Continental

Press Release

After a Good First Half-Year, Continental Increases Forecast for Adjusted EBIT Margin to Around 11%

- **Sales grow 15.8% to €19.6 billion after six months**
- **Net income increases to over €1.4 billion**
- **EBIT at more than €2.1 billion**
- **Free cash flow before acquisitions up significantly at €882 million**
- **Workforce grows further to more than 205,000 employees**

Hanover, Germany, August 4, 2015. After a successful first half of the year, the Continental Corporation is raising its earnings forecast for fiscal year 2015. “We are aiming to achieve an adjusted EBIT margin of around 11% for the year as a whole, after previously having anticipated a margin of more than 10.5%. Based on the positive development in the first half of the year, we are also raising our forecast for free cash flow before acquisitions from at least €1.5 billion to at least €1.8 billion,” said the chairman of the Continental Executive Board, Dr. Elmar Degenhart, on Tuesday at the presentation of the business figures for the first six months.

“We proved how strong we are in a challenging environment and followed up on the good first quarter of 2015 with further growth of 4.4% before changes in the scope of consolidation and exchange rate effects in the second quarter. This was also attributable to double-digit sales growth in Asia. Despite a slowdown in the growth rate of vehicle production in Asia, we anticipate stable business development in the remaining half of the year at the high level already achieved,” explained Degenhart.

Sales of the international automotive supplier, tire manufacturer, and industry partner rose by 15.8%, year on year, to €19.6 billion in the first half of 2015. At the same time, **net income** attributable to the shareholders of the parent grew by 11.1% to more than €1.4 billion. Accordingly, **earnings per share** rose to €7.24 after €6.52 in the same period of the previous year. As at June 30, 2015, **EBIT** increased by 19.4%, year on year, to more than €2.1 billion. This equates to a margin of 11.0% after 10.7% in the previous year. **Adjusted EBIT** climbed by 17.6% compared to the same period of the previous year to €2.3 billion. The adjusted EBIT margin was 12.2% after 11.6% in the previous year.

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Free cash flow before acquisitions saw a significant year-on-year increase of €240 million to €882 million. **Free cash flow** amounted to €282 million.

“Due to our financial strength, we were and will continue to be able to finance the acquisition of Veyance Technologies and the dividend payment as well as the acquisition of Elektrobit Automotive GmbH with our own funds and existing credit lines. We will also redeem our U.S. dollar bond with a volume of U.S. $950 million early in September this year, four years ahead of its maturity date. There are currently other debt instruments that have considerably more favorable terms than the bond issued. Over the next few weeks, we will decide which of these we will use in the future,” explained CFO Wolfgang Schäfer. “Our net indebtedness is currently expected to be below €4 billion at the end of the year,” he emphasized.

At the end of the first half of the year, the Continental Corporation's **net indebtedness** amounted to €4.2 billion, representing an improvement of €37 million compared to the same period of the previous year. In comparison to the end of 2014, net indebtedness was up €1.4 billion, due primarily to the purchase of Veyance Technologies at the end of January 2015. The gearing ratio amounted to 34.1% at the end of June 2015 (previous year: 42.4%).

As at June 30, 2015, Continental had a **liquidity** buffer of €6.4 billion, comprising €2.3 billion in cash and cash equivalents and €4.1 billion in committed, unutilized credit lines.

Interest expense decreased by €30 million, year on year, to €178 million. Net interest expense fell by €42 million, year on year, to €99 million in the first half of 2015. For the year as a whole, the company still anticipates net interest expense of around €300 million despite the early redemption of the U.S. dollar bond.

In the first six months of 2015, Continental **invested** €816 million in property, plant and equipment, and software. The capital expenditure ratio thus amounted to 4.2% after 4.7% in the same period of the previous year. **Research and development** expenses rose by 18.7%, year on year, to €1.3 billion in the first half of 2015, corresponding to 6.5% of sales after 6.3% in the same period of the previous year.

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Continental created new jobs again. As at the end of the second quarter of 2015, the corporation had over 205,000 **employees**, roughly 16,000 more than at the end of 2014. The number of employees in the Automotive Group rose by almost 4,000 as a result of increased production volumes and expansion of research and development. In the Rubber Group, further expansion of production capacity and sales channels and the acquisition of Veyance Technologies by the ContiTech division led to an increase of around 12,000 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of approximately 19,000.

In the first six months of this year, the **Automotive Group** generated sales of €11.9 billion. At 9.1%, the adjusted EBIT margin was higher than the previous year's level of 8.4%.

The **Rubber Group** generated sales of €7.7 billion in the first half of 2015 and improved its adjusted EBIT margin by 1.3 percentage points, year on year, to 18.6%.

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Continental Corporation	January 1 to June 30		Second quarter	
in € millions	**2015**	2014	**2015**	2014
Sales	19,598.6	16,918.1	10,029.7	8,528.0
EBITDA	3,036.5	2,605.8	1,633.3	1,310.0
in % of sales	15.5	15.4	16.3	15.4
EBIT	2,161.2	1,810.1	1,183.3	906.9
in % of sales	11.0	10.7	11.8	10.6
Net income attributable to the shareholders of the parent	1,448.6	1,303.8	791.9	715.5
Earnings per share in €	7.24	6.52	3.96	3.58
Adjusted sales[1]	18,836.2	16,910.4	9,591.8	8,525.5
Adjusted operating result (adjusted EBIT)[2]	2,304.1	1,958.7	1,250.2	1,004.0
in % of adjusted sales	12.2	11.6	13.0	11.8
Free cash flow	282.0	574.8	553.3	511.3
Net indebtedness as at June 30	4,235.6	4,272.8		
Gearing ratio in %	34.1	42.4		
Number of employees as at June 30[3]	205,288	186,278		

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

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