

Continental Confirms Adjusted EBIT Margin of More Than 10% as Annual Target

- Consolidated sales climb to over €16.5 billion after six months
- Adjusted EBIT of almost €1.8 billion, margin of 10.8%
- Sales to rise to around €34 billion in 2013

Hanover, August 1, 2013. After the first six months of the year, the international automotive supplier, tire manufacturer and industry partner Continental has confirmed its target of achieving an adjusted EBIT margin of more than 10% for fiscal 2013, with consolidated sales expected to rise to around €34 billion. "Having gotten off to a difficult start in the current year, the company saw stronger development – as anticipated – in the second quarter, particularly in Europe. This should not, however, be viewed as a turnaround," explained Chairman of the Executive Board Dr. Elmar Degenhart. He also confirmed the goal of generating a free cash flow of more than €700 million in the year as a whole.

"Due to our global positioning and the further increase in the number of vehicles equipped with our products, we expect that consolidated sales will show stable year-on-year growth in the third quarter, but no further improvement over the second quarter. The main reason for this is that the passenger car replacement tire markets are recovering more slowly than expected, especially in Europe. We expect, moreover, that growth on the Asian markets and in NAFTA will level off over the rest of the year," said Degenhart. "By contrast, there will be positive effects from the downward trend in natural and synthetic rubber prices, chiefly attributable to restrained demand on the tire markets. We expect this to reduce the burden on the Rubber Group in the order of around €300 million in the current year."

In the first six months of this year, **consolidated sales** rose by 0.4% year-on-year to more than €16.5 billion. In the first half of the year, **EBIT** was down a slight 1.4% year-on-year to a little over €1.6 billion. This corresponds to a margin of 9.8% after 10.0% in the previous year. At almost €1.8 billion, **adjusted EBIT** in the first half of the year was 4.2% lower than in the same period of the previous year. In the second quarter, it already topped the previous year's figure by 1.5%. The adjusted EBIT margin was 10.8%, close to the figure of 11.2% after the first six months of 2012.

Net income attributable to the shareholders of the parent increased by 13.8% in the first six months to over €1.1 billion. The non-recurring positive effect of a recognition of deferred tax assets in the U.S. was a contributing factor here. Earnings per share thus amounted to €5.71 after €5.02 in the same period of the previous year.

There was a further reduction in **net indebtedness**, which dropped €864 million year-on-year to around €6 billion. The **gearing ratio** improved accordingly to 68.5%, after 87.9% in the previous year. "Our net indebtedness has, in the meantime, returned to a level that justifies rating classification in the investment grade category. We are delighted that this has now also been confirmed by Fitch, one of the three major rating agencies," said Chief Financial Officer Wolfgang Schäfer. Fitch had reinstated Continental's investment status in July. "What is more, by repaying a bond early and issuing a new euro bond, we were recently able to further improve our financing costs and maturity profile," underscored Schäfer. In a further step, the bond issued in September 2010 will be terminated as of September 16, 2013, ahead of schedule. The date for the early redemption of two additional bonds issued in October 2010 has not yet been decided." At what point in time we choose to exercise this option will depend on the development of the capital market," added Schäfer.

Net interest expense increased by around €140 million to €360 million in the first half of the year, due mainly to special effects in conjunction with the measurement of the redemption options contained in the bonds. "We have already had to include in our earnings interest expenses of approximately €90 million for the early redemption of our euro bonds. In the third quarter, we also anticipate a negative effect of around €130 million from the adjustment of the carrying amount of the early redemption options," commented Schäfer. At the same time, he pointed out that interest expenses for the bonds will fall significantly as of the fourth quarter of 2013 as a result of the early redemption of the bonds and the improved conditions for the newly issued bond.

At the end of June 2013, Continental had 174,713 **employees**. This represents an increase of more than 5,000 employees compared to the end of 2012 and a slight rise in comparison to the end of the first quarter.

In the period from January to June of this year, expenditure for **research and development** amounted to €987 million, equivalent to a ratio of 6% of sales, after 5.5% in the same period of the previous year. The Continental Corporation invested a total of €867 million in property, plant and equipment and software in the first half of 2013. The **capital expenditure** ratio was thus 5.2%, after 5.0% in the same period of the previous year.

"Our expenditure for research and development and our capital expenditure are at a high, healthy level. This shows that – particularly in the face of a challenging economic environment – we are continuing to strengthen the company's ability to meet future needs", emphasized Degenhart.

In the first six months, the **Automotive Group** generated sales of more than €10 billion, on par with the previous year. The adjusted margin was 7.8%, after 8.3% in the same period of the previous year. The **Rubber Group** likewise held to the level of the first six months of 2012, generating sales of more than €6.5 billion and achieving an adjusted margin of 16.3%.

With sales of €32.7 billion in 2012, Continental is among the leading automotive suppliers worldwide. As a supplier of brake systems, systems and components for powertrains and chassis, instrumentation, infotainment solutions, vehicle electronics, tires and technical elastomers, Continental contributes to enhanced driving safety and global climate protection. Continental is also an expert partner in networked automobile communication. Continental currently has almost 175,000 employees in 46 countries.

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Key Figures for the Continental Corporation

in € millions	January 1 to June 30		Second quarter	
	2013	2012	2013	2012
Sales	16,574.3	16,506.2	8,541.0	8,186.7
EBITDA	2,479.3	2,492.6	1,309.9	1,288.7
in % of sales	15.0	15.1	15.3	15.7
EBIT	1,630.6	1,653.4	883.2	866.2
in % of sales	9.8	10.0	10.3	10.6
Net income attributable to the shareholders of the parent	1,141.9	1,003.2	700.7	520.3
Earnings per share in €	5.71	5.02	3.50	2.60
Adjusted sales ¹	16,483.7	16,506.2	8,494.2	8,186.7
Adjusted operating result (adjusted EBIT) ²	1,776.9	1,855.1	980.7	966.4
in % of adjusted sales	10.8	11.2	11.5	11.8
Free cash flow	-88.2	126.4	222.9	274.1
Net indebtedness as at June 30	6,011.9	6,875.9		
Gearing ratio in %	68.5	87.9		
Number of employees as at June 30 ³	174,713	168,813		

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 Not including trainees.