

## Continental Generates Profit and Expects Further Improvement in Results

- Consolidated sales of €33.8 billion (2020: €31.9 billion, +6.0 percent),
- Adjusted EBIT of €1.9 billion (2020: €1.4 billion, +37.7 percent)
- Adjusted EBIT margin of 5.6 percent (2020: 4.4 percent)
- Operating result of €1.8 billion (2020: -€428 million)
- Net income of €1.5 billion (2020: -€962 million, +€2.4 billion)
- Free cash flow before acquisitions, divestments and carve-out effects for continuing and discontinued operations: €1.2 billion (2020: €805 million)
- Dividend proposal: €2.20 per share
- CEO Nikolai Setzer: “Despite facing many challenges, we performed well operationally in 2021. Moreover, with our realigned strategy and adapted market-oriented structure, we have strategically set the course for our future.”
- Expectations for fiscal 2022: consolidated sales of around €38 billion to €40 billion; adjusted EBIT margin of around 5.5 to 6.5 percent – not including any effects of the potential impact of the current geopolitical crisis

Hanover, March 9, 2022. Within a persistently turbulent market environment, Continental performed well in operative terms in 2021 and achieved a positive net income. The coronavirus pandemic, low automotive production due to electronic component shortages as well as significant cost increases in the areas of procurement and logistics had an especially significant impact on the sales and earnings of the DAX-listed company. Nonetheless, Continental achieved its adjusted annual targets. With its realigned strategy and corresponding market-oriented structure, the technology company also strategically set its course for the future.

“The past fiscal year was again a very trying one for us. Despite the many challenges, we performed well operationally in 2021 and achieved a positive net income,” said Nikolai Setzer, CEO of Continental, at the annual financial press conference on Wednesday in Hanover. He added: “My thanks go out in particular to our more than 190,000 employees worldwide. They have pulled together as a team to overcome the numerous restrictions and obstacles confronting them.”

Setzer also made reference to the company’s strong technology position: “Safe, autonomous, connected and sustainable driving provide the new horse power for the mobility of the future. We are committed to developing these areas. This is where our strength lies – from brake systems, vehicle surroundings sensors, high-performance computers and sustainable tires, through to hoses for the thermal management of electric vehicles. We are well positioned thanks to our focused portfolio and our comprehensive software and digitalization expertise. Under a single roof, we are jointly gathering momentum for our strategic realignment.”

### **Consolidated sales up by 6.0 percent in 2021**

According to preliminary figures, the DAX company's **consolidated sales** totaled €33.8 billion in the past fiscal year (2020: €31.9 billion, +6.0 percent). Unless indicated otherwise, the respective effects of Vitesco Technologies (discontinued operations) until the spin-off in September 2021 are not taken into account. Before changes in the scope of consolidation and exchange rate effects, sales rose by 7.4 percent. In a persistently challenging market environment, the company achieved an **adjusted EBIT** of €1.9 billion (2020: €1.4 billion, +37.7 percent), corresponding to an **adjusted EBIT margin** of 5.6 percent (2020: 4.4 percent).

“While the low production level worldwide has had a negative impact, particularly on our automotive business, our Tires and ContiTech sectors achieved a good result despite massive cost increases in the areas of procurement and logistics,” said Setzer.

Following a negative net income in the previous year resulting from incurred expenses and impairments on property, plant and equipment, Continental achieved a **net income** of €1.5 billion in 2021 (2020: -€962 million). The **free cash flow before acquisitions, divestments and carve-out effects** for continuing and discontinued operations amounted to €1.2 billion (2020: €805 million).

### **The Continental Executive Board is proposing a dividend of €2.20 per share**

“Based on our net income and our stable cash flow situation, we are proposing to the Annual Shareholders’ Meeting a dividend of €2.20 per share, in line with our dividend policy,” said Katja Dürrfeld, CFO of Continental. Continental’s dividend policy provides for a distribution of between 15 and 30 percent of net income.

