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On the Move.

Speech by Chairman of the Executive Board
Nikolai Setzer,
Continental Aktiengesellschaft, Hanover
at the
Annual Shareholders' Meeting for Fiscal 2023
on April 26, 2024, in Hanover, Germany

For a long time it was just an idea.
Then it was a plan.
Now it's a reality: autonomous trucks.

And Continental is making it happen.
From 2027.
In the USA.
With our partner Aurora.

Together, we've defined the design and finalized the architecture of the system. In less than a year.

We couldn't have done it without the hard work of our employees.
And we've more than 55 years of expertise in driverless vehicles.
In 1968, the first electronically controlled test vehicle took to our test track at the Contidrom.

And we still carry out automated and autonomous testing there today.
For driving as well as braking.
Because this allows us to simulate all manner of environmental conditions and get precise results.

This experience is something we can bring to our partnership.

For the world's first commercially scalable autonomous trucking system.

Today, Aurora trucks are already traveling on major highways.

Not just on test tracks.

They still have a driver at the wheel, just as a precaution.

For now.

But before long, the trucks will be completely autonomous.

This will reduce costs for carriers and fleet operators.

It will alleviate the skills shortage.

And it will also relieve the impact on the environment.

Because autonomous trucks maximize fuel efficiency.

As you can see.

We're on the move.

And we're moving the world of mobility forward.

Dear shareholders,

Hello and welcome to Hanover!

Welcome to Continental! This time, face to face!

I'm delighted to greet you here today – the first time I've been able to do so in person. And to tell you more about our exciting project in the USA.

For this, we're contributing what we do best:

Multiple components, which we then combine into one smart system.

Sensors, for example. Radar and lidar systems. And cameras.

But also the entire fallback system.

Because it's our software that takes control if the autonomous driving system fails.

At the same time, we're paving the way for an attractive business model in this area.

Because our customers will no longer pay for individual components.

But rather for each kilometer driven.

In short, the new way of driving on the roads will change how we create value in the future.

And that's just one of many examples.

We're "on the move" at Continental in lots of other ways as well.

And forging new paths in the process.

In strategy.

In implementation.

And in the responsibility we're taking.

I'd like to talk to you today about all three areas.

Let's start with strategy.

Here, our tagline is:

"Independent when necessary – united where purposeful."

By this we mean the interplay between the three group sectors – Automotive, Tires and ContiTech – and our group functions.

The shared goal is to create value – as the mobility and material technology group for safe, smart and sustainable solutions.

Our past accomplishments give us a great foundation to build on.

We've become more robust.

In an environment full of challenges.

We've repositioned ourselves.

And now we're in the implementation phase.

With a clear focus on creating value.

Using our technologies and solutions.

With our forward-looking portfolio.

And by further optimizing our costs.

In Automotive, for example, that means focusing on business areas that deliver high growth and create value.

Areas where we can achieve a leading market position.

We're improving our processes and structures.

And continually reducing our costs.

Since May 2023, my Executive Board colleague Philipp von Hirschheydt has been driving forward this transformation together with the Automotive team.

For example, we're making the User Experience business area with its large share of hardware products organizationally independent.

This is in line with our strategy.

Because for us what counts is system expertise.

In other words, knowing how our innovative components and smart software can be combined in the best possible way.

For us, it's not about hardware or software.

It's about hardware plus software.

And almost no other supplier can offer a broader portfolio here than us – one spanning a wide range of technologies.

We'll also be examining further portfolio measures in the Automotive group sector.

For business activities that contributed around €1.4 billion to sales in 2023.

And we'll be reducing our administrative costs.

By €400 million from 2025.

We'll be lowering our net expenses on research and development in Automotive to around 9 percent of sales by no later than 2028.

Our Tires group sector continues to generate solid earnings.

It's a role model for operational excellence and a trailblazer for leading-edge products.

This is proven by countless international tests.

For our summer tires.

Our winter tires.

And our all-season tires.

We were the first to produce treaded tires.

Today, we continue to set new standards in the industry with models such as the PremiumContact 7.

Our tires offer everything customers want.

Safety. Comfort. And sustainability.

All at the same time.

And at the highest level.

That's why we're continuing on this path.

Sustainability is especially important in connection with electric mobility, for example.

And paves the way for us to achieve further profitable growth.

In 2023, the world's 10 highest-volume manufacturers of electric vehicles trust and use Continental tires.

We've already received a total of more than 500 original equipment approvals for fully electric models from automotive manufacturers worldwide.

Then there are digital tire services.

Here, too, we can and will continue to grow.

We already have the cornerstones in place.

Because more than 80 percent of our global capacity for tire manufacturing is today already consolidated in so-called megafactories. This is how we leverage synergies. And make production more efficient.

Reliability and value creation are things we can also guarantee in ContiTech, our group sector for material solutions made from rubber and plastics.

Going forward, we'll be sharpening our focus on the industrial business with the aim of increasing its share of ContiTech's sales from currently around 50 to 80 percent.

Here too, we're exploring new strategic options for certain parts of the business within the group sector.

