

Continental Confirms Sales and Earnings Outlook for 2022

- Consolidated sales of €10.4 billion (Q3 2021: €8.0 billion, +29.3 percent)
- Adjusted EBIT of €605 million (Q3 2021: €412 million, +46.7 percent)
- Adjusted EBIT margin of 5.8 percent (Q3 2021: 5.2 percent)
- Operating result of €12 million (Q3 2021: €419 million)
- Net income of -€211 million (Q3 2021: €309 million from continuing and discontinued operations)
- Adjusted free cash flow of -€496 million (Q3 2021: -€8 million from continuing and discontinued operations)
- CEO Nikolai Setzer: “Over the past quarter, we managed to significantly improve our adjusted operating result in the Automotive group sector. Our order intake also remains high.”
- Expectations for fiscal 2022 unchanged: consolidated sales of around €38.3 billion to €40.1 billion; adjusted EBIT margin of around 4.7 to 5.7 percent
- Continental received major order for ultra-modern brake system worth around €1.5 billion in the third quarter
- Order intake in Automotive of around €18 billion after nine months (after nine months in 2021: around €13 billion, +37.9 percent)

Hanover, November 10, 2022. Against a persistently challenging macroeconomic backdrop, Continental ended the third quarter of 2022 with a satisfactory adjusted operating result. The measures taken in the Automotive group sector played a role here as expected. At the same time, the business environment was, and continues to be, highly volatile as a result of geopolitical uncertainties, disrupted supply chains, shortages of electronic components and sharp price increases for raw materials, semi-finished products, energy and logistics.

“We managed to significantly improve our adjusted operating result in the Automotive group sector over the past quarter. This was a direct result of the measures taken, in particular the price agreements concluded with our customers due to the substantial increase in costs. In light of the challenging environment, we did well to achieve our third-quarter forecast, but our financial results are not in line with our medium-term targets. However, we are on the right track and our order intake remains high,” said Continental CEO Nikolai Setzer when presenting the company’s quarterly figures in Hanover on Thursday.

In addition to price agreements with customers, Continental has initiated a number of further measures to overcome the various challenges. These measures include purchasing raw and other materials from multiple suppliers, implementing more focused cost management, and monitoring the procurement and logistics chain for electronics more closely.

Over the past quarter, Continental achieved **consolidated sales** of €10.4 billion (Q3 2021: €8.0 billion, +29.3 percent). Its **adjusted operating result** was €605 million (Q3 2021: €412 million, +46.7 percent), corresponding to an **adjusted EBIT margin** of 5.8 percent (Q3 2021: 5.2 percent).

Owing to higher interest rates and other valuation-related effects, goodwill was impaired by €498 million in the Automotive group sector. This had an impact on **net income**, which amounted to -€211 million (Q3 2021: €309 million from continuing and discontinued operations). **Adjusted free cash flow** was again negative in the third quarter of this year, due primarily to higher procurement costs, the buildup of inventories and receivables, and higher capital expenditure than in the previous year. It amounted to -€496 million (Q3 2021: -€8 million from continuing and discontinued operations).

“As expected and announced, we achieved a positive adjusted operating result in the Automotive group sector in the third quarter. We are maintaining our sales and earnings outlook for the current fiscal year,” said Katja Dürrfeld, CFO of Continental.

All in all, Continental still anticipates consolidated sales for fiscal 2022 of around €38.3 billion to €40.1 billion and an adjusted EBIT margin of around 4.7 to 5.7 percent. This includes additional costs of around €3.4 billion (previously: around €3.5 billion) as a result of the massive price increases for raw materials, semi-finished products, energy and logistics. Adjusted free cash flow of around €600 million to €800 million is expected for the current fiscal year (previously: around €0.6 billion to €1.0 billion).

Key figures for the Continental Group

€ millions	January 1 to September 30			Third Quarter		
	2022	2021	Δ in %	2022	2021	Δ in %
Sales	29,118.0	24,970.2	16.6	10,395.6	8,040.5	29.3
EBITDA	2,859.6	3,221.1	-11.2	1,078.7	975.2	10.6
in % of sales	9.8	12.9		10.4	12.1	
EBIT	222.9	1,553.8	-85.7	12.2	418.5	-97.1
in % of sales	0.8	6.2		0.1	5.2	
Research and development expenses (net)	2,262.8	1,987.7	13.8	753.1	657.2	14.6
in % of sales	7.8	8.0		7.2	8.2	
Capital expenditure ¹	1,545.2	1,107.2	39.6	557.7	484.0	15.2
in % of sales	5.3	4.4		5.4	6.0	
Net income attributable to the shareholders of the parent	-216.1	1,302.0 ⁴	-116.6	-210.8	309.1 ⁴	-168.2
Basic earnings per share in €	-1.08	6.51 ⁴	-116.6	-1.05	1.55 ⁴	-168.2
Diluted earnings per share in €	-1.08	6.51 ⁴	-116.6	-1.05	1.55 ⁴	-168.2
Adjusted sales ²	28,995.0	24,841.2	16.7	10,340.6	7,997.0	29.3
Adjusted operating result (adjusted EBIT) ³	1,453.5	1,652.3	-12.0	604.5	412.2	46.7
in % of adjusted sales	5.0	6.7		5.8	5.2	
Adjusted free cash flow (before acquisitions and divestments)	-1,356.6	939.7 ⁴	-244.4	-496.0	-7.8 ⁴	-6,259.0
Net indebtedness as at September 30	6,025.4	3,964.4	52.0			
Gearing ratio in %	40.9	32.3				
Number of employees as at September 30 ⁵	197,442	192,495	2.6			

¹ Capital expenditure on property, plant and equipment, and software.

