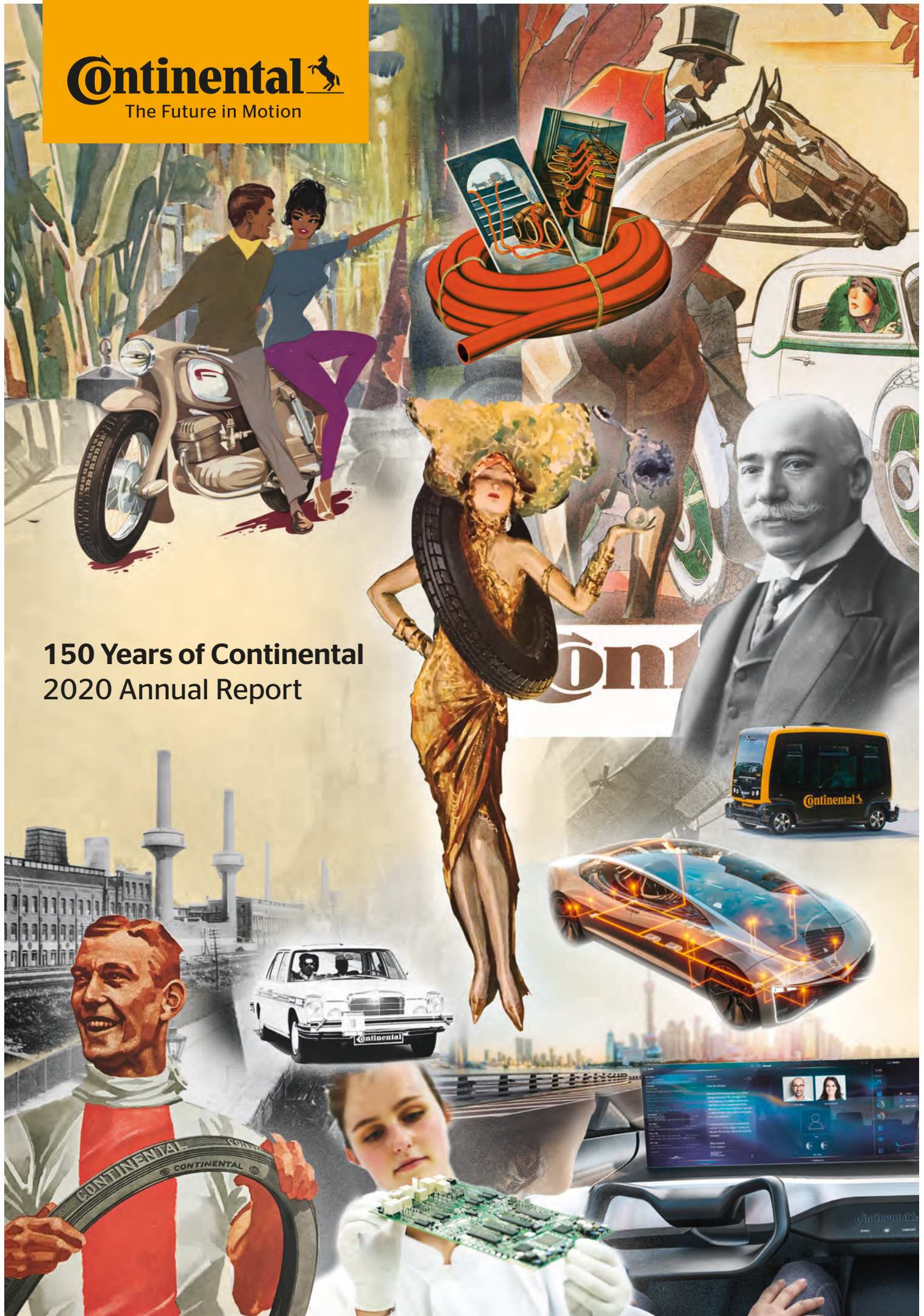


**150 Years of Continental**  
2020 Annual Report





# Continental Group 2020

- › Sales at €37.7 billion
- › Free cash flow at €879 million
- › Equity ratio at 31.9%

