Continental Prepares Spin-off of Automotive Group Sector
August 5, 2024
Separation and 100% spin-off of Automotive Group Sector

Creation of two fully independent and listed companies

Crystallizing value
What is Our Objective?

Give Automotive Group full entrepreneurial freedom…

… allowing to best respond to increasingly dynamic industry transformation

Combining a strong foundation with strategic flexibility…

… to execute on its vision, accelerate transformation and crystallize value

Strong and viable Tires and ContiTech group sectors as industry leaders

… to continue their business model targeting best-in-class performance
**Transaction Overview**

100% Spin-off of Automotive Group

- **100% spin-off of Automotive Group Sector** into independent, publicly traded company

- **Listing** of Automotive Group targeted **by the end of 2025** on the **Frankfurt Stock Exchange**

- Automotive Group expected to **qualify for MDAX**

- **No investment needed from shareholders** and no proceeds for Continental

- **One-time costs:** Low-to-mid triple digit € mn amount, **Tax effect:** Low triple digit € mn amount
Creating Two Fully Independent Listed Companies

Today

Continental Shareholders

100%

Tires

Automotive

ContiTech

Contract Manufacturing

€41.4bn Sales '23A

~200k Employees '23A

BBB/Baa2 Rating

Frankfurt Listing location

After Automotive Group Separation

Continental Shareholders

100%

Automotive Group

100%

Tires

ContiTech

Automotive incl. Contract Manufacturing

€20.8bn Sales '23A

~100k Employees '23A

Rating: Investment grade

Frankfurt Listing location

€20.8bn Sales '23A

~100k Employees '23A

Strong balance sheet, limited debt

Frankfurt Listing location

1 Pro-forma indication of standalone companies.
Challenges in the Automotive Sector

- Changing market with low predictability…
  …regulatory changes, demand fluctuation

- Industry undergoing transformation…
  …digitalization and regional mix shifts

- Intensifying competition…
  …COEM exports, market dynamic

- Increased cost pressure…
  …reduced vehicle production and price corrections

Automotive Group needs more agility…
…with clear accountability and partnership opportunities

Spin-off creates two strong and fully independent companies

Opportunity for investors…
…to invest into independent Automotive business or Tires and ContiTech

Separation as Logical Response to Crystallize Value
Automotive Group: Spin-off as Catalyst

Strong Foundation

- **Sales**
  - `€20.3bn`
  - Attractive growth opportunities
- **Adj. EBIT**
  - `1.9%`
  - Strong improvements targeted
- **Employees**
  - `~100,000`
  - Reduction programs on track

Clear Vision for Future Growth

- **Lead:** Perfectly positioned to lead the transition towards **software-defined vehicles**
- **Focus:** Strict **portfolio execution** along value principles with **stringent capital allocation**
- **Perform:** Holistic and determined cost & profitability management well under way

**Targets**
- **Listing Location:** Frankfurt Stock Exchange
- **Credit Profile:** Strong balance sheet, limited debt

1 Without Contract Manufacturing business. 2 Before amortization of intangibles from PPA, changes in the scope of consolidation and special effects.
# Automotive Spin-off as Additional Catalyst

## Significant Restructuring

| **Operating leverage** | ~¾ of pricing negotiations successfully finalized  
Focus on COEMs: increased resilience in China | ✓ |
|------------------------|-----------------------------------------------|---|
| **Operational excellence** | Continuously improved premium freights  
Inventory turn-rate increased by > 0.6 YoY | ✓ |
| **Fixed-cost reduction** | Union agreement finalized  
Reduction of >1,500 HC achieved YTD  
Major parts of €400 mn savings target 2025 safeguarded | ✓ |
| **R&D efficiency** | Reduction of >1,300 HC achieved YTD  
Best-cost share increased by >1pp in LTM | ✓ |
| **Complexity Reduction** | Business Area SMY dissolved | ✓ |

## Strong Progress

- Improve material costs via design-to-cost measures
- Increase share of business with Asian OEMs
- Manufacturing cost reduction by 1% of sales until end of 2025
- Target for FY 2024 saving > €150 mn
- Realize €400 mn savings target for 2025
- Single digit mid-term net R&D ratio already to be realized in 2027
- Merge activities of BA SCT and BA AN

## Focus on Next Steps

**Trough behind...**

- ...Consequent restructuring execution...
- ...Improvement trajectory clear and tangible...
- ...Spin-off as additional catalyst

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New Continental’s Setup – Two Leading Businesses

**Tires:**
Resilient Leader

- Well established leader in premium, high-performance and specialty tires
- Best-in-class value creation, resilience and cash generation based on its CORE of:
  - Operational excellence
  - Technology
  - Strong brand portfolio
- Realizing OPPORTUNITIES by tapping into profit pools, gaining traction and maintaining outperformance

<table>
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<tr>
<th>Sales ‘23A</th>
<th>€14.0bn</th>
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<tbody>
<tr>
<td>Adj. EBIT¹ Margin ‘23A</td>
<td>13.5%</td>
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**ContiTech:**
Material Solution Powerhouse

- Focus on industrial businesses with large addressable markets and high growth
- ENSURE SUCCESS by focusing strong margin-accretive INDUSTRY BUSINESS
  - Legal and physical independence of OESL
  - Rightsizing and improving AUTOMOTIVE
  - Increase industry share to ~80%
- Convert strong industry OE position into profitable replacement business

<table>
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<tr>
<th>Sales ‘23A</th>
<th>€6.8bn</th>
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<tr>
<td>Adj. EBIT¹ Margin ‘23A</td>
<td>6.7%</td>
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Cost efficiency and lean hierarchy levels to ensure benchmark competitiveness

1 Before amortization of intangibles from PPA, changes in the scope of consolidation and special effects.
Announcement to start spin-off preparation
August 5, 2024

Board decision on new Continental structure and spin-off after detailed evaluation
Q4 2024

Shareholder approval to be obtained at AGM
April 25, 2025

Capital markets day for spin-off planned post AGM 2025

Listing on Frankfurt Stock Exchange targeted by end of 2025
We are just starting this journey...

... with more details to be clarified and to come

We are convinced this is the logical next step...

...which will unlock Continental’s full potential
Summary

Creation of two strong, independent, and listed players – robust and agile

Full focus on execution and performance

Target to unlock the embedded potential of Continental AG
Thank you!
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