Continental

Press Release

On Track: Continental Confirms Sales Projection and Raises Annual Forecast Again

- **Net income climbs by 16 percent to €2.1 billion after nine months**
- **Sales up 14 percent at over €29 billion**
- **Sales projection for 2015 of more than €39 billion confirmed**
- **EBIT of €3.2 billion after three quarters**
- **Forecast for adjusted EBIT margin raised to more than 11 percent**
- **Outlook for free cash flow before acquisitions increased to more than €2 billion**

Hanover, November 9, 2015. Despite a persistently challenging market environment, the technology corporation Continental remains on track. The company confirmed its sales forecast for 2015 and raised the annual forecast again when it released the business figures for the first nine months of the year. “For the year as a whole, we still anticipate sales of more than €39 billion. The outlook for the end of the year makes us optimistic about achieving an adjusted EBIT margin of more than 11 percent, after we had previously anticipated around 11 percent. Based on the positive business performance, we are also raising our outlook for free cash flow before acquisitions from its previous level of at least €1.8 billion to more than €2 billion,” said the chairman of Continental’s Executive Board, Dr. Elmar Degenhart.

“Overall, we can look back at a solid third quarter in a difficult environment. We compensated for both the slower growth in passenger-car production in China and the decline in industrial business with steady growth in Europe and North America,” explained Degenhart. The automotive supplier is also benefiting from a rising proportion of vehicles being equipped with state-of-the-art electronics.

Sales of the international automotive supplier, tire manufacturer, and industry partner rose by 14.2 percent year-on-year to €29.2 billion in the first three quarters of 2015. Before changes in the scope of consolidation and exchange rate effects, sales rose by 3.3 percent.

At the same time, **net income** attributable to the shareholders of the parent grew by 15.9 percent to €2.1 billion. Accordingly, **earnings per share** rose to €10.42 after €8.99 in the same period of the previous year.

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As at September 30, 2015, **EBIT** increased by 30.6 percent year-on-year to €3.2 billion. This equates to an EBIT margin of 10.9 percent after 9.6 percent in the previous year. **Adjusted EBIT** climbed by 15.6 percent compared to the same period of 2014 to €3.4 billion. The adjusted EBIT margin was 12.0 percent after 11.4 percent in the previous year.

Free cash flow before acquisitions saw a significant year-on-year increase of €473 million to more than €1.5 billion. “Despite cash outflows totaling €1.2 billion for acquisitions, primarily those of Veyance Technologies and Elektrobit Automotive, free cash flow amounted to €316 million after the first nine months of 2015,” emphasized CFO Wolfgang Schäfer.

As at September 30, 2015, the Continental Corporation’s **net indebtedness** amounted to €4.3 billion. This represented a year-on-year increase of €370 million. Compared to the end of 2014, net indebtedness was up €1.5 billion, chiefly due to the acquisition of Veyance Technologies at the end of January 2015 and the acquisition of Elektrobit Automotive at the start of July 2015. However, the **gearing ratio** of 33.9 percent at the end of September 2015 was lower than the previous year’s figure of 36.2 percent.

At the end of the third quarter of 2015, Continental had **liquidity** reserves totaling €5 billion, comprising €1.8 billion in cash and cash equivalents and €3.2 billion in committed, unutilized credit lines. Compared to the first half of 2015, this represents a €1.4 billion decline in liquidity. “The main reasons for this were the early redemption of the U.S. dollar bond in mid-September and the acquisition of Elektrobit Automotive in early July 2015,” Schäfer explained.

Interest expense decreased by €31 million year-on-year to €260 million. At €217 million, net interest expense in the first nine months of 2015 was almost the same as in the previous year.

In the first nine months of 2015, Continental **invested** €1.3 billion in property, plant and equipment, and software. The capital expenditure ratio thus amounted to 4.5 percent after 5.1 percent in the same period of the previous year.

Research and development expenses rose by 16.6 percent year-on-year to €1.9 billion as at September 30, 2015, corresponding to 6.5 percent of sales after 6.4 percent in the same period of the previous year.

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As at the end of the third quarter of 2015, the corporation had over 208,000 **employees**, roughly 19,000 more than at the end of 2014. The number of employees in the Automotive Group rose by more than 6,300 as a result of increased production volumes and the acquisition of Elektrobit Automotive. In the Rubber Group, further expansion of production capacity and sales channels as well as the acquisition of Veyance Technologies by the ContiTech division led to an increase of around 12,600 employees. Compared with the reporting date for the previous year, the number of employees in the corporation was up by a total of approximately 18,800.

In the first nine months of this year, the **Automotive Group** generated sales of €17.6 billion. At 8.8 percent, the adjusted EBIT margin was higher than the previous year's level of 8.0 percent.

The **Rubber Group** generated sales of €11.7 billion as at September 30, 2015, and improved its adjusted EBIT margin from 17.5 percent in the previous year to 18.3 percent.

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Key Figures for the Continental Corporation

in € millions	January 1 to September 30		Third quarter	
	2015	2014	**2015**	2014
Sales	29,216.2	25,587.6	9,617.6	8,669.5
EBITDA	4,528.2	3,809.1	1,491.7	1.203.3
in % of sales	15.5	14.9	15.5	13.9
EBIT	3,195.8	2,447.9	1,034.6	637.8
in % of sales	10.9	9.6	10.8	7.4
Net income attributable to the shareholders of the parent	2.084.3	1,798.9	635.7	495.1
Earnings per share in €	10.42	8.99	3.18	2.47
Adjusted sales[1]	28,109.7	25,578.8	9,273.5	8.668.4
Adjusted operating result (adjusted EBIT)[2]	3,379.7	2,924.1	1,075.6	965.4
in % of adjusted sales	12.0	11.4	11.6	11.1
Free cash flow	315.9	941.0	33.9	366.2
Net indebtedness as at September 30	4,296.2	3,926.2		
Gearing ratio in %	33.9	36.2		
Number of employees as at September 30[3]	208,138	189,361		

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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