

## **Progress Arises from Change.**

Speech by Chairman of the Executive Board  
Nikolai Setzer,  
Continental Aktiengesellschaft, Hanover  
at the  
Annual Shareholders' Meeting for Fiscal 2021  
on April 29, 2022, in Hanover

## **Progress Arises from Change.**

Imagine you had everything you need under one roof.

But you were mobile.

A stylish interior.

With sleek surfaces that are pleasant to the touch.

All made from sustainable materials.

A tiny house!

A ContiTech concept that recently won a major design award.

This demonstrates how:

We are committed to innovation.

We are committed to sustainability.

And how we turn new trends into new opportunities.

But the tiny house symbolizes even more.

It demonstrates that at Continental, we develop innovative solutions under one roof.

That's why we've undergone a fundamental realignment.

We see the transformation as an opportunity and are breaking new ground.

In a new era.



Ladies and gentlemen!

Good morning and welcome.

The issues of our time are more complex than they have been for many years.

The coronavirus is still here.

And already we are facing new challenges.

War is being waged in Europe.

The unthinkable has become a terrible reality, and we are shocked by it.

We feel deeply for those affected, and we are making a humanitarian contribution.

Ladies and gentlemen,

These developments have made the situation even more difficult.

## Agenda

**Where we stand.**

**Where we want to get to.**

**What you can expect.**

So it is especially important today that we clarify  
where we currently stand,  
where we want to get to,  
and what you can expect in the current year.

I will answer all three of these questions in the next 30 minutes.

Where do we currently stand?

2021 was another extraordinary year.

After the already weak previous year, the market environment failed to pick up.

The coronavirus disrupted supply chains – especially for semiconductors.

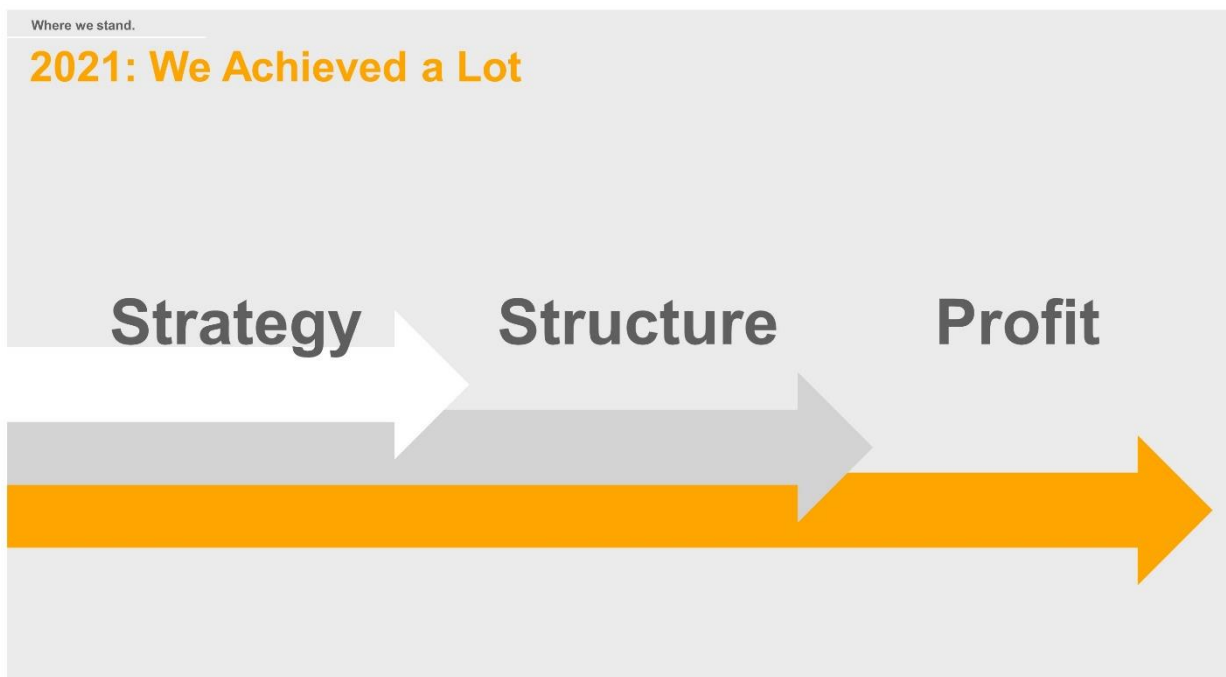
In addition, purchasing and logistics costs increased.

That alone was difficult enough.

But we also had to deal with

- an earthquake in Japan,
- a fire at a chip manufacturer,
- a ship that blocked the Suez Canal,
- and floods in Malaysia.

All of this cost us energy and money.



In spite of everything, however, we achieved a lot!

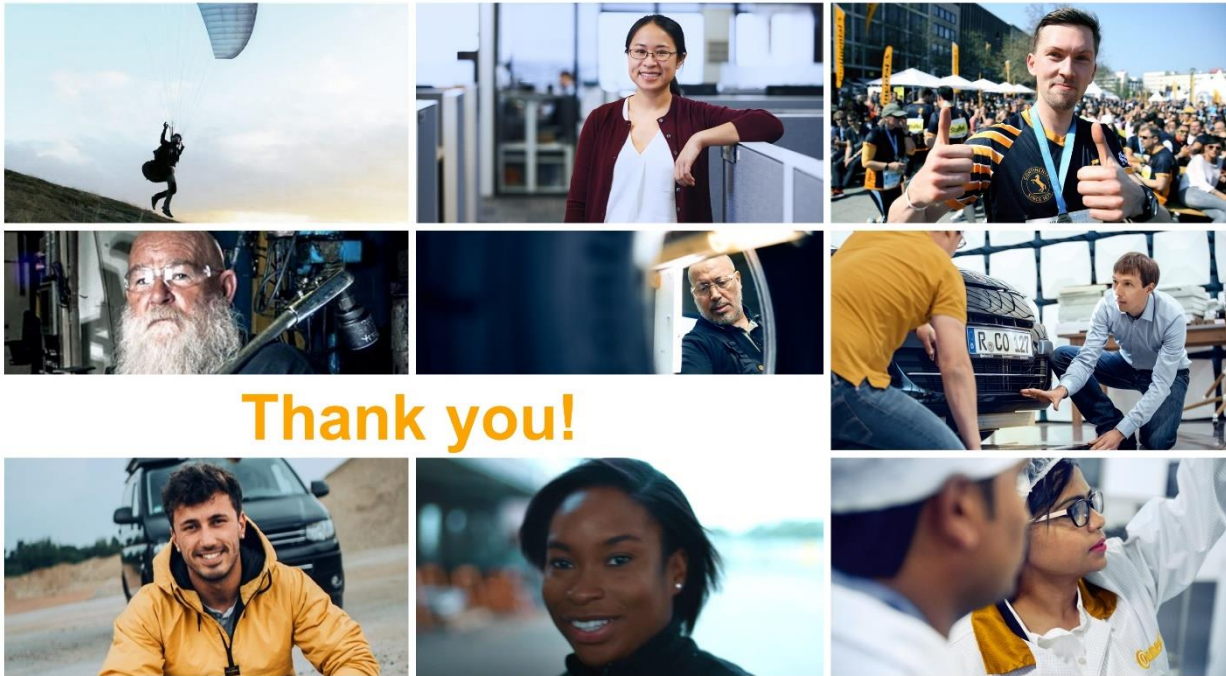
We laid the foundation for the future of your Continental.

