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Creating Value. For a Better Tomorrow.

Speech by Chairman of the Executive Board
Nikolai Setzer,
Continental Aktiengesellschaft, Hanover
at the
Annual Shareholders' Meeting for Fiscal 2022
on April 27, 2023, in Hanover

Check against delivery!

Ladies and gentlemen,

Welcome to the Annual Shareholders' Meeting of Continental AG.

Mobility is complex – and it's becoming more and more complex with each passing day.

In Berlin and London.

In New York and Beijing.

Around 200,000 employees at Continental are developing solutions to cope with such complexity – with passion and enthusiasm.

They include software engineers
as well as experts in hardware.

Our technological expertise ranges from the road to the cloud.
That's what makes Continental so unique.

We have a balanced portfolio
for complementary markets and cycles.
No other supplier can offer what we do.

We are shaping the future with our products and solutions.
And we're doing so today during challenging times.
During a pandemic. During crises. During war.

We can't ignore what's going on around us.
On the contrary, we need to take action.

The war in Ukraine is causing immense human suffering.

I'd therefore like to thank the countless employees who are doing their part to help the victims, through their contributions and tremendous personal commitment.

I'm deeply moved by this.

As are we all.

At the same time, we're also feeling the effects of this new situation, including rising prices of goods, raw materials and energy.

In addition to long-standing issues such as

- the transformation of traditional industries, especially the automotive sector,
- inflation,
- and the climate crisis, which remains a major undertaking.

All of that means change – including in the world of work.

Traditional jobs are disappearing, and new professions are emerging.

We need to take an active role in shaping this change.

And we are doing so successfully.

This success is based on three factors:

- First, on the progress made last year.
- Second, on our strategic setup.
- And third, on our technological expertise and power of innovation.

I will be talking about all three factors today – including a world first.

But before I do, I would like to say that today's Annual Shareholders' Meeting has particular importance for me personally and for Continental. Because in a few days there will be key changes to our Executive Board.

First – as you know – Olaf Schick will take up his new role on May 1. He will be responsible for the newly created Executive Board function for Integrity and Law.

Welcome to Continental, Olaf!

This new function is an important step in a series of measures we are taking.

As you are probably aware, some of ContiTech's industrial hoses were not up to standard.

And some air conditioning lines for cars did not meet our customers' expectations.

Investigations into past cases concerning the diesel issue also remain ongoing. With our full support.

Because integrity is not something we can pick and choose.

It's an obligation. Every day and everywhere.

We know that integrity is key to fostering innovation.

And creating trust.

We supply our customers with what we've promised them – with what we've agreed with one another.

Anything else is unacceptable.

Because it leaves our customers disappointed.

And because it undermines our employees' hard work.

That's why we're setting the tone from the top.

We've realigned Compliance and our Law department.

We're continuing to promote a culture in which mistakes are handled constructively.

A culture of openness
and transparency.

And that's why beginning May 1 we're consolidating responsibility under Olaf Schick.

In another change effective from this date,
the Automotive group sector will be strengthened with its own Executive Board member.

This important role will be taken over by a colleague who has been with Continental for many years. He is a proven expert in all key areas of the automotive industry and has vast international experience.

Welcome, Philipp von Hirschheydt!

With your help, I'm sure we will be able to unleash the full technological and market potential of Automotive in the future.

Last but not least, as Professor Reitzle already mentioned,
at its meeting prior to today's Annual Shareholders' Meeting, the Supervisory Board extended my contract as CEO and chairman of the Executive Board of Continental AG by a further five years.

Their trust means a lot to me,
and I'm extremely grateful.

I would also like to thank my colleagues on the Executive Board and Automotive Board for their constructive cooperation.

Most of all, I'm grateful to continue to be part of our outstanding Continental team.

We are experiencing difficult times with many challenges as well as opportunities.

Times like these are best tackled together.

Last year in particular, we made important progress in this regard. In spite of the considerable headwinds facing us.

In the first half of 2022, there were once again major disruptions to global supply chains.

Not least because China had to close its major ports due to the COVID pandemic.

Off the shores of Shanghai alone, more than 300 container ships were left waiting for several months.

Freight charges skyrocketed as a result.

There were also continued shortages, such as for semiconductors.

