



# Continental Prepares Spin-off of Automotive Group Sector

August 5, 2024

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# Separation and 100% spin-off of Automotive Group Sector

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Creation of two fully independent  
and listed companies

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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**

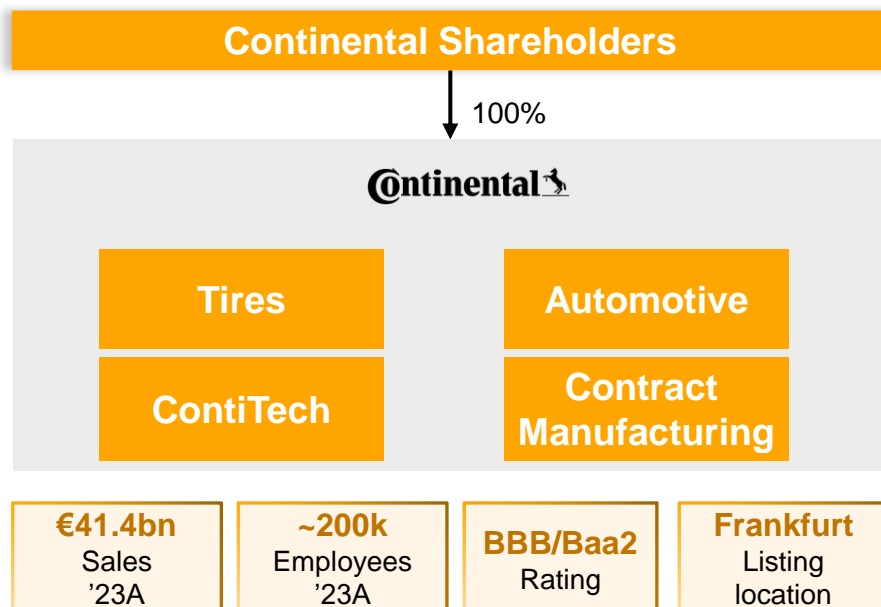
Automotive Group expected to **qualify for MDAX**

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

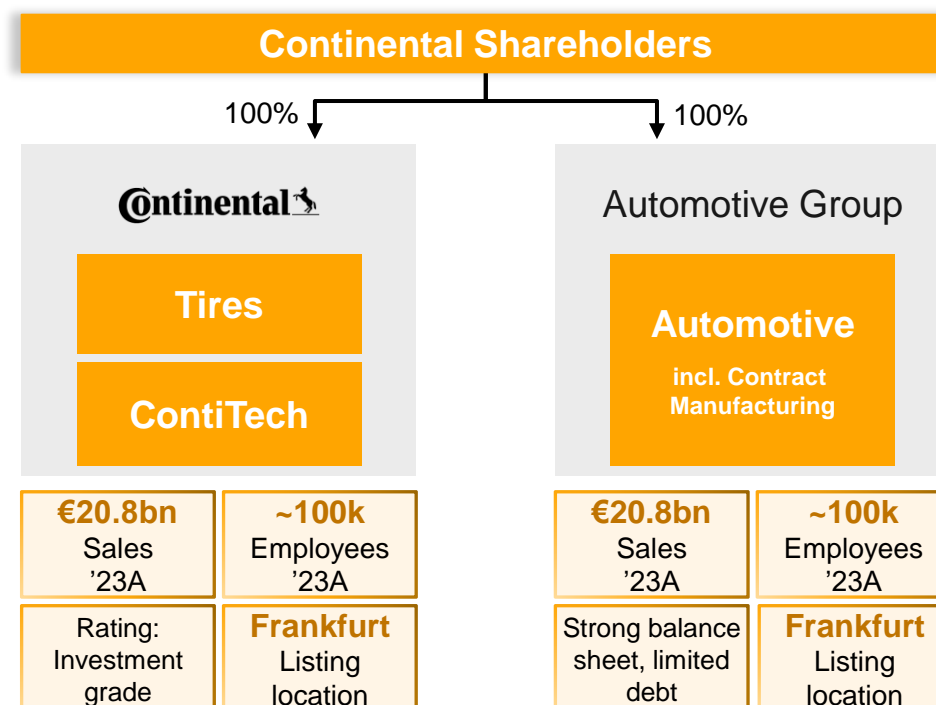
**One-time costs:** Low-to-mid triple digit € mn amount, **Tax effect:** Low triple digit € mn amount

# Creating Two Fully Independent Listed Companies

## Today



## After Automotive Group Separation<sup>1</sup>



<sup>1</sup> Pro-forma indication of standalone companies.