With a realigned strategy.

And an adapted structure that is clearly geared to our markets.

We also returned to making a profit.

On behalf of the Executive Board, I would therefore like to say thank you.



Thank you!

Thank you to our more than 190,000 employees, who made outstanding contributions around the world.

I would also like to thank two members of the Executive Board, Helmut Matschi and Frank Jourdan, who left the company at the end of 2021.

Both worked successfully for your Continental for many years.

They demonstrated a deep commitment to the company and its values.

The same applies to Wolfgang Schäfer, who served as Continental's chief financial officer for more than a decade.

His expertise and dedication were appreciated by all.

Many questions remain unanswered in connection with his departure.

That is regrettable, also for us.

But for legal reasons, we cannot currently comment on the matter.

We hope you understand.

What is clear is that  
we fully support the investigation.

Integrity is a key part of our culture.

It is firmly anchored in our day-to-day business and in our Code of Conduct,  
which applies worldwide and to all businesses.



It also applies to our new Executive Board team, which welcomed Katja Dürrfeld almost five months ago.

Katja has been with the company for a long time and is responsible on the Executive Board for finance, controlling and IT.

Katja, I look forward to continuing to work with you in the future!

Ladies and gentlemen,

In the face of change, your Continental performed well.



This is shown by our figures, which for the first time exclude Vitesco Technologies.



Our sales totaled €33.8 billion in 2021, up 6 percent year-on-year.

Organically, they improved by 7.4 percent.

We therefore outperformed the market, with global automotive production growing by only 3 percent to 77 million units.

In this environment, we achieved a good adjusted operating result of €1.9 billion.

Our adjusted profit margin rose to 5.6 percent.

Continental continues to have a solid balance sheet structure.

Our equity ratio is 35.3 percent.

Our liquidity buffer remains high and amounted to €7.1 billion at the end of the year.



At the same time, we underwent a fundamental realignment:



We spun off Vitesco Technologies, our powertrain business, which is now independent.

Your Continental is now divided into three group sectors:

Automotive.

Tires.


And ContiTech.

In addition, Automotive is even more market-oriented.

Where we stand.

## Automotive: Clear Market Focus

### Automotive



- Safe
- Autonomous
- Intelligent
- Sustainable
- Convenient
- Connected

Our customers want to know how we can make driving safe, autonomous, more intelligent and sustainable.

And how we can make it convenient and connected.

We have organized ourselves based on our answers to these questions.

With six areas of focus. Under one “Automotive” roof.

The results of the three new group sectors varied in 2021.

Tires and ContiTech performed well.



For the past fiscal year, we continued to report on them jointly.

Their sales rose year-on-year by 12.6 percent to €17.6 billion.

Their organic growth came to 13.9 percent.

And their adjusted profit margin was 12.4 percent, up from 11.3 percent in the previous year.

Their adjusted operating result totaled €2.2 billion.

Given the market conditions, this was once again a very good performance.

Just think of the increased prices for raw materials.

It was a different story in the Automotive group sector, which was affected by supply shortages – particularly for semiconductors.

This resulted in increased costs in areas such as logistics.

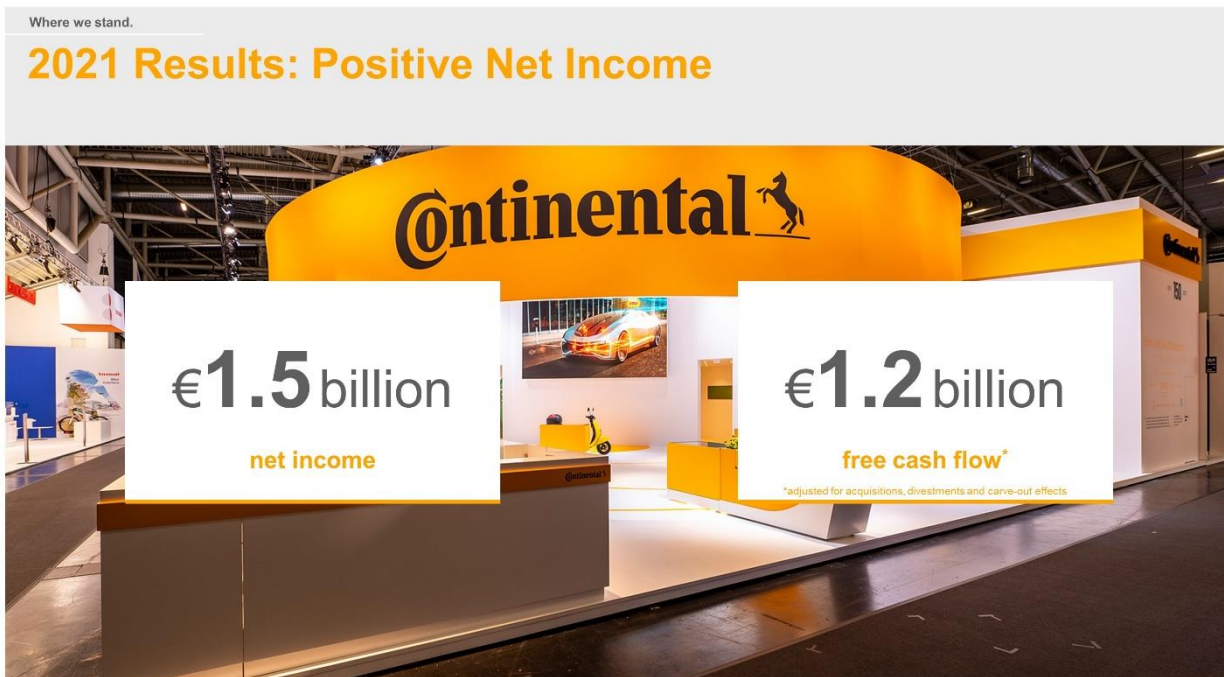


Sales in the group sector amounted to €15.4 billion.

Organically, this represented a slight increase of 1.2 percent compared to the previous year.

Nonetheless, its adjusted EBIT margin – in purely operational terms and adjusted for special effects – was minus 1.3 percent.





This result had consequences for the Continental Group's net income, even though the latter was positive at €1.5 billion.

Free cash flow amounted to €1.2 billion – before acquisitions and disposals and before carve-out effects.



We therefore propose to distribute a dividend of €2.20 per share, which corresponds to a total of €440 million.

This is at the upper end of our announced range of between 15 and 30 percent of net income.

Ladies and gentlemen, we are not satisfied with this result.

We want more.

And we know that we can do better.

That is why we made adjustments in 2021.

By restructuring your Continental and placing three group sectors under one roof.

This makes us unique.

