group sector, which amounted to more than €23 billion in 2022, up 26 percent compared with the previous year (2021: more than €18 billion).

Multibillion-euro order for next-generation brake system

Proof of the company's strong technological position in driving safety is its first major order for an ultra-modern, "semi-dry" brake system worth more than €2 billion. What makes this system so special is that it has "dry" brakes on the rear axle that do not require brake fluid. The new technology also includes the MK C2 electronic brake system. In addition, the order intake for cutting-edge display solutions with a production launch after 2022 has now reached more than €7 billion.

End-to end solutions for assisted and automated driving

Continental also continues to drive forward the development of assisted and automated driving. To this end, the company is working with Ambarella, a company that produces semiconductors with artificial intelligence (AI), to offer vehicle manufacturers end-to-end solutions for advanced driver assistance systems and automation from level 2 and above through to highly automated vehicles. This strategic partnership follows the integration of Ambarella's energy-efficient system-on-chip (SoC) family into Continental's advanced driver assistance systems. Production of the joint solutions is planned for 2026.

Continental focuses on tires from renewable and recycled materials

At the IAA Transportation trade fair, Continental unveiled the **Conti Urban**, its concept tire that after a single retreading consists of more than 90 percent renewable and recycled materials. The Conti Urban, which is already approved for road use, has been designed specifically for electric buses and delivery vehicles of the future. It contains nearly 50 percent renewable and recycled materials when initially delivered. The noise level of the tire has also been significantly optimized. The prototype is set to be trialed with customers in the near future.

Continental also became the first tire manufacturer to introduce recycled polyester yarn obtained from PET bottles into its production in 2022. This makes it possible to completely replace the polyester conventionally used in the tire casing. For each set of standard car tires, around 40 recycled PET bottles are used that would otherwise have ended up in landfills because they come from countries where they are not part of a recycling system.

Continental tires are also proving themselves in the electric vehicle segment. Nine of the world's 10 highest-volume manufacturers of electric vehicles trust in Continental tires for their original equipment.

Sustainable surface solutions for a wide range of applications

With its innovative products, ContiTech showed on multiple occasions in the past fiscal year that sustainability and climate change mitigation are a major focus for its modern surface solutions. This applies both to vehicle interiors and to furniture for home and commercial use. Examples include furniture for hotels and the shipping and cruise industry.

The **Xpreshn** surface product used in vehicles can already be produced entirely from sustainable raw materials to provide a 100 percent carbon-neutral solution that is both lightweight and environmentally friendly. Furthermore, Continental has developed a method that allows waste coffee grounds to be used as a sustainable raw material for its surface products. This reduces waste and the emission of greenhouse gases such as methane and carbon dioxide. In the case of the **skai VyP Coffee** upholstery fabric, more than 65 percent of conventional chemical raw materials have already been replaced by natural and recycled constituents.

Number of employees

At the end of 2022, Continental had around 200,000 employees worldwide – an additional 8,000 people compared with the end of 2021 (+4.3 percent). The increase was particularly evident in the Automotive group sector, both in production and development. The number of software and IT specialists, for instance, grew by around 2,000 employees to currently 21,000 worldwide.

Continental develops pioneering technologies and services for sustainable and connected mobility of people and their goods. Founded in 1871, the technology company offers safe, efficient, intelligent and affordable solutions for vehicles, machines, traffic and transportation. In 2022, Continental generated sales of €39.4 billion and currently employs around 200,000 people in 57 countries and markets.

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