## Key Figures

€ millions	2020	2019	Δ in %
Sales	37,722.3	44,478.4	-15.2
EBITDA	3,033.8	4,977.2	-39.0
in % of sales	8.0	11.2	
EBIT	-718.1	-268.3	-167.6
in % of sales	-1.9	-0.6	
Net income attributable to the shareholders of the parent	-961.9	-1,225.0	21.5
Basic earnings per share in €	-4.81	-6.13	21.5
Diluted earnings per share in €	-4.81	-6.13	21.5
Adjusted sales <sup>1</sup>	37,573.9	44,214.2	-15.0
Adjusted operating result (adjusted EBIT) <sup>2</sup>	1,332.7	3,225.5	-58.7
in % of adjusted sales	3.5	7.3	
Free cash flow	878.7	761.7	15.4
Net indebtedness	4,139.1	4,071.7	1.7
Gearing ratio in %	32.7	25.6	
Total equity	12,639.1	15,875.7	-20.4
Equity ratio in %	31.9	37.3	
Number of employees as at December 31 <sup>3</sup>	236,386	241,458	-2.1
Dividend per share in €	— <sup>4</sup>	3.00	
Share price at year end <sup>5</sup> in €	121.25	115.26	5.2
Share price at year high <sup>5</sup> in €	126.50	157.40	
Share price at year low <sup>5</sup> in €	51.45	103.62	

<sup>1</sup> Before changes in the scope of consolidation.

<sup>2</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

<sup>3</sup> Excluding trainees.

<sup>4</sup> Subject to the approval of the Annual Shareholders' Meeting on April 29, 2021.

<sup>5</sup> Price quotations of the Continental share in the Xetra system of Deutsche Börse AG.

# Overview of the Continental Group and 2020 Key Figures

## Structure of the Continental Group in 2020<sup>1</sup>

<b>Continental Group</b> Sales: €37.7 billion; Employees: 236,386				
<b>Automotive Technologies</b> Sales: €15.3 billion Employees: 95,551		<b>Rubber Technologies</b> Sales: €15.6 billion Employees: 100,327		<b>Powertrain Technologies</b> Sales: €7.0 billion Employees: 40,102
<b>Autonomous Mobility and Safety</b> Sales: €7.5 billion Employees: 47,762	<b>Vehicle Networking and Information</b> Sales: €7.9 billion Employees: 47,789	<b>Tires</b> Sales: €10.2 billion Employees: 56,864	<b>ContiTech</b> Sales: €5.6 billion Employees: 43,463	Sales: €7.0 billion Employees: 40,102
<ul style="list-style-type: none"> <li>Advanced Driver Assistance Systems</li> <li>Hydraulic Brake Systems</li> <li>Passive Safety and Sensorics</li> <li>Vehicle Dynamics</li> </ul>	<ul style="list-style-type: none"> <li>Commercial Vehicles and Services</li> <li>Connected Car Networking</li> <li>Human Machine Interface</li> </ul>	<ul style="list-style-type: none"> <li>Commercial Vehicle Tires</li> <li>Original Equipment Passenger and Light Truck Tires (PLT)</li> <li>Replacement APAC PLT</li> <li>Replacement EMEA PLT</li> <li>Replacement The Americas PLT</li> <li>Two-Wheel Tires</li> </ul>	<ul style="list-style-type: none"> <li>Air Spring Systems</li> <li>Conveying Solutions</li> <li>Industrial Fluid Solutions</li> <li>Mobile Fluid Systems</li> <li>Power Transmission Group</li> <li>Surface Solutions</li> <li>Vibration Control</li> </ul>	<ul style="list-style-type: none"> <li>Electronic Controls</li> <li>Electrification Technology</li> <li>Sensing and Actuation</li> </ul>

<sup>1</sup> The structure of the Continental Group as of January 1, 2021, can be found in the Structure of the Continental Group section.