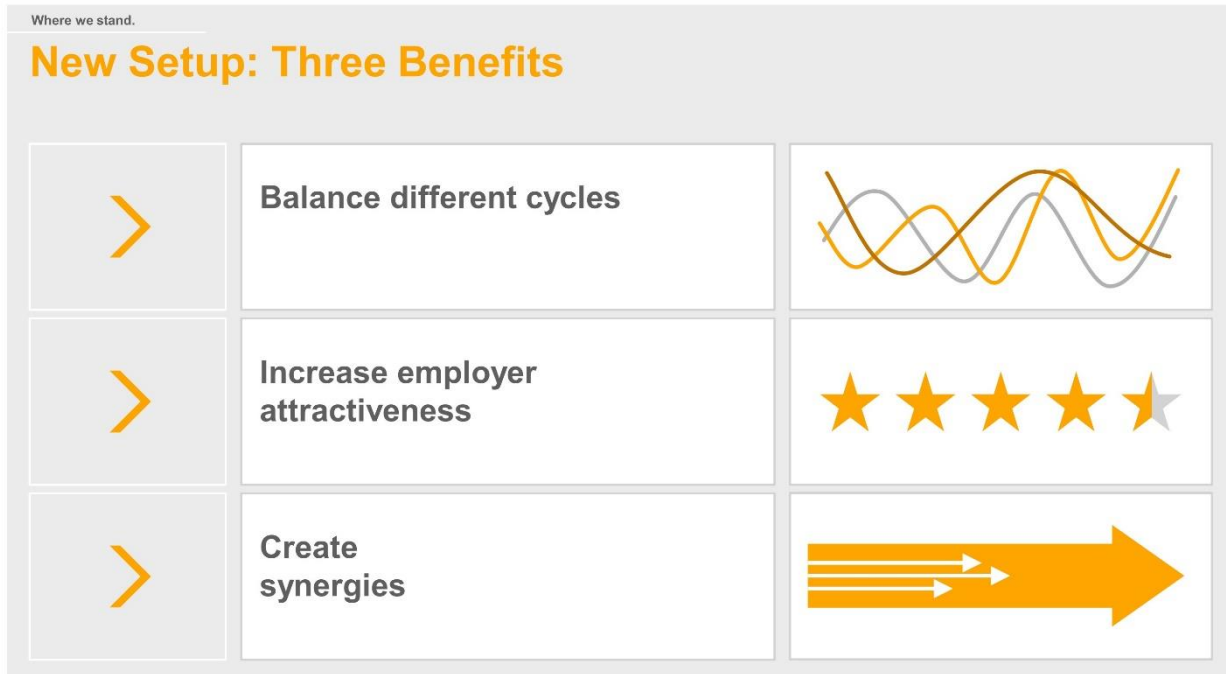


No other company on the market can offer what we do with Automotive, Tires and ContiTech.

These three group sectors cover four important customer markets.

- Automotive original equipment
- Automotive replacement parts
- Fleet operators
- And large industrial and end customers.

This gives us three advantages.



For one, these markets follow different cycles.

Downward and upward trends balance each other out depending on the situation.

Second,

our broad positioning makes us attractive to employees.

Those who join Continental can work on innovative solutions from a range of different perspectives. It may be as a tire expert. It may be from a software perspective. Or it may be through new materials.

Third, we can create synergies.





Fleet customers, for example, can not only buy tires from us, but also digital systems such as ContiConnect 2.0.

These can be used to monitor tire pressure, tread depth and tire condition – all in real time.

In this way, fleet operators can manage their inventories and reduce their fuel consumption.



In agriculture, we supply tires for tractors.

ContiTech produces drive belts and all types of conveyor belts and shock absorbers.

And Automotive provides technology to detect a vehicle's surroundings: cameras, radar and lidar. But also screen displays.

In addition, Automotive is currently developing a modular agricultural robot. And customers get all this from a single source.

Just like in the traditional automotive business, where we supply hardware as well as software.

What's more, we also provide updates after a new car goes into production, thus leveraging our full potential.



Even when we form new partnerships, it benefits the company as a whole.

As part of our collaboration with Amazon Web Services, for example, which began in 2021, we are making the exchange of data even faster.

This helps cars communicate more efficiently with infrastructure or with the cloud.

It helps them with automated driving.

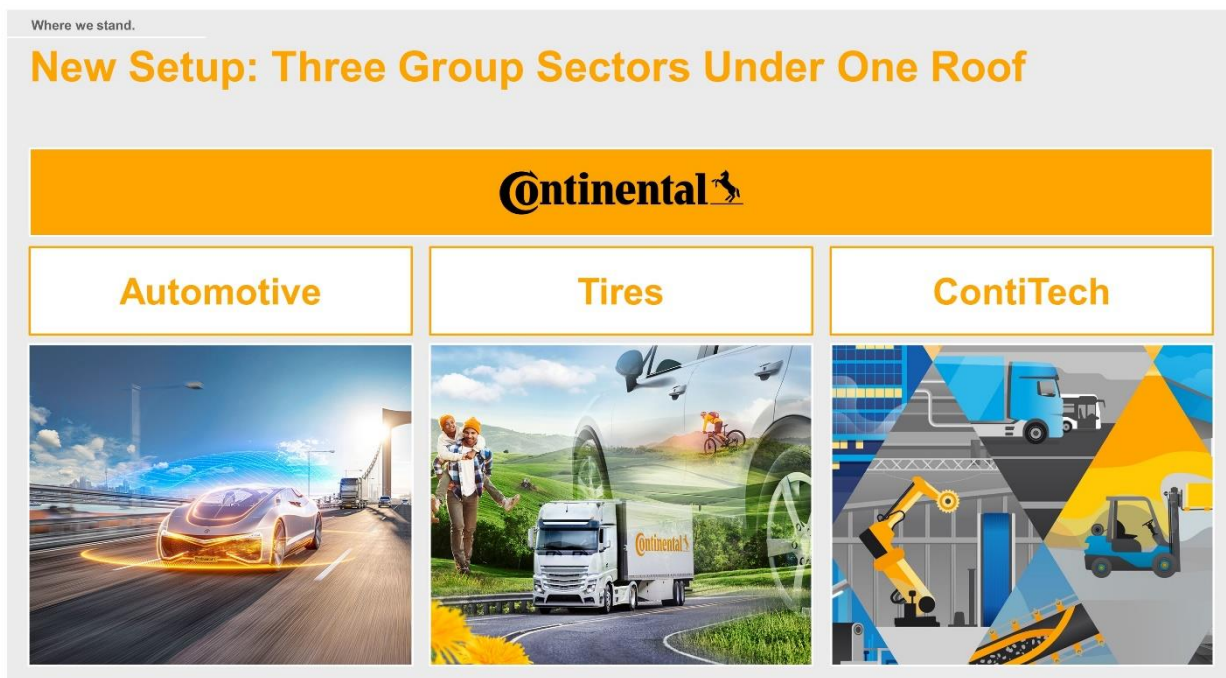
And it makes autonomous driving possible in the first place.

With Horizon Robotics, we are developing artificial intelligence.

And together with Kopernikus Automotive, we are making automated parking possible.

As well as maneuvering in factories.





So you can see, ladies and gentlemen.

Your Continental. Three group sectors under one roof is not only possible, it is also essential.

It gives us a competitive edge and it creates added value.

For everyone.

For our customers.

For our customers' customers.

For the environment.

And for you, ladies and gentlemen. Our shareholders.

## Agenda

Where we stand.