Alongside this, the war in Ukraine drove up prices.

For energy.

And the prices of goods and raw materials also rose.

All of these factors were met with a weakened global economy.

Interest rates rose as a result,
making money more expensive.

In the face of such challenges, we sharpen our focus and find solutions.

That's what we do.

Not only in this area, but for other pressing issues as well.

Take the supply shortages, for example.

For raw materials and semi-finished products, especially for semiconductors.

Here we made improvements to our procurement and logistics chain in 2022.

We're now also sourcing other raw materials from alternative suppliers.

Moreover, we're taking a more detailed and long-term view in our planning.

Call-ups and availabilities are now transparent over the long term, in some cases until the end of 2025.

All of that makes us much more resilient.

In terms of costs,

we're honing our focus

in order to continually improve our profitability.

For example, with our Transformation 2019–2029 structural program,

with which we want to save more than 850 million euros annually from next year.

Furthermore, in Automotive, one of our key focus areas is
research and development.

We want to become even more efficient here as well.

So we can do more with the means at our disposal.

Across all areas of Automotive.

Another focal point in 2022 was cybersecurity.

As I'm sure you all know,

last year we fell victim to a hacker attack.

While the attackers were able to penetrate our systems

and steal data,

we were quickly able to avert the attack and maintain the integrity of our

systems.

Thanks, not least, to the measures we'd already implemented.

The attack also gave us some valuable new insights

that we are now incorporating into our training programs and our defense mechanisms.

These, in turn, will make us even more resilient.

At the same time, we also had to tackle the issue of inflation in 2022.

And we did just that.

In constructive talks with our customers we were able to negotiate new prices.

That's encouraging. But we are not stopping there.

We'll continue to keep our eye on this issue in the months ahead,

because inflation isn't going anywhere for the time being. So we'll keep

negotiating as well.

Neither is the topic of Russia.

Here we've made a clear decision
to carry out a controlled withdrawal from the Russian market.
We want to sell the business
and are already at an advanced stage in this process.

Ladies and gentlemen, what do these measures show?

They show that
Continental is now even more resilient than it was before.

- Thanks to successful price adjustments and agreements.
- Thanks to increased cost discipline.
- Thanks to optimized supply chains.
- Thanks to greater cybersecurity.
- And thanks to a new Executive Board function for Integrity and Law.

This all demonstrates that we can do dynamic change.
We can manage crises successfully.
And we are more resilient.

Our 2022 results confirm this –
as evidenced by the key figures:

- Our sales were 39.4 billion euros –
- an increase of 17 percent.
- By comparison, global automotive production grew by around 7 percent.
- We achieved an adjusted operating result of 2 billion euros,
- which is equivalent to 5 percent of sales.
- And that was despite additional costs of around 3.3 billion euros.

Our adjusted free cash flow was well below our revised forecast, at around 200 million euros.

This was due to

lower-than-expected cash receipts at the end of the reporting period.

As well as to earnings in ContiTech, which were also lower than anticipated.

ContiTech and Tires were likewise impacted by massive cost increases.

These amounted to 2.3 billion euros in these group sectors alone.

You can see the results for our group sectors here:

ContiTech increased sales by 11.5 percent to 6.6 billion euros and recorded an adjusted EBIT margin of 4.7 percent.

In Tires, sales were up despite the challenging environment, by 18.6 percent to 14 billion euros,

and the adjusted EBIT margin was 13.1 percent.

This was a good result given the adverse market conditions.

Also pleasing was the fact that

Automotive returned to the black in the third and fourth quarters.

The group sector significantly outperformed the market and achieved its sales targets with growth of 19.3 percent to 18.3 billion euros.

The adjusted EBIT margin was only slightly negative at minus 0.2 percent, after minus 1.4 percent in the previous year.

This shows we are on the right path here as well.

We also increased our product share in vehicles and significantly improved Automotive's competitive position. Order intake painted a similar picture, increasing by 26 percent year-on-year.

All in all, the bottom line for Continental was a positive net income of 67 million euros.

Against this backdrop, we took two additional aspects into account when determining the dividend.

First, the negative and predominantly non-cash special effects on net income. And second, the downward share price trend in 2022.

The Executive Board and Supervisory Board are therefore proposing a dividend of 1.50 euros per share to you today.