## Key figures for the group sectors

€ millions	Automotive Technologies			Rubber Technologies			Powertrain Technologies		
	2020	2019	Δ in %	2020	2019	Δ in %	2020	2019	Δ in %
Sales	15,316.9	18,904.7	-19.0	15,639.5	18,012.9	-13.2	6,967.7	7,802.3	-10.7
EBITDA	498.3	1,727.7	-71.2	2,493.6	3,168.2	-21.3	122.5	192.5	-36.4
in % of sales	3.3	9.1		15.9	17.6		1.8	2.5	
EBIT	-1,440.6	-1,445.6	0.3	1,266.4	1,957.5	-35.3	-450.8	-662.1	31.9
in % of sales	-9.4	-7.6		8.1	10.9		-6.5	-8.5	
Adjusted sales <sup>1</sup>	15,303.1	18,648.3	-17.9	15,504.9	18,005.1	-13.9	6,967.7	7,802.3	-10.7
Adjusted operating result (adjusted EBIT) <sup>2</sup>	-280.2	1,115.3	-125.1	1,756.3	2,160.8	-18.7	-55.6	57.0	-197.5
in % of adjusted sales	-1.8	6.0		11.3	12.0		-0.8	0.7	

<sup>1</sup> Before changes in the scope of consolidation.

<sup>2</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.



Find out more in our  
online magazine:

[mag.continental.com](http://mag.continental.com)





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# Chairman's Letter

Dear shareholders,

I am writing this letter to you at the beginning of 2021, our anniversary year. 150 years of Continental: through the years, the company has enjoyed many highs and navigated through numerous lows. We are now once again experiencing a fundamental turning point for the industry, and the start of a new era.

At the end of 2020, my predecessor, Dr. Elmar Degenhart, stepped down from his position for health reasons. It is indeed a great honor for me to succeed him in this role. Following the global financial crisis in 2009, Elmar Degenhart achieved an unprecedented increase in value for Continental. He guided us back into the DAX 30 and spent over 10 years laying the key foundations for our long-term viability and value creation. Now more than ever, our shared values provide an outstanding basis upon which the global Continental team and I are building. For this, we all owe him our gratitude.

The current phase in our transformation is a very demanding one. It requires that we act decisively and with determination. We will overcome the three major challenges facing us in a focused and pragmatic manner.

The first challenge is the fundamental technological transformation over the medium to long term, the likes of which we have never experienced in our industries. Digitalization, software and electric drive systems are at the heart of this transformation. All three offer us enormous opportunities that we will seize systematically. As early as 2018, we had already started to transform our business and our structure.

The second challenge is the steep decline in vehicle production, which has been at an extremely low level since 2018. Last year, just 75 million or so passenger cars and light commercial vehicles rolled off our production lines. This is a far cry from the 100 million vehicles that we anticipated for 2020 prior to the crisis. We do not expect to return to pre-crisis levels until 2025 at the earliest.

And the third challenge is the coronavirus pandemic, which suddenly made the situation we were in even worse. But our global team responded to the pandemic quickly and flexibly. More than 93,000 employees started working from home, and in Germany around 32,000 employees took up short-time work. Wherever necessary, the team made sacrifices and worked to reduce costs, and for this we would like to thank everyone sincerely.

Nevertheless, these three developments have clearly left their mark on our results for 2020. Given the circumstances, we performed well from an operational perspective, for example achieving a positive free cash flow and securing new production orders worth billions. All in all, however, we had to deal with some quite considerable setbacks, in terms of sales as well as earnings.

Our answer to these developments is our newly aligned strategy, which is based on three cornerstones.

The first and most urgent of these is **strengthening our operational performance**. This involves adapting our cost structure to the changing business environment quickly and precisely, improving our quality and increasing our productivity.

The second strategic cornerstone is **differentiating our portfolio**. Specifically, this means prioritizing value for part of our business and focusing on growth in the other. Both targets have different requirements – meaning they each require a different approach.

To this end, we are currently adapting capacities and processes. We are transferring operations from some locations to others and are also closing some in cases where this cannot be avoided. By doing so, we want to achieve gross savings of more than €1 billion annually from 2023 onward. We are implementing this transformation rapidly, stringently and in a targeted manner, while maintaining transparent dialog with our employee representatives. The process, however, is not entirely painless. But the fact is that global competition is becoming increasingly fierce. And the only way for us to ensure our future success and safeguard jobs is to make these changes.