**Where we want to get to.**

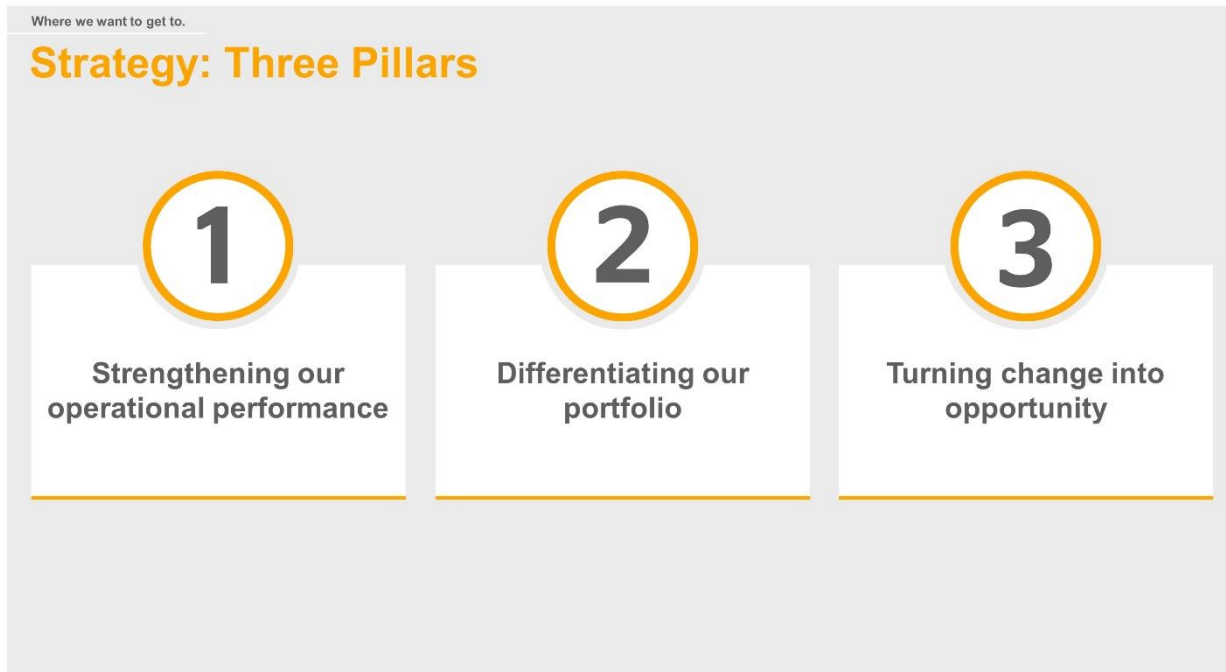
What you can expect.

However, these benefits will not come about by themselves.

We need to properly utilize our strengths.

And this must be part of an ambitious strategy.

We have such a strategy.



Three pillars are crucial in this regard.

Enhancing our performance.

Optimizing our portfolio.

And seizing our opportunities.

What does this mean exactly?



“Enhancing our performance” will remain vital.

To date, we have made more than a third of the 23,000 job changes announced worldwide.

And from 2023, we will save a gross figure of €850 million annually. Exactly as we planned in 2020.

At the same time, we are working on our costs.

We are negotiating on prices with our partners. And finding effective mutual solutions.

We are taking appropriate measures, for example when it comes to semiconductors.

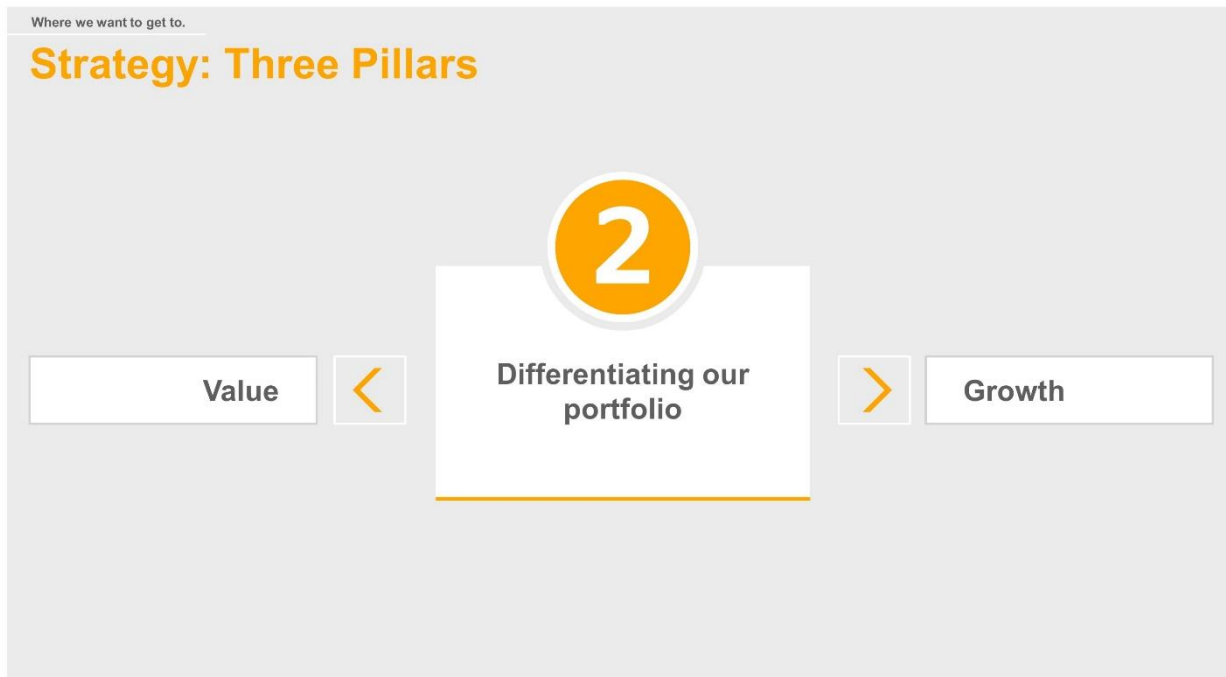
We are installing better early warning systems.

We are planning our needs more thoroughly across the entire value chain.

We are communicating these needs more effectively.

And we are building up buffer stocks in a more targeted manner than before.





In terms of our portfolio, we are drawing a distinction between businesses that are geared toward growth and businesses with stable earnings.