This amounts to a distribution of around 300 million euros.

With this we want to underline that even though we faced tremendous headwinds, we took major strides forward.

Around 200,000 employees worldwide gave their best to make this happen.

They are proud to work for Continental.

Regular surveys prove that.

And so despite the challenging market conditions, we achieved our adjusted targets.

Together.

With drive.

With ingenuity.

And with a lot of hard work.

For this our team deserves our recognition,
gratitude and respect.

All the more so because 2022 was the first full fiscal year where Continental was active on the market in its new reinforced setup – with the three group sectors Automotive, Tires and ContiTech.

It's clear that structural changes were, are and will remain the second decisive factor for our success.

With that in mind, beginning in May we will also be realigning the organizational structure of the ContiTech group sector.

With a view to enhancing our impact and efficiency and improving proximity to our customers and their markets.

To this end, ContiTech will be stepping up its focus on expanding its industrial business.

Together with social partners, this will help us create new opportunities – also for employees in these times of change.

Since we know we are perfectly positioned to offer a strong technology portfolio.

No one else offers such a wide range of hardware and software – of future technologies from a single source.

Take high-performance computers.

They are the central nervous system of future mobility, and we are combining them with our hardware expertise.

This will improve our chances in competition.

At the same time, being focused doesn't mean that we do everything ourselves.

We analyze precisely

what it is we do best

and what others may do better than us.

Because that's one of our areas of expertise as well:

through smart partnerships, we bring innovations to market with greater speed and efficiency.

For example with the US company Ambarella –

a semiconductor specialist for artificial intelligence.

The idea behind this collaboration is

to develop integrated, AI-based systems for assisted and automated driving

combined with our cameras and radar, LiDAR and ultrasonic sensors.

In 2022 alone, we equipped vehicles worldwide with more than 35 million sensors “made by Continental,” which we are now able to combine with Ambarella's energy-efficient chip system.

Global production of these joint solutions is planned for as early as 2026.

With the US company Aurora, we are now taking another decisive step toward autonomous mobility. Together, we will bring autonomous trucking systems to the American market
– as early as 2027.

Outside of test projects, ladies and gentlemen,

this will be the first autonomous trucking system in the world to go into production.

Self-driving trucks will be able to transport freight in a third of the time.

With less fuel

and therefore lower CO₂ emissions.

As system experts, we are responsible for technical aspects of the autonomous trucking system. To this end, we will contribute our broad portfolio of sensor systems, connectivity modules and high-performance computers.

We will also ensure the safety of autonomous driving.

And all of this means a brand-new business model for Continental, where we will no longer just be paid for the components we provide, like in the traditional supplier business, but also for each kilometer driven by the autonomous trucks.

As you can see, through our ability to industrialize, we can achieve greater safety, greater comfort and convenience, and greater connectivity.

Because:

We can do future
and we can do progress.

That's why innovative technologies are our third success factor.

They make mobility more intelligent.

And they protect vulnerable road users.

Our "digital guardian angel," for example,
provides alerts about potential accidents between connected cars and cyclists.
Or with pedestrians. In real time.

Meanwhile, our head-up displays ensure safety –
in cars and, since the end of 2022, also in European urban rail transport.
This makes us pioneers.

After all, there were no head-up displays in rail transport before.

Another brand-new product is our Curved Ultrawide Display,
which we introduced as a world first at the beginning of January.

The display is multi-functional, acting as a display for the driver, the central area
of the cabin and the passenger all in one.

Solutions such as these have us earned industry accolades
such as the renowned CES Innovation Award.

Most of all, however, they have earned us popularity among our customers –
to the tune of 7 billion euros in total.

That's the value of the orders we've already received for our display solutions
with a production launch after 2022.

And, what's more,

we're also leading the field in sustainability.

Carbon-neutral mobility will not be possible without committed and dedicated suppliers.

We supply the technologies that are needed. And are continually reducing the environmental footprint of our innovations.

While at the same time improving usage and quality.

One example is our "semi-dry brake."

As you know, at least every two years you have to change your brake fluid in your car.

That costs money and isn't especially sustainable.

Because with soon more than 1.5 billion cars worldwide, that means around 3 billion liters of brake fluid which every two years must be disposed of as hazardous waste.