Process organization and technical advancement are important, but the future consists of much more than that. After all, it is people who shape the future. That is why the third cornerstone of our strategy is **turning change into opportunity**. Here, we are focusing primarily on our exceptionally strong passion to win, on transparency and speed, and on trust and a culture of feedback. New incentive schemes lay further key foundations – for example, in the area of sustainability.



Continental is proving to be more determined than almost any other supplier in this area. From as early as 2022, for example, we want to make our global business for emission-free vehicles completely carbon-neutral. To this end, we can use the crisis as an opportunity to get an early start on our next growth phase.

This new course should pay off within the next three to five years. As markets around the world recover, our sales will pick up again. We are targeting organic growth of around 5 to 8 percent on average over the medium term. For the adjusted EBIT margin, we are striving for around 8 to 11 percent, and our target for the return on capital employed is around 15 to 20 percent – even if we continue to face pandemic-related challenges in the short term. These could be, for example, bottlenecks in the supply of electronic components, possible volatility due to further lockdowns, or the development of raw material prices.

150 years ago, Continental started producing soft rubber components and cushioning for horse hooves. These were followed by hard rubber products. Finally came the breakthrough with tires for bicycles, and later for motor vehicles. Today, we have developed into one of the largest suppliers in the global automotive industry. Now, it is time for the next decisive step: we are transforming ourselves into a global company for technology and mobility. To do so, we are drawing on our traditional strengths. At the same time, we are relying on new key areas in digitalization, software and sensor technology.

We are convinced that this approach will be successful: we are using current changes to achieve innovation and a new focus. This has allowed us to emerge as winners from past crises. And we are also overcoming the current transformation in this way, by continuously creating more value. For you, our shareholders. For our customers. And for all our other stakeholders.

Yours,  
Nikolai Setzer

Nikolai Setzer  
Chairman of the Executive Board



# Members of the Executive Board



## Frank Jourdan

Born in 1960 in Groß-Gerau, Germany  
Autonomous Mobility and Safety business area  
Appointed until March 2024

## Dr. Ariane Reinhart

Born in 1969 in Hamburg, Germany  
Group Human Relations  
Director of Labor Relations  
Group Sustainability  
Appointed until September 2022

## Nikolai Setzer

Born in 1971 in Groß-Gerau, Germany  
Chairman of the Executive Board  
Chairman of the Automotive Board  
Group Communications and Public Affairs  
Group Strategy  
Group Total Quality Management  
Appointed until March 2024

## Christian Kötz

Born in 1970 in Braunschweig, Germany  
Tires business area  
Group Purchasing  
Appointed until March 2022



**Hans-Jürgen Duensing**

Born in 1958 in Hanover, Germany  
ContiTech business area  
Appointed until April 2023

**Wolfgang Schäfer**

Born in 1959 in Hagen, Germany  
Group Finance and Controlling  
Group Compliance, Law and Intellectual Property  
Group Information Technology  
Appointed until December 2024

**Helmut Matschi**

Born in 1963 in Viechtach, Germany  
Vehicle Networking and Information business area  
Appointed until March 2024

**Andreas Wolf**

Born in 1960 in Nordhorn, Germany  
Powertrain business area  
Appointed until June 2023



# Continental Shares and Bonds

## 5.2% increase in Continental share price.

### Stock markets dominated by the COVID-19 pandemic

In the first quarter of 2020, the spread of the coronavirus, the subsequent extensive economic shutdowns in many countries as well as numerous company profit warnings and forecast retractions triggered a sharp decline in global stock market prices from the end of February to mid-March. The DAX closed the first quarter of 2020 at 9,935.84 points. This represented a decline of 25.0% compared to the end of 2019, when it was quoted at 13,249.01 points. The EURO STOXX 50 fell by 25.6% in the first quarter to 2,786.90 points.

The second quarter of 2020 was initially characterized by a rapid recovery of the stock markets, driven mainly by relief programs put in place by central banks, the stimulus packages introduced by many countries and the gradual resumption of production in industry. Resurging infection rates in some countries led to another decline in prices in June. The DAX grew by 23.9% in the second quarter compared to the end of the previous quarter, closing June 2020 at 12,310.93 points. The EURO STOXX 50 closed the second quarter at 3,234.07 points, an increase of 16.0%.