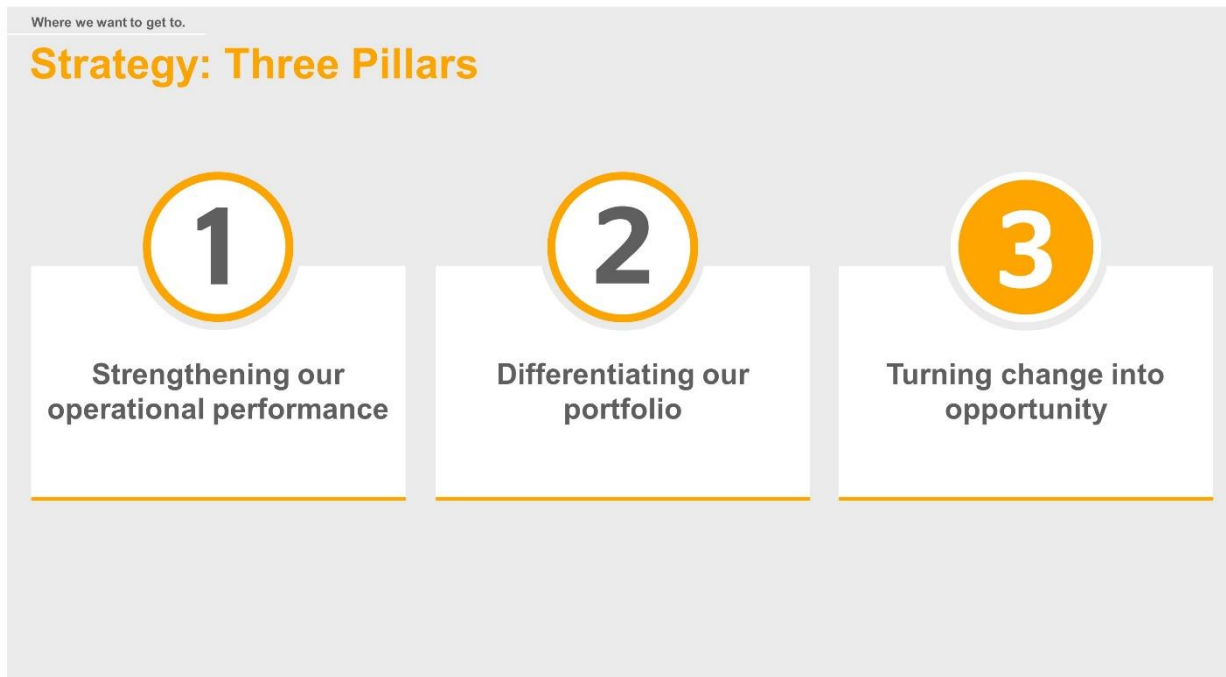
This will determine how they are managed.

Our tire business, for example, is highly profitable.

Here, we are therefore focusing on optimizing processes, investing and improving from day to day.

Meanwhile, in areas such as automated or autonomous driving, our focus is on innovation, development and testing.

Of course, even in the medium term, growth must also be profitable.



Because – and this is the third point of our strategy – that is the only way we can turn new trends into new opportunities.

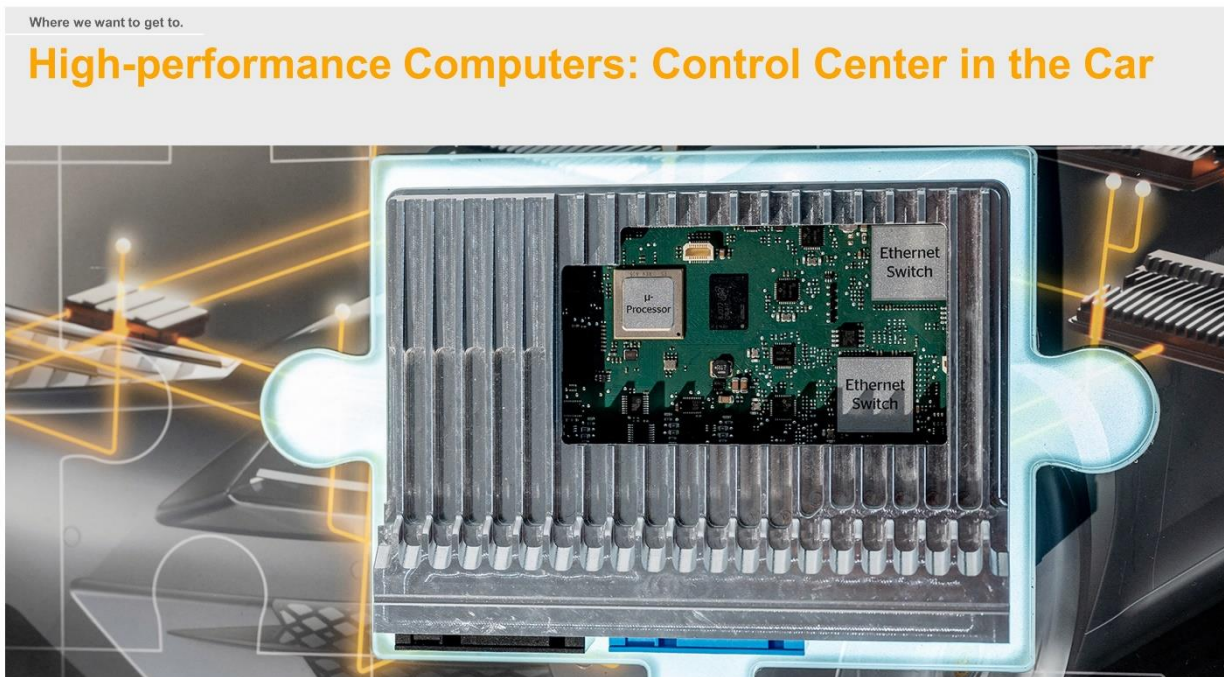
In the past, mobility was about motorized horsepower.

Today, it is about sustainability, safety, connectivity and convenience.

We are actively shaping this transformation.

Day by day.

It starts in our research and development centers and on our test tracks.



We are already at the forefront in some areas, for example when it comes to our high-performance computers, or HPCs. These are used worldwide. In 2021 and 2022 alone, they were fitted in over 20 models. And from 2023, they will also be installed in e-vehicles from China.

As a control center, these computers are in charge of complex processes. From electronics in the interior to assistance systems and data management in the car.

We were the first to produce them on a mass scale.

And we continue to set the pace. The x-domain HPC controls several systems at once.

Even if they have very different requirements.

We are currently developing the first computer of this kind, mainly in China.



We are also making headway in safe, connected and autonomous driving.

In 2021, we produced more than 28 million cameras and radar and lidar sensors.  
And since 1996, we have connected 50 million vehicles worldwide.

With other vehicles.

With the internet.

Or with infrastructure.

Here, too, we are among the leading suppliers.



42,000 of our engineers are working on the mobility of tomorrow.

Worldwide.

Day by day.

In 2021 alone, we invested of around €110 million additionally in their projects.  
Exclusively for assisted and automated driving.

On research as a whole, we spent €2.6 billion.





The result: world firsts such as our ShyTech display.

This is concealed behind a wood or leather surface and appears only when needed.

It makes the interior less cluttered and helps drivers to concentrate, thereby improving safety.