### **Expectations for fiscal 2022**

In the event the geopolitical situation, in particular in Eastern Europe, remains tense or even worsens, it can result in lasting consequences for production, supply chains and demand. Depending on the severity of the disruption, this may result in lower sales and earnings in all group sectors as well as for the Continental Group compared to the prior year.

Not including these risks, Continental expects that the global production of passenger cars and light commercial vehicles will increase by 6 to 9 percent in 2022. In 2021, this increased year on year by only around 3 percent to approximately 77 million vehicles as a result of the semiconductor shortage. The company also anticipates higher procurement and logistics costs of around €2.3 billion.

On the basis of our assumptions regarding the trends in our markets and industries for 2022, Continental anticipates consolidated sales of around €38 billion to €40 billion and an adjusted EBIT margin of around 5.5 to 6.5 percent. Continental however expects that business will gradually improve following a subdued start to the year.

For the **Automotive** group sector, Continental forecasts sales of around €18 billion to €19 billion with an adjusted EBIT margin of around 0 to 1.5 percent.

For the **Tires** group sector, Continental expects sales of between around €13.3 billion and €13.8 billion with an adjusted EBIT margin ranging between 13.5 and 14.5 percent.

For the **ContiTech** group sector, Continental expects sales of between around €6.0 billion and €6.3 billion with an adjusted EBIT margin ranging between 7.0 and 8.0 percent.

**Capital expenditure before financial investments** is forecast to be below 7 percent of sales.

**Free cash flow before acquisitions and divestments (adjusted free cash flow)** of between around €0.7 billion and €1.2 billion is expected.

**Continental confirms medium-term targets despite unsatisfactory financial performance**

“We are in the midst of a fundamental transformation. And we want to emerge from it as winners. We are not satisfied with our current financial performance. Accordingly, we will rigorously implement our strategy and increase our profitability. We therefore firmly stand by the medium-term targets that we published at the end of 2020,” Dürrfeld said.

These include an adjusted EBIT margin of between 8 and 11 percent.

**Continental increases order intake in key areas of technology**

Last year, Continental continued to make focused investments in its research and development activities. The DAX company’s total expenditure for this purpose amounted to around €2.6 billion (2020: €2.7 billion). The ratio fell to 7.7 percent (2020: 8.5 percent).

Continental is well positioned in terms of purchase-relevant technologies for the mobility of the future. The large number of orders that the company received during the past fiscal year are evidence of this.

The sales volume of new orders for display solutions currently amounts to more than €5.5 billion. Continental, for example, only introduced the innovative ShyTech Display at the end of last year. Its wood or leather-look surface enables a completely new interior design. The screen only appears when needed. Recently, Continental presented a further innovative display featuring a private mode that allows information to be displayed for selected vehicle occupants only. This technology allows the front passenger, for instance, to enjoy infotainment functions without distracting the driver.

The order volume for fully connected central high-performance computers rose to a total of around €5.5 billion. These computers form a crucial link between the vehicle and the digital world. Continental’s InCar Application Server (ICAS1), for example, is being used by Volkswagen for its ID. vehicle models, which are based on the brand’s modular electric drive platform.

In total, incoming orders for the Automotive group sector amount to €18.6 billion (previous year: €18.1 billion).

**Key figures for Continental**

€ million	2021	2020	Δ in %
Sales	33,765.2	31,864.4	6.0
EBIT	1,845.8	-428.0	531.3
in % of sales	5.5	-1.3	
Net income attributable to the shareholders of the parent	1,455.0	-961.9	251.3
Basic earnings per share in €	7.28	-4.81	251.3
Diluted earnings per share in €	7.28	-4.81	251.3
Adjusted sales <sup>1</sup>	33,754.3	31,648.8	6.7
Adjusted operating result (adjusted EBIT) <sup>2</sup>	1,900.4	1,379.9	37.7
in % of adjusted sales	5.6	4.4	
Research and development expenses (net)	2,586.8	2,700.7	-4.2
in % of sales	7.7	8.5	
Capital expenditure <sup>3</sup>	1,947.4	1,779.7	9.4
in % of sales	5.8	5.6	
Free cash flow before acquisitions, divestments and carve-out effects for the continuing and discontinued operations	1,218.4	804.8	51.4
Net indebtedness	3,765.5	n.a.	
Gearing ratio in %	29.8	n.a.	
Total equity	12,643.2	n.a.	
Equity ratio in %	35.3	n.a.	
Number of employees (as of 12/31) <sup>4</sup>	190,875	195,896	-2.6
Dividend per share in €	2.20 <sup>5</sup>	-	
Share price at year end <sup>6</sup> in €	93.11	108.32	-14.0
Share price at year high <sup>6</sup> in €	118.53	113.01	
Share price at year low <sup>6</sup> in €	87.53	45.96	

The table shows the value for the continuing operations. Only the net income attributable to the shareholders, the earnings per share and the free cash flow relate to the continuing and discontinued operations.

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 Capital expenditure on property, plant and equipment, and software.

4 Excluding trainees.

5 Subject to the approval of the Annual Shareholders' Meeting on April 29, 2022.

6 All stock market prices are quotations of the Continental share in the Xetra system of Deutsche Börse AG. For better comparison, values prior to September 16, 2021 have been adjusted to account for the effects from the spin-off of Vitesco Technologies. Source: Bloomberg.

Your contact:

Marc Siedler, phone: +49 511 938-1278

### **Continental focuses on sustainable and future-oriented products**

Back in 2020, Continental adopted one of the most comprehensive sustainability roadmaps in the vehicle supplier industry. All electricity procured has been carbon neutral since 2020. By 2040, all of its production processes are to be made carbon neutral. And the technology company aims to be 100% carbon neutral across its entire business by 2050 at the latest. Continental develops sustainable and future-oriented products and generated around €1 billion in sales with emission-free mobility and emission-free industries.

One example of sustainable and future-oriented products is Continental's innovative Conti GreenConcept tire concept. This concept study combines current and future technologies for building sustainable car tires, thereby providing an insight into Continental's diverse sustainability initiatives. More than half of the concept tire is made from renewable or recycled materials such as natural rubber from dandelions, silicate from the ashes of rice husks, and vegetable oils and resins. Furthermore, the materials Continental uses in the tire casing also include polyester from recycled plastic bottles for the first time ever. This year, Continental has already started the progressive introduction of polyester yarn from recycled PET bottles – the ContiRe.Tex technology. Continental aims to switch completely to sustainably produced materials in its tire products by 2050 at the latest.

Continental tires are also proving themselves in the electric vehicle segment. Seven of the world's ten highest-volume manufacturers of electric vehicles trust in Continental technology for their original equipment.

Continental last year demonstrated its expertise in surfaces that are low in emissions and pollutants. It is in this context that ContiTech presented its AMBIENC3 concept car, with interior surfaces made from renewable, recycled or processed materials – underlining the vehicle's sustainability. Its low weight furthermore helps reduce energy consumption and increase the vehicle's range. The focus with the AMBIENC3 was also on innovative technologies and design highlights. At the beginning of 2022, Continental showcased its materials expertise with the presentation of the ContiHome, a tiny house whose interior and exterior has been fitted entirely with surface materials from ContiTech. The project is testament to how innovative surfaces can combine design elements with functional aspects to mutually beneficial effect.

Continental develops pioneering technologies and services for sustainable and connected mobility of people and their goods. Founded in 1871, the technology company offers safe, efficient, intelligent and affordable solutions for vehicles, machines, traffic and transportation. In 2021, Continental generated sales of €33.8 billion and currently employs more than 190,000 people in 58 countries and markets. On October 8, 2021, the company celebrated its 150th anniversary.

### Press contact

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Marc Siedler  
Spokesman, Business & Finance  
Continental  
Phone: +49 511 938-1278  
Cell: +49 151 24506041  
E-mail: [marc.siedler@conti.de](mailto:marc.siedler@conti.de)

Vincent Charles  
Head of Media Relations  
Continental  
Phone: +49 511 938-1364  
Cell: +49 173 3145096  
E-mail: [vincent.charles@conti.de](mailto:vincent.charles@conti.de)

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