The solution: electro-mechanical brakes.

Because they don't need any brake fluid.

We're not quite there yet.

But our "semi-dry" brake offers an important bridging technology.

In this system, the front brakes operate like they've always done – hydraulically. But the brakes on the rear wheels are dry, meaning they don't need any brake fluid.

With this invention, we have our finger firmly on the pulse of the times, as a major order has confirmed. For over 2 billion euros.

We're making things happen in ContiTech as well:

One of the things we're doing here is manufacturing surfaces for use in vehicles.

But also for furniture.

Usually these materials are plastic-based.

Now, however, our researchers have discovered a new raw material.

Or more specifically, a recycling product.

It's a material that's readily available in large quantities –
coffee grounds!

Every year, up to a million tons are disposed of as organic waste.

And many people probably think that, because it's biodegradable, it's not a
problem anymore.

But the reality is quite different.

Because biodegradation also releases methane and CO₂.

We absorb these greenhouse gases,

with our material experts in ContiTech able to process these coffee grounds into
upholstery fabric.

It's made from over 65 percent coffee grounds and other recycled materials.

And it still looks as stylish as ever.

That's what sustainability in action is all about.

We're doing the same thing in our Tires group sector.

Our ContiUrban concept tire, for example,

on electric buses and delivery vehicles,

is made from around 50 percent renewable and recycled materials, all of which
can soon go into production.

This will enable us to make passenger and freight transport more sustainable.

Then there are our tires made from polyester yarn.
We manufacture them from recycled PET bottles.
Depending on the size, one tire uses up between nine and 15 bottles.
We're already using this new technology in volume production –
as the first and only tire manufacturer – because sustainability is vital for us.

We are also being recognized for our efforts.
Just a few weeks ago, we not only received the coveted "Tire of the Year" award
for our new "PremiumContact 7" summer tire,

but also the award for environmental achievement of the year
for greater transparency in the supply chain for natural rubber.
Both awards were given to us by Tire Technology International, an international
trade magazine for the tire business.

All of this requires more and newer skills.
It's with that in mind that back in 2019 we established our own further training
institute,
the Continental Institute for Technology and Transformation, or CITT.

More than 8,500 participants had already been trained there by the end of 2022.
In Germany alone.
Other countries are also due to be incorporated.

In addition, our Software Academy offers employees the opportunity to receive
further training in this important field for the future.

This turns transformation into progress for each and
everyone.

Since 2019, for example, more than 300 semi- and unskilled employees have completed a professional qualification at Continental.

The oldest among them was 62 years old.

Ladies and gentlemen,

With the utmost respect for the tasks ahead of us,
we are looking to the future with confidence.

This is due, among other factors, to the business environment:

We continue to anticipate higher expenses in 2023,
in the region of around 1.7 billion euros,
on the back of rising costs for materials, wages and salaries, and energy and logistics.

At the same time, we expect
a continued recovery in the global production of passenger cars and light commercial vehicles by 2 to 4 percent.

In our core markets of Europe and North America in particular, manufacturers are producing more cars again.

This does not yet equate to a tailwind,
but it at least means less headwind.

Based on this, we expect consolidated sales of around 42 to 45 billion euros,
with an adjusted EBIT margin of around 5.5 to 6.5 percent.

For the Automotive group sector: sales of around 20.5 to 21.5 billion euros and
an adjusted EBIT margin of around 2 to 3 percent.

For Tires: sales of around 14.5 to 15.5 billion euros and an adjusted EBIT margin of around 12 to 13 percent.

For ContiTech: sales of around 6.8 to 7.2 billion euros and an adjusted EBIT margin of around 6 to 7 percent.

As you can see,
we expect our results to improve in spite of all the challenges facing us.

For the Continental Group as a whole, we are therefore sticking to our mid-term targets:

- an adjusted EBIT margin of around 8 to 11 percent and
- a return on capital employed of about 15 to 20 percent.

This is based on

- Our improved results in Automotive.
- Technologies that are future-oriented and geared to market needs.
- And the outstanding commitment of the entire Continental team.

From the road to the cloud,
we offer solutions for a connected, safe and sustainable future.

A future where environmental responsibility, social balance and economic success go hand-in-hand.

That's how we create value. Together. For a better tomorrow.

Thank you!