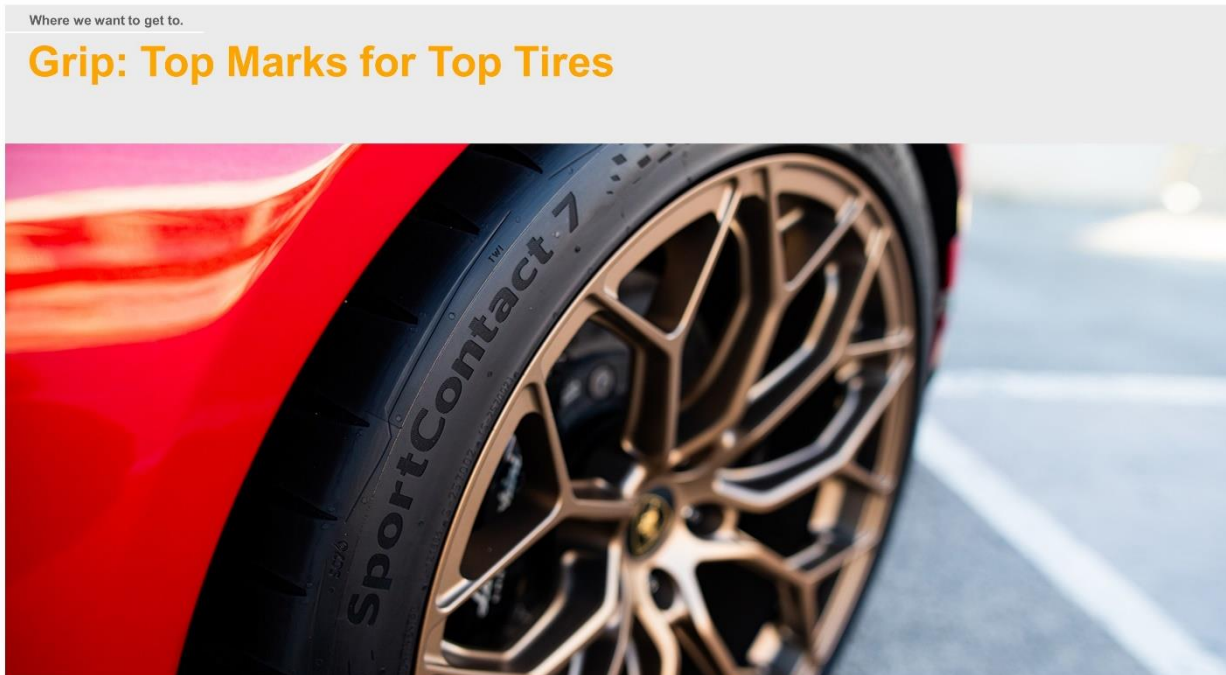
There is also our new Driving Planner, which allows drivers to quite literally see into the future.

The system recognizes potential hazards several seconds in advance.

It knows beforehand what might happen and reacts at lightning speed, for example by sending a command to the brake system.

Our MK C2, for instance, is then able to build up brake pressure in just 150 milliseconds.





In combination with our premium SportContact 7 tire, this results in the shortest possible braking distance and maximum safety.

For this, we repeatedly receive top ratings in independent tire tests.

It is also why nearly one in three new cars is equipped with our tires.

Ladies and gentlemen, our technologies not only make mobility more convenient and safer.

They not only make it more connected and autonomous.

They also make it more sustainable.

For example, thanks to the Conti GreenConcept.

A tire that we make using more than 50 percent renewable and recycled materials.

These include – in an industry first – polyester from PET bottles.

And carbon black from scrap tires.

Because we are convinced that a circular economy is the future.

Where we want to get to.

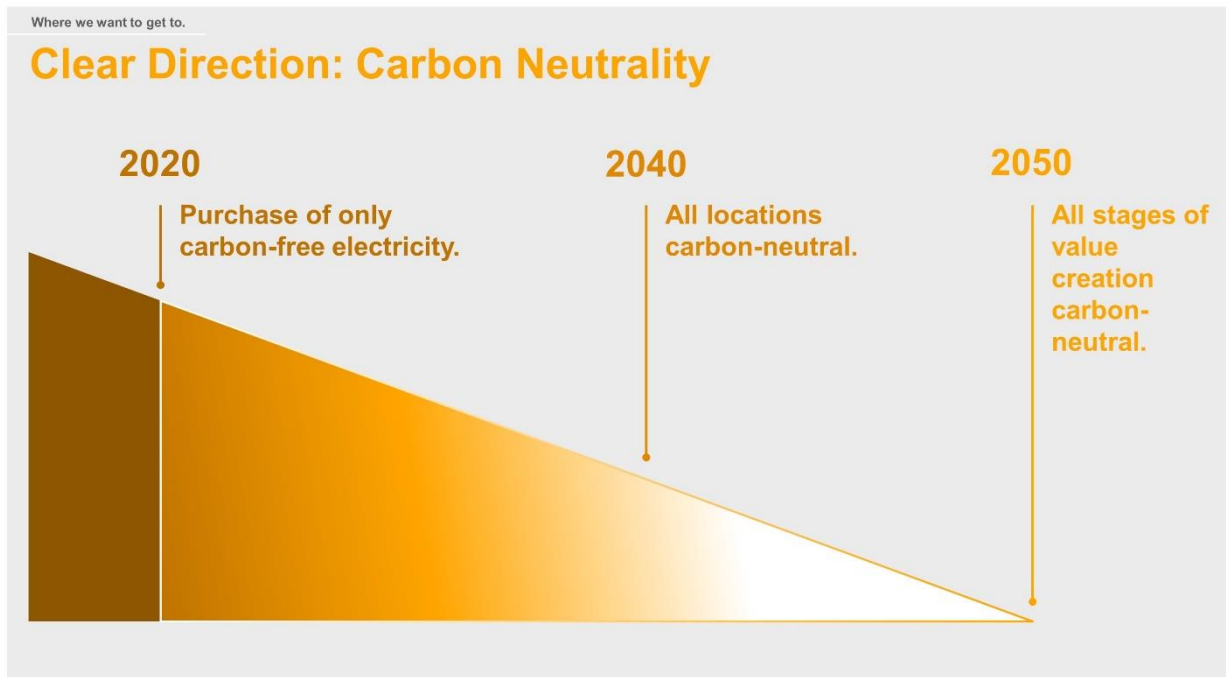
## Sustainable: Natural Rubber from Dandelions



At the same time, we are working hard to obtain natural rubber from dandelions on an industrial scale.

Because sustainability is a key priority for us:

That is why we are striving to create a carbon-free value chain together with our customers.

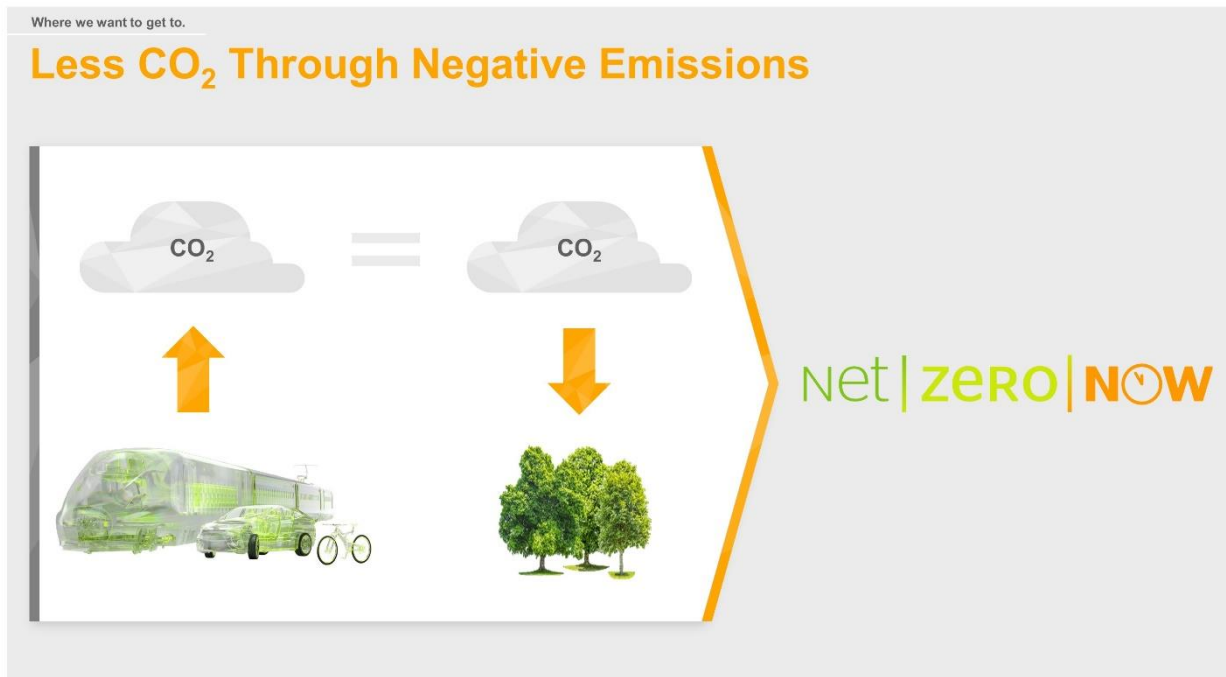


Since 2020, we have only purchased carbon-free electricity worldwide, which has already reduced our own emissions by around 70 percent.