We plan to carve out the Original Equipment Solutions business area, which makes up a large part of ContiTech's business with automotive manufacturers.

By 2025.

Either under our roof.

With a strategic investor.

As part of a joint venture.

Or through a sale.

All options are on the table.

Diversity and independence.

Specialization and cooperation.

Transformation and innovation.

Ladies and gentlemen,

These are all intrinsic to our day-to-day business.

And are driving forces in the current implementation phase of our strategy.

One of the most recent examples is our new TechCenter in Hamburg, where since summer 2023 we've been coordinating our global activities on a crucial topic for the future – hydrogen.

Hydrogen is becoming increasingly important in industry.

ContiTech supplies a wide range of infrastructure solutions for this.

Like hoses, lines and seals.

Valves, vessels and transport aids.

And they must all meet completely new requirements in terms of pressure and temperature.

With our TechCenter, we're creating a platform to develop solutions so we can bring innovations to market even faster.

Just like we're doing with the transfer of existing solutions to new applications.

Ladies and gentlemen,

In many areas, we're not waiting for future growth but seizing the opportunity to create value now.

By focusing on trends with value creation upside.

Take our radars, for example.

Almost all car manufacturers have been using these for many years.

In 1999, we were pioneers with our radars in the Mercedes-Benz S-Class.

With our sixth generation, we're building on the success of previous radars.

In 2023, we received an order worth hundreds of millions for our latest product.

Recently, we received another worth more than €1.5 billion.

Then there are our ultra-high-performance tires, which meet a range of growing requirements.

And which we're using to set ourselves apart.

This gives us a competitive edge and makes tires a very profitable business.

The same goes for ContiTech, with its focus on the industrial business.

That's also what we mean when we say:

Transformation and innovation create new opportunities.

Provided we have the courage to forge new paths.

And do so responsibly.

Like at our location in Gifhorn.

Last year we decided that we need to cease production here by 2027.

At the same time, however, we're creating new opportunities.

Together with Stiebel Eltron, for example.

In the future, the company will manufacture stainless steel tanks at the location for use in heat pumps.

This is a growth business that offers new prospects both for employees and for Stiebel Eltron.

Other companies are also showing an interest.

And we're preparing our employees for these opportunities in order to transfer as many as possible from work to work.

As you can see, we're taking responsibility and creating opportunities. By forging these new paths, we're actively shaping the transformation.

Even if conditions are difficult and will likely remain so.

Geopolitical tensions.

The war of aggression in Ukraine.

The violence in the Middle East.

Inflation.

These are all major challenges.

Yet despite all this, we've continued to improve.

By becoming more robust and following a clear plan.

Our business results for 2023 prove this.

- Our sales totaled €41.4 billion, up 5.1 percent from 2022.
- We achieved an adjusted EBIT of €2.5 billion, up 30 percent from the previous year.
- This resulted in an adjusted EBIT margin of 6.1 percent, compared with 4.9 percent the year before.

Our adjusted free cash flow increased sharply to €1.3 billion.

Here are the results for our group sectors:

Automotive increased its sales by almost 11 percent to €20.3 billion and improved its adjusted EBIT margin to 1.9 percent, after being in the red last year.

So we're on the move here as well.

It's especially pleasing how well we're positioned in future technologies. These play a crucial role in customers' purchasing decisions.

Four out of five new cars worldwide are equipped with hardware and software solutions from Continental, and our order volume increased by 16 percent last year to more than €27 billion.

Tires likewise achieved further success in 2023, posting solid sales of €14.0 billion and a slightly improved EBIT margin of 13.5 percent.

ContiTech increased sales by 3.7 percent to €6.8 billion – which was especially impressive given the weak industrial environment. Its adjusted EBIT margin was 6.7 percent, well above the previous year.

All in all, Continental's net income came to €1.2 billion, compared with €67 million the year before.

That spells good news for your dividend, which is getting a sizable boost.

The Executive and Supervisory Boards are proposing an increase to €2.20 per share, which amounts to a distribution of around €440 million. This puts us at the upper end of the communicated range of around 20 to 40 percent of net income.

As in the previous year, this is intended to underline the fact that even though we've faced tremendous headwinds, we again took major strides forward.

And you've supported us on this path.
You continue to invest in Continental.
And in our shared future.

We thank you for this.

I'd also like to take this opportunity to thank my fellow Executive Board member Katja Garcia Vila, who is taking up a new challenge and unfortunately won't be extending her contract with us.

We're very sorry to see her go.

Katja played a key role in shaping our realignment.

Katja, we thank you and wish you all the best for the next chapter in your career.

Thank you also to Professor Reitzle.

And the other members of the Supervisory Board who are putting themselves forward for a new term.

This creates continuity.

And I'm very grateful for the support.

Last but certainly not least, I'd like to say a special thank-you to our around 200,000 employees, also on behalf of the entire Executive Board.

You've done an amazing job – in spite of all the difficulties.

Thank you for all your hard work!

And for your spirit of innovation.

This gives us a solid foundation to build on.

When it comes to new products and services for our customers.

And also when it comes to our responsibility for a better future.

Because when we say "creating value," we mean sustainable value.

And that starts with us.

We know that without integrity, we can't be successful in the long term.

That's why we have rules in place.

We investigate misconduct thoroughly.

In 2023 we created a new Executive Board function for Integrity and Law headed by Olaf Schick.

We're setting the highest standards in this area and will continue to strengthen these going forward.

And the proceedings by the public prosecutor's office in Hanover into the diesel issue have been concluded. Professor Reitzle already mentioned that a fine totaling €100 million has been issued.

For the calculation of the fine, several factors were considered in Continental's favor, including our full cooperation with the public prosecutor's office, the regular sharing of our own investigation results with the authorities and the further expansion of our compliance structures.

We had already made appropriate provisions in previous years, so this will not have a significant impact on our earnings this year.

Furthermore, Vitesco Technologies is contractually obligated to bear the expenses incurred.

We're also strengthening ourselves further when it comes to cybersecurity.

After the cyberattack in the summer of 2022, we had a taskforce of around 300 specialists hard at work for over a year.

We have been investigating the attack and have initiated comprehensive measures to protect us in the future.

This is another way we're actively contributing to sustainability.

One that's equally important as our consumption of resources – which we're reducing, like we're reducing our CO₂ emissions.

For example in the tire business.

We're already offering fleet operators, among others, a range of innovative digital services in this area.

Like our ContiConnect tire service, which gives them an overview of their tires' air pressure, temperature and remaining service life – by creating a smart connection between the tires, the cloud and related algorithms.

Sensors in the tires capture the specific data, which is then combined with other vehicle data in the cloud.

The algorithms then create smart prognoses so that fleet operators know well in advance when it's time for maintenance or a tire change, saving them time and money, reducing the risk of breakdowns, conserving fuel and thus lowering CO₂ emissions.

We're also continually improving the sustainability of our tires.

With new products such as our UltraContact NXT – currently the most sustainable production tire for passenger cars on the market.

We're the first and so far the only manufacturer to offer such a product.

With this, we're showing that if you want improved sustainability, you need technological innovation.

And conditions that foster these innovations. Instead of overregulation, bureaucracy and unfair competitive advantage, we need solid foundations.

We need fair trade and free markets.

We need well-functioning education systems.

We need intact infrastructures.

We need diversity.

And we need peace and freedom.

We'll therefore be paying close attention this year to global conditions and how they develop.

We expect the markets to remain dynamic overall in 2024.

And we expect persistent – also geopolitical – challenges.

With lower inflation than we've seen recently, but with rising wages.

And ongoing strained supply chains.

Growth in global automotive production is also likely to be limited.

Last year, it increased by around 10 percent.

This year, it is expected to rise by no more than 1 percent.

Or it could even decline by 1 percent.

We've had a sluggish start to the year.

Below market expectations.

But we're confirming our outlook for 2024 – in all respects!

For all group sectors!

We're continuing to implement our announced measures.

In Automotive, we're negotiating new prices with our customers.

In Tires, we've made a strong start to the second quarter.

In ContiTech, we expect a recovery in industrial demand.

And we're working on our efficiency.

That's why we're confident of achieving our targets.

Because at Continental we want to continue to grow.

And at a faster pace than the market.

With sales of around €41.0 billion to €44.0 billion.

And an adjusted EBIT margin of around 6.0 to 7.0 percent.

At the same time, we expect further inflationary effects for wages and salaries, denting earnings by around €500 million. Around half of this will be in Automotive.

In terms of sales, we expect this group sector to generate around €20.0 billion to €22.0 billion and an adjusted EBIT margin of around 3.0 to 4.0 percent.

For the Tires group sector, Continental expects sales of around €14.0 billion to €15.0 billion and an adjusted EBIT margin of around 13.0 to 14.0 percent.

For ContiTech, we expect sales of around €6.6 billion to 7.0 billion and an adjusted EBIT margin of around 6.5 to 7.5 percent.

Capital expenditure before financial investments is forecast to be around 6.0 to 7.0 percent of sales, and adjusted free cash flow around €0.7 billion to €1.1 billion.

Cash flow will be adversely impacted by two factors this year, which have already been included in the figure mentioned earlier.

Firstly, by the buyback of shares in ContiTech AG amounting to around €500 million.

The background to this is that in 2009 we sold just under 25 percent of our shares in ContiTech AG to the independent entity Continental Pension Trust, bolstering our liquidity during the financial market crisis. The buyback has restored the original ownership structure and gives us more room for maneuver.

Secondly, we'll have to absorb additional special charges of around €500 million.

This is due to the carve-out two business areas: Original Equipment Solutions in ContiTech and User Experience in Automotive.

And due to the implementation of our announced measures to strengthen the competitiveness of Automotive.

This will help us achieve our mid-term targets.

This is how we will stay on the move and continue to move the world of mobility and modern material solutions forward.

With innovative technologies for

- greater safety,
- greater comfort and convenience, and
- greater sustainability.

This is how we'll create value in the long term.

Thank you!