In the third quarter of 2020, there was a largely sideways trend on the stock markets. Although reports on the ongoing economic recovery in countries such as Germany, China and the USA had a positive effect, the increase in coronavirus infections in many countries made investors reluctant to buy. The DAX rose by 3.7% in the third quarter and ended September at 12,760.73 points. The EURO STOXX 50 fell by 1.3% in the third quarter and ended September at 3,193.61 points.

In October 2020, the continued rise in COVID-19 infection rates and government measures to contain the pandemic again weighed on the stock markets. As the fourth quarter progressed, the election for the next US president and the prospect of further government assistance to stabilize the US economy led to gains on the US stock markets and other stock exchanges worldwide. Several pharmaceutical companies published positive results of clinical studies on vaccines, and this as well as their approval in various countries also had a positive effect on sentiment. In addition, the European stock markets benefited from hopes of successful negotiations between the European Union (EU) and the United Kingdom (UK) on their future collaboration. On December 24, 2020, the EU and the UK finally reached a partnership agreement, which took effect provisionally on January 1, 2021. The DAX increased by 7.5% in the fourth quarter of 2020 and ended the year at 13,718.78 points. Compared to the start of 2020, it had risen by 3.5%. The EURO STOXX 50 rose by 11.2% in the fourth quarter and ended 2020 at 3,552.64 points, thus falling short of the previous year by 5.1%.

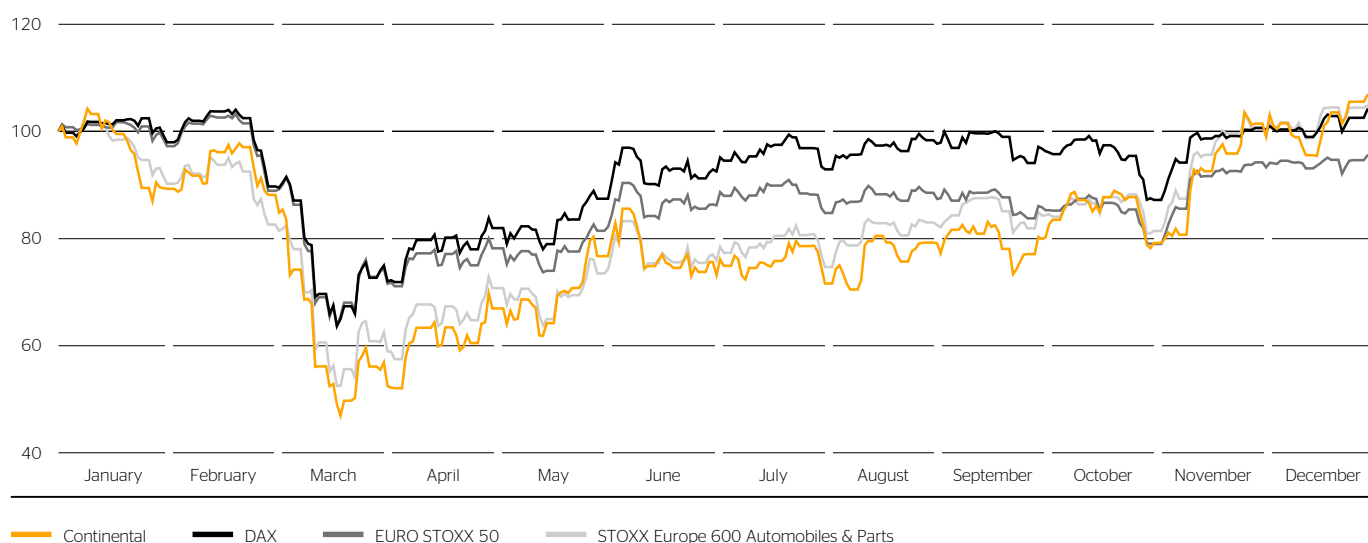
### Automotive stocks severely affected by the COVID-19 pandemic

In March 2020, plant closures by vehicle manufacturers and suppliers as well as further anticipated negative effects of COVID-19 measures on vehicle demand and production caused a sudden drop in the prices of European automotive stocks. In the first quarter of 2020, the STOXX Europe 600 Automobiles & Parts fell to 317.82 points, a decline of 37.5% compared to the end of 2019.