And by 2040, we will be completely carbon-neutral at all locations, when it comes to electricity and beyond.

By 2050 at the latest, all stages of the value chain will then be completely carbon-neutral.

These are our overriding goals for climate change mitigation that we are pursuing with our customers.



And as their emissions continue to fall, we also now offer to offset the CO<sub>2</sub> for everything we supply, through our Net|Zero|Now program.

This means our customers can buy carbon-neutral products from us. Thanks to “negative emissions”.

In other words, we remove CO<sub>2</sub> from the atmosphere by restoring ecosystems and supporting reforestation with our partners as part of certified projects.

Where we want to get to.

## New Energy: Advancement of Hydrogen



We are also systematically making our industrial business sustainable.  
I have already mentioned the new materials offered by ContiTech.

In addition, we are currently working with a partner in China on the advancement of hydrogen filling stations, by producing a completely new type of hose.

This is also what we mean by “creating value”: shaping a future worth living, together.

Ladies and gentlemen, the transformation is in full swing.  
And we will emerge from this transformation as winners.



Where we want to get to.

## Transformation: More Training for Employees



**Germany:**  
8,500 participants at end of 2022.

**International:**  
50,000 employees  
per month in 130,000 courses.

**Software academy:**  
23,000 employees  
undergoing further training.

That is why we are training our employees for new roles.

By the end of the year, more than 8,500 participants in Germany alone.

We are also getting started in other countries.

We offer even more. On a digital learning platform, more than 50,000 employees already attend over 130,000 courses per month. Worldwide.


And in our software academy, around 23,000 people are currently undergoing further training.

We now already employ 19,000 software and IT specialists.

We are also taking responsibility outside our own company to ensure that the transformation is successful.

Where we want to get to.

## Transformation: Creating New Opportunities Together



ALLIANZ DER CHANCEN  
Initiative für eine neue Arbeitswelt

Alliance of **policymakers, businesses and labor market.**

Over **40 member companies.**

More than **2.2 million employees** in Germany.

As part of the “Alliance of Chances.”

This represents more than 40 companies and over two million employees.

It is also supported by labor unions, employer associations and key labor market stakeholders.

Together, we are working to provide more personalized training.

And to ensure a smooth transition from work to work.



## Agenda

Where we stand.

Where we want to get to.

**What you can expect.**

Ladies and gentlemen,

The geopolitical situation is tense.

The COVID-19 pandemic continues to take its toll.

This is having long-term effects on production, on supply chains and on demand.

There is also the issue of inflation.

We have therefore adjusted our expectations for fiscal 2022.

We expect lower growth in the production of cars and light commercial vehicles of only 4 to 6 percent compared to 2021.

Procurement costs are also increasing, particularly for oil-based raw materials. They are also rising in energy and logistics, especially for Tires and ContiTech. Overall, we expect costs to increase by around €3.5 billion.

What you can expect.

## Outlook: Our Targets for 2022

<b>Consolidated sales</b>	<b>~ €38.3 to €40.1 billion</b>
Adjusted EBIT margin	~ 4.7 to 5.7%
<b>Automotive</b>	
Sales	~ €17.8 to €18.8 billion
Adjusted EBIT margin	-0.5 to +1%
<b>Tires</b>	
Sales	~ €13.8 to €14.2 billion
Adjusted EBIT margin	~ 12.0 to 13.0%
<b>ContiTech</b>	
Sales	~ €6.3 to €6.5 billion
Adjusted EBIT margin	~ 6.0 to 7.0%
<b>Capital expenditure</b>	<b>~ 6% of sales</b>
Free cash flow (before acquisitions and divestments)	~ €0.6 to €1.0 billion



For 2022, we therefore expect consolidated sales of around €38.3 billion to €40.1 billion and an adjusted EBIT margin of around 4.7 to 5.7 percent.

For the Automotive group sector, we expect sales of around €17.8 billion to €18.8 billion and an adjusted EBIT margin of minus 0.5 to plus 1 percent.

In Tires, we anticipate sales of around €13.8 billion to €14.2 billion and an adjusted EBIT margin of around 12 to 13 percent.

For ContiTech, we expect sales of around €6.3 billion to €6.5 billion and an adjusted EBIT margin of around 6 to 7 percent.

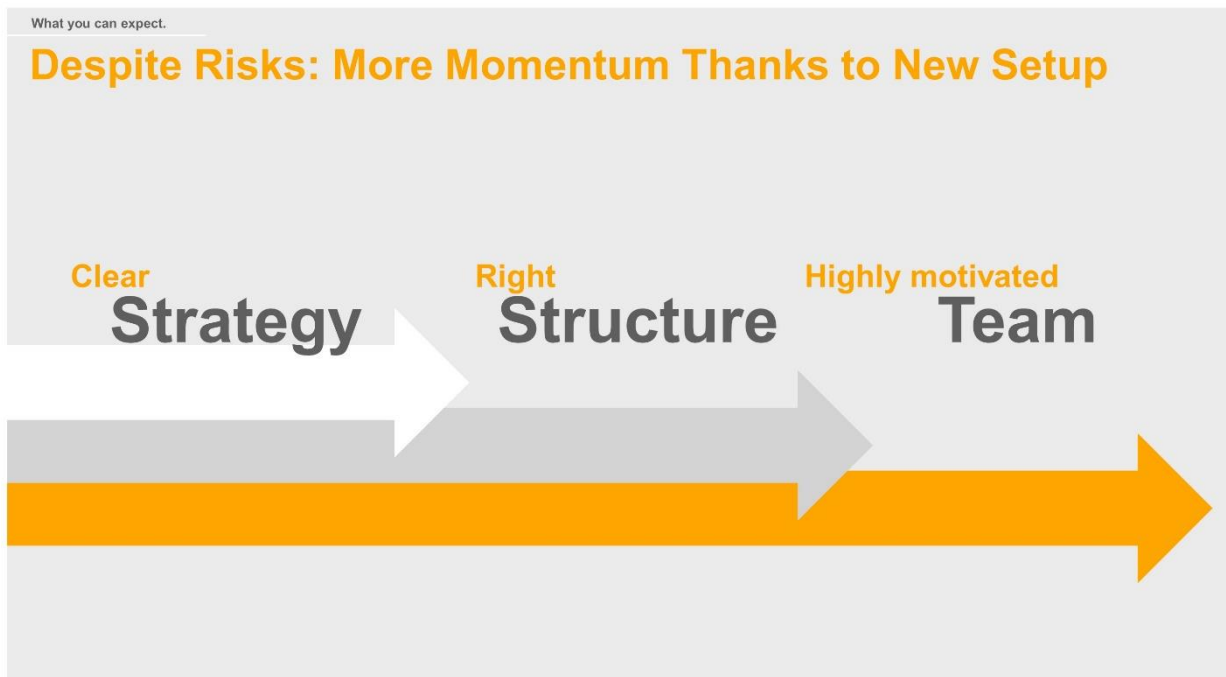
Capital expenditure before financial investments is forecast to be around 6 percent of sales.

Free cash flow before acquisitions and divestments is expected to be around €0.6 billion to €1 billion.

There may be further disruptions if the geopolitical situation remains tense and the COVID-19 pandemic continues.

Depending on the extent, our sales and earnings may be lower than in 2021.

That applies to all group sectors.



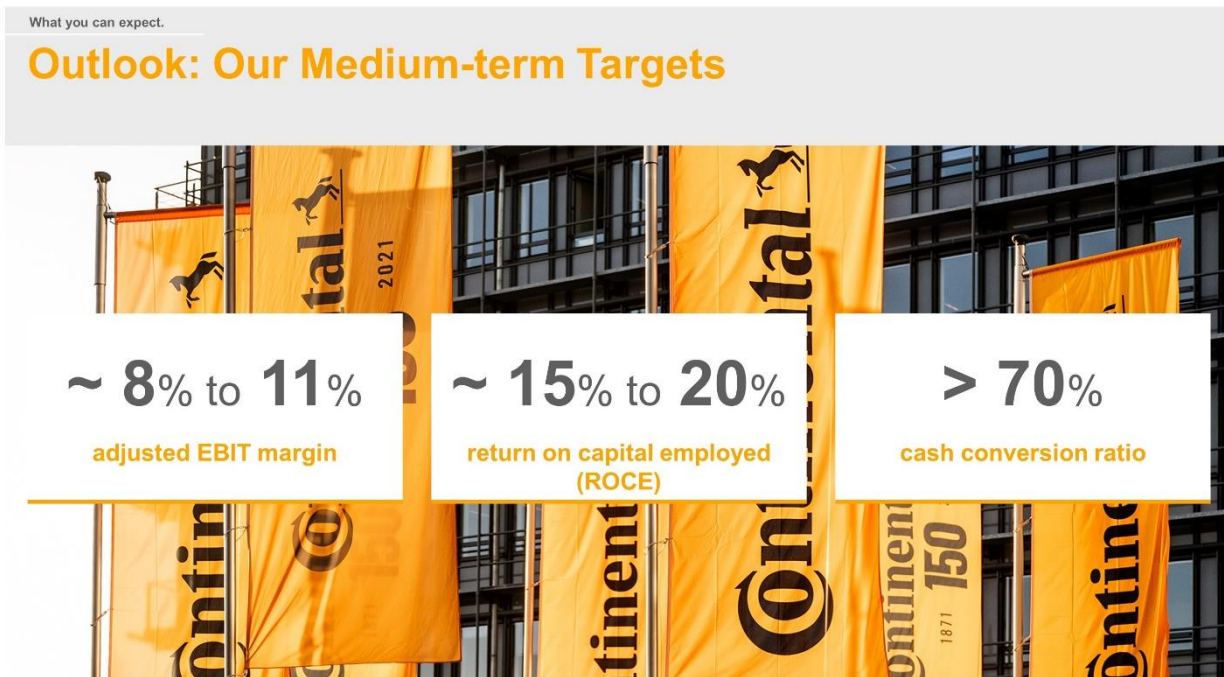
But despite these risks, we are confident that your Continental is on sure ground.

We have a clear strategy.

We have the right structure.

We have a highly motivated team.

And together we are gaining momentum.



We are sticking to our medium-term targets and expect automotive production to grow.

Assuming more than 90 million units are produced globally, we anticipate: an adjusted EBIT margin of around 8 to 11 percent, a return on capital employed around 15 to 20 percent and a cash conversion ratio of more than 70 percent.

Ladies and gentlemen,

We are responding to the issues of our time.

With innovative technologies and solutions.

With the new horsepower of mobility.

And with our unique positioning geared toward profitable growth.

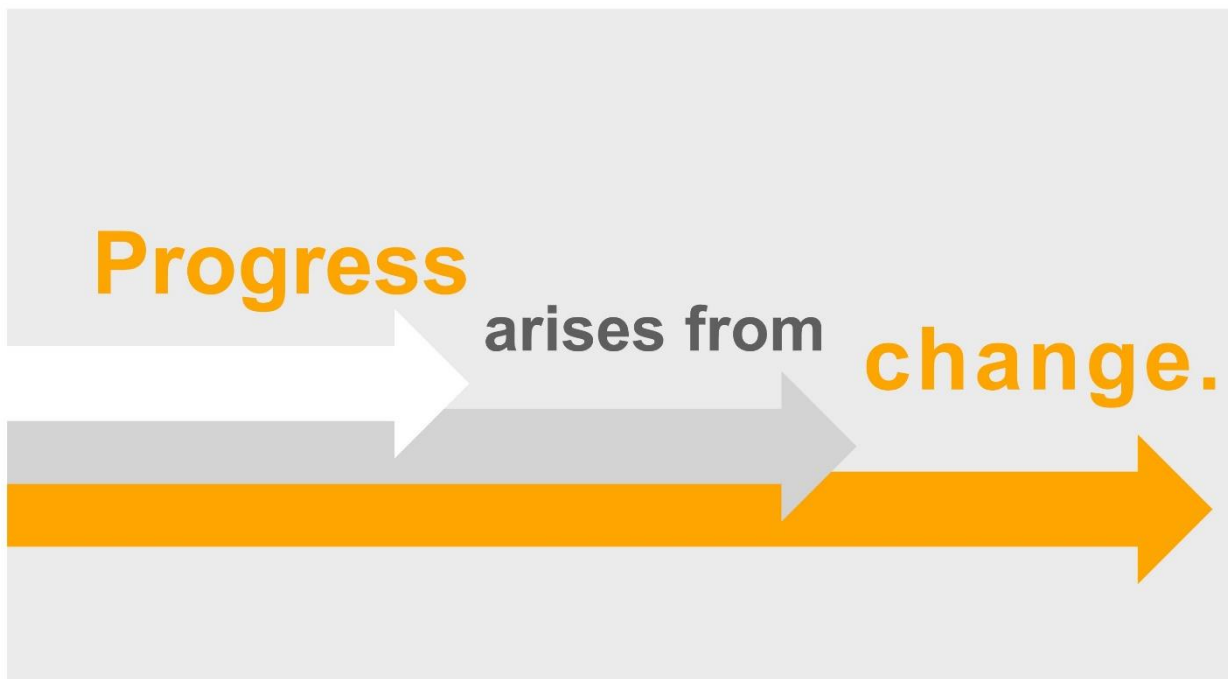
Under one roof.

In the last two years, we have experienced turbulence of historical proportions, which we have weathered well.

Now we are once again at the beginning of a new era, the consequences of which are impossible to predict.

What we can count on are our employees.

For 150 years, we have proven that we can do change.



And progress arises from change.

We know how to create sustainable value.

That is something that we can rely on.

And that you can rely on, too.

Thank you!