# Separation as Logical Response to Crystallize Value

## 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

# Automotive Group: Spin-off as Catalyst

## Strong Foundation

Sales<sup>1</sup> '23A  
€20.3bn



Attractive growth opportunities

Adj. EBIT<sup>1, 2</sup> '23A  
1.9%



Strong improvements targeted

Employees<sup>1</sup> '23A  
~100,000



Reduction programs on track

### Targets

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

## Clear Vision for Future Growth

> **Lead:** Perfectly positioned to **lead the transition** towards **software-defined vehicles**

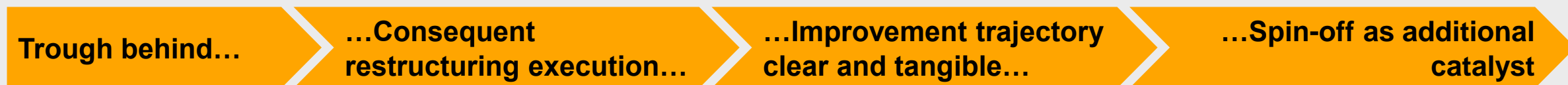
> **Focus:** Strict **portfolio execution** along value principles with **stringent capital allocation**

> **Perform:** **Holistic and determined cost & profitability management** well under way

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	Strong Progress	Focus on Next Steps
<b>Operating leverage</b>	<ul style="list-style-type: none"> <li>&gt; ~ ¾ of pricing negotiations successfully finalized</li> <li>&gt; Focus on COEMs: increased resilience in China</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Improve material costs via design-to-cost measures</li> <li>&gt; Increase share of business with Asian OEMs</li> </ul>
<b>Operational excellence</b>	<ul style="list-style-type: none"> <li>&gt; Continuously improved premium freights</li> <li>&gt; Inventory turn-rate increased by &gt; 0.6 YoY</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Manufacturing cost reduction by 1% of sales until end of 2025</li> </ul>
<b>Fixed-cost reduction</b>	<ul style="list-style-type: none"> <li>&gt; Union agreement finalized</li> <li>&gt; Reduction of &gt;1,500 HC achieved YTD</li> <li>&gt; Major parts of €400 mn savings target 2025 safeguarded</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Target for FY 2024 saving &gt; €150 mn</li> <li>&gt; Realize €400 mn savings target for 2025</li> </ul>
<b>R&amp;D efficiency</b>	<ul style="list-style-type: none"> <li>&gt; Reduction of &gt;1,300 HC achieved YTD</li> <li>&gt; Best-cost share increased by &gt;1pp in LTM</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Single digit mid-term net R&amp;D ratio already to be realized in 2027</li> </ul>
<b>Complexity Reduction</b>	<ul style="list-style-type: none"> <li>&gt; Business Area SMY dissolved</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Merge activities of BA SCT and BA AN</li> </ul>



COEMs: Chinese OEMs. LTM: Last twelve months. YoY: Year-over-year. YTD: Year-to-date. SMY: Smart Mobility. SCT: Software and Central Technologies. AN: Architecture and Networking.



# 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**



Sales '23A  
**€14.0bn**

Adj. EBIT<sup>1</sup>  
Margin '23A  
**13.5%**

# Continental

## 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



Sales '23A  
**€6.8bn**

Adj. EBIT<sup>1</sup>  
Margin '23A  
**6.7%**

Cost efficiency and lean hierarchy levels to ensure benchmark competitiveness

<sup>1</sup> Before amortization of intangibles from PPA, changes in the scope of consolidation and special effects.

# Timeline and Next Steps

**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

# Further Updates will Follow Soon

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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