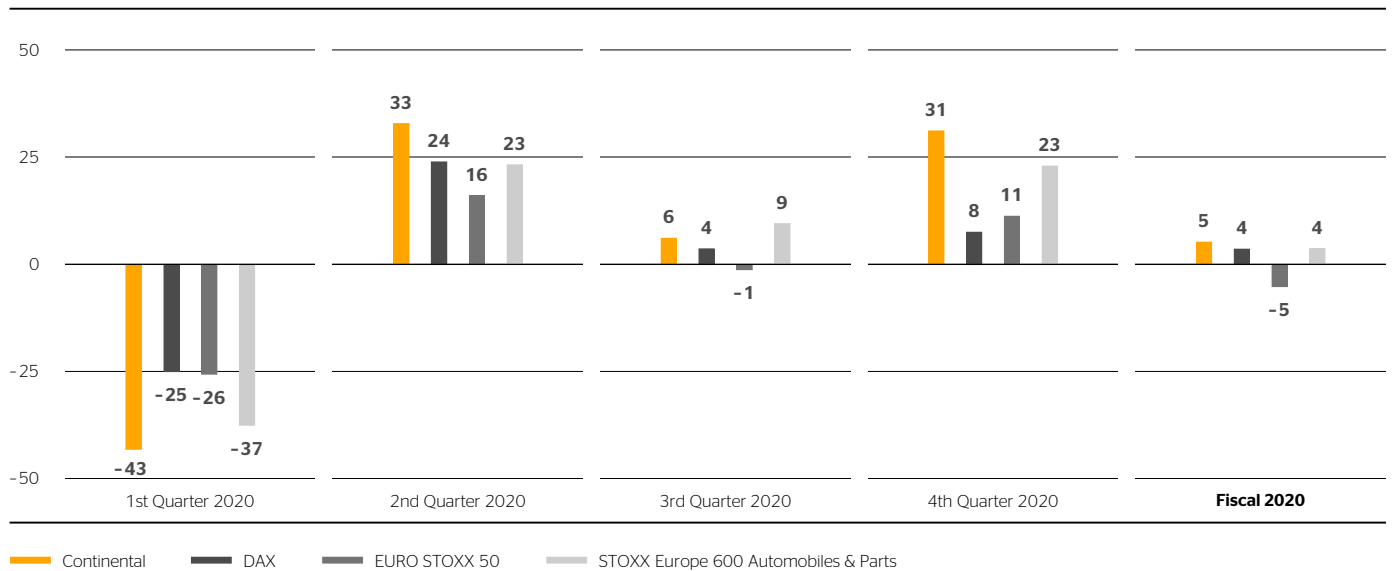
The index recovered in the second quarter of 2020, rising by 23.2% to 391.65 points as a result of the renewed increase in sales and production volumes.

Price performance of Continental shares in 2020 versus selected stock indexes

indexed to January 1, 2020



## Price performance by quarter in 2020



In the third quarter of 2020, the STOXX Europe 600 Automobiles & Parts rose by 9.5% to 428.84 points thanks to the further normalization of production volumes.

In the fourth quarter of 2020, automotive stocks benefited from the general recovery as well as production and sales figures that were once again better than expected. The STOXX Europe 600 Automobiles & Parts rose by 23.0% over the quarter and ended 2020 at 527.26 points, gaining 3.7% in the reporting year.

#### Slump in Continental share price in the first quarter and recovery over the rest of the year

Continental shares largely followed the trend in the European automotive sector in the first quarter of 2020, although they were somewhat more volatile. They closed March 2020 at €65.61, having fallen 43.1% compared to the 2019 year-end price of €115.26.

In the second and third quarters of 2020, Continental shares continued to move broadly in line with the development of the European automotive sector. They increased by 32.8% in the second quarter and ended June 2020 at €87.16. In the third quarter, Continental shares increased by 6.1% to €92.48.

In the fourth quarter of 2020, Continental shares benefited from the announcement of better-than-expected third-quarter results and new mid-term targets as part of the virtual Capital Market Days. This led analysts to adjust their price targets and recommendations. Continental shares rose by 31.1% in the fourth quarter and ended the year under review at €121.25, increasing by 5.2% compared to the closing price for the previous year.