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 From continuing and discontinued operations.

⁵ Excluding trainees.

Increase in automotive production in the third quarter

Global automotive production continued to recover between July and September 2022. According to preliminary figures, it rose by 11.1 percent compared with the second quarter of 2022 to 21.2 million units overall (Q2 2022: 19.1 million units).

Compared with the very weak prior-year quarter (Q3 2021: 16.6 million units), it increased by 27.5 percent. In Europe, there was an increase of 19.6 percent year-on-year to 3.5 million vehicles. The production volume in North America increased by 24.2 percent to 3.7 million units. In China, the production of passenger cars and light commercial vehicles rose significantly and amounted to 7.2 million units in the third quarter of 2022, corresponding to an increase of 31.3 percent.

Margin increase in the Automotive group sector in the third quarter

In addition to the measures mentioned above and in particular the price agreements reached in partnership with customers, the rise in automotive production had a positive impact on the **Automotive** group sector, which posted a substantial sales increase of 42.1 percent to €4.9 billion (Q3 2021: €3.5 billion). With its sales growing organically by 34.0 percent before exchange-rate effects and changes in the scope of consolidation and global automotive production rising by 27.5 percent, the group sector significantly outperformed the vehicle market. At 2.7 percent, the adjusted EBIT margin was considerably higher than in the first and second quarters of this year and was also up year-on-year (Q3 2021: -2.3 percent).

Order intake in the Automotive group sector up to around €18 billion

Continental continued to boost its order intake in the Automotive group sector. In the third quarter, this amounted to more than €6 billion, an increase of 28.4 percent compared with the same period of the previous year (Q3 2021: around €5 billion). For the first nine months of 2022, it amounted to around €18 billion (first nine months of 2021: around €13 billion, +37.9 percent). This increase was due in part to the first major order for Continental's ultra-modern "semi-dry" brake system. This order was worth more than €2 billion in total, around €1.5 billion of which was reported in the third quarter of 2022. What makes this system particularly special is that the brakes on the rear axle are operated "dry," which means without any brake fluid. The new technology also includes the MK C2 electronic brake system. Furthermore, two major orders from global vehicle manufacturers amounting to more than €2 billion were landed for a large-scale pillar-to-pillar display solution and for OLED displays. This took the total value of orders for display solutions with a production launch after 2022 to more than €7 billion.

Tires group sector maintains its focus on sustainability

In the **Tires** group sector, the challenging economic environment with soaring costs for raw materials, semi-finished products, energy and logistics had an impact on earnings. In the current year, for example, average energy costs in Europe have doubled compared to 2021. With sales of €3.6 billion in the third quarter of 2022 (Q3 2021: €3.0 billion, +21.8 percent), the group sector achieved an adjusted EBIT margin of 11.8 percent (Q3 2021: 13.7 percent).

Sustainable tire solutions are a significant part of Continental's sustainability strategy. With the Conti Urban concept tire, Continental premiered a tire designed specifically for electric buses and delivery vehicles of the future at the IAA Transportation trade fair. The prototype, which has already been approved for road use and could soon go into a trial phase with customers, consists of nearly 50 percent renewable and recycled materials. After a single retreading, this figure rises to more than 90 percent. The noise level of the concept tire has also been significantly optimized. In this way, Continental wants to help further reduce noise pollution from urban bus and delivery traffic.

ContiTech invests in Sweden and focuses on sustainable surfaces

The **ContiTech** group sector also suffered as a result of the increased costs and the volatile market environment. It posted sales of €1.7 billion (Q3 2021: €1.4 billion, +20.4 percent) and an adjusted EBIT margin of 6.2 percent (Q3 2021: 5.9 percent) in the third quarter of 2022.

To further strengthen its industrial business, ContiTech acquired the Swedish **Vulk & Montage Group**, a leading service provider for the conveyor industry in central Sweden. The acquisition means that Continental is able to offer a particularly strong service and solution package to its industrial customers in the region.

ContiTech showcased Continental's focus on sustainable and ecological surface solutions at this year's IAA Transportation trade fair. **Xpreshn**, for example, is a lightweight and environmentally friendly surface material that can be designed to be 100 percent carbon-neutral thanks to renewable raw materials. **Acella**, meanwhile, is a durable artificial leather made from a combination of recycled materials and bio-based raw materials. More and more customer-specific surface solutions are also now "designed for recycling," meaning that they have been developed with a primary focus on sustainability.

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 2021, Continental generated sales of €33.8 billion and currently employs more than 190,000 people in 58 countries and markets. On October 8, 2021, the company celebrated its 150th anniversary.

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