In terms of its share-price performance, Continental was in the middle of the annual ranking of the 30 DAX shares in 2020, taking 13th place (PY: 28th place).

Allowing for a reinvestment of the dividend distribution of €3.00 on the payout date, Continental shares generated a total return of 8.8% in 2020.

They therefore outperformed the benchmark indices in the reporting year. Including reinvested dividends, the STOXX Europe 600 Automobiles & Parts achieved a total return of 6.3% in 2020, while the EURO STOXX 50 including reinvested dividends generated a negative return of 2.6%. As already mentioned, the return on the DAX was 3.5% in 2020.

#### Volatile price performance of Continental's bonds

Uncertainty about the projected duration of government measures to contain the COVID-19 pandemic and possible negative effects on companies' solvency led to a significant rise in interest rates for European corporate bonds in the first quarter of 2020. As a result, the prices of listed bonds declined.

Interest rates subsequently fell as the year progressed, with the prices of corporate bonds rising significantly compared to the end of the first quarter of 2020 as a result.

The price of the 0.0% euro bond from Continental maturing on September 12, 2023, decreased by 616.7 basis points to 93.141% in the first quarter of 2020. By the end of December 2020, it had risen by 695.7 basis points to 100.098%. The price of the 0.375% euro bond maturing on June 27, 2025, decreased by 917.9 basis points to 90.601% in the first quarter. It then rose by 1,025.1 basis points to 100.852% by the end of December 2020.



## Continental's key bonds outstanding as at December 31, 2020

WKN/ISIN	Coupon	Maturity	Volume in € millions	Issue price	Price as at Dec. 31, 2020	Price as at Dec. 31, 2019
A2YPE5/XS2051667181	0.000%	September 12, 2023	500.0	99.804%	<b>100.098%</b>	99.308%
A28XTQ/XS2178585423	2.125%	November 27, 2023	750.0	99.559%	<b>105.797%</b>	—
A28YEC/XS2193657561	1.125%	September 25, 2024	625.0	99.589%	<b>103.589%</b>	—
A2YPAE/XS2056430874	0.375%	June 27, 2025	600.0	99.802%	<b>100.852%</b>	99.780%
A28XTR/XS2178586157	2.500%	August 27, 2026	750.0	98.791%	<b>111.672%</b>	—

### Repayment of two euro bonds

The price of the 0.0% euro bond from Continental that matured on February 5, 2020, hovered around the 100% mark in January and February 2020. The nominal value of €600.0 million was repaid on the maturity date. The price of the 3.125% euro bond that matured on September 9, 2020, successively fell toward the 100% mark due to the reduction in its remaining term to maturity. The nominal value of €750.0 million was repaid on the maturity date.

### Successful placement of new euro bonds

In May and June 2020, Continental AG and Conti-Gummi Finance B.V. successfully placed a total of three euro bonds with investors in Germany and abroad under the Debt Issuance Programme (DIP).

Two euro bonds were offered on May 18, 2020 – one with an interest coupon of 2.125% for a term of three and a half years and the other with an interest coupon of 2.5% for a term of six years and three months. The nominal volume of each bond was set at €750.0 million. The respective issue prices amounted to 99.559% and 98.791%. Both bonds were issued on the regulated market of the Luxembourg Stock Exchange on May 27, 2020.

The third euro bond was offered on June 17, 2020, with an interest coupon of 1.125%. With a nominal volume of €625.0 million, the issue price amounted to 99.589%. The bond has a term of four years and three months. It was issued on the regulated market of the Luxembourg Stock Exchange on June 25, 2020.

The falling interest-rate level led to significant gains in the prices of the new euro bonds over the remainder of the year under review.

### Special effects resulted in negative earnings per share

Net income attributable to the shareholders of the parent totaled -€0.96 billion (PY: -€1.23 billion) in the reporting year. The primary reasons for this were the weaker operating performance due to the COVID-19 pandemic and the negative impact of special effects totaling €1.87 billion, which mainly comprised impairment and restructuring expenses in the third and fourth quarters of 2020. Earnings per share fell as a result to -€4.81 (PY: -€6.13).

### Suspension of dividend for fiscal 2020

The Executive Board and the Supervisory Board have resolved to propose to the Annual Shareholders' Meeting, which will be held virtually on April 29, 2021, that the dividend for the past fiscal year be suspended and the retained earnings for fiscal 2020 be carried forward in full to new account.

A dividend of €3.00 per share was paid for fiscal 2019, amounting to a total payout of €600.0 million. The dividend yield was 2.4%.

### Free float unchanged at 54.0%

As in the previous year, free float as defined by Deutsche Börse AG amounted to 54.0% as at the end of 2020. The most recent change took place on September 17, 2013, when our major shareholder, the IHO Group, Herzogenaurach, Germany, announced the sale of 7.8 million Continental shares, reducing the shareholding in Continental AG from 49.9% to 46.0%.

As at the end of 2020, the market capitalization of Continental AG amounted to €24.3 billion (PY: €23.1 billion). Market capitalization on the basis of free float averaged €12.6 billion over the last 20 trading days of the reporting year (PY: €12.7 billion). The trading volume, which is also relevant for the index selection by Deutsche Börse AG, amounted to €18.0 billion from January to December 2020 (PY: €21.1 billion). Among the 30 DAX shares, Continental shares as at the end of 2020 were ranked 26th (PY: 25th) in terms of free-float market capitalization and 22nd (PY: 17th) in terms of stock exchange turnover.

### Share of free float in the USA rises further

As at the end of the year, we once again determined the distribution of free float of Continental shares by way of shareholder identification (SID). We were able to assign 97.9 million of the 108.0 million shares held in the form of shares or alternatively as American depositary receipts (ADRs) in the USA to more than 700 institutional investors across 48 countries. The identification ratio was 90.7% (PY: 85.5%).

According to the SID, the identified level of Continental shares held in Europe was slightly higher than the previous year at 52.5% (PY: 51.1%). The identified level of shares held by institutional investors from the UK and Ireland increased to 29.7% (PY: 25.3%). The identified holdings of German institutional investors rose to 9.3% in the year under review (PY: 6.6%). Scandinavian investors held 4.1% (PY: 4.4%) of Continental shares at the end of 2020. At 3.4%, the shareholdings of French institutional investors also showed little change (PY: 3.1%). Shareholdings of institutional investors in other European countries amounted to 6.0% (PY: 5.7%).

**Continental share data**

Type of share	No-par-value share
German stock exchanges (regulated market)	Frankfurt (Prime Standard), Hamburg, Hanover, Stuttgart
German securities code number (WKN)	543900
ISIN	DE0005439004
Reuters ticker symbol	CONG
Bloomberg ticker symbol	CON
Index memberships (selection)	DAX, Prime All Share, Prime Automobile, NISAX
Outstanding shares as at December 31, 2020	200,005,983
Free float as at December 31, 2020	54.0%

As at the end of December 2020, institutional investors in the USA and Canada held a total of 34.5% (PY: 29.3%) of the free float in the form of shares or ADRs.

The identified shareholdings of institutional investors in Asia, Australia and Africa was stable at 3.6% at the end of 2020.

**Share capital unchanged**

As at the end of fiscal 2020, the share capital of Continental AG still amounted to €512,015,316.48. It is divided into 200,005,983 no-par-value shares with a notional value of €2.56 per share. Each share has the same dividend entitlement.

In line with Article 20 of Continental AG's Articles of Incorporation, each share grants one vote at the Shareholders' Meeting. The current Articles of Incorporation are available on our website at [www.continental.com](https://www.continental.com) under Company/Corporate Governance.

**Continental's American depositary receipt (ADR) data**

Ratio	1 share : 10 ADRs
SEDOL number	2219677
ISIN	US2107712000
Reuters ticker symbol	CTTAY.PK
Bloomberg ticker symbol	CTTAY
ADR level	Level 1
Trading	OTC
Sponsor	Deutsche Bank Trust Company Americas
ADRs issued as at December 31, 2020	28,818,830 (with 2,881,883 Continental shares deposited)

**Continental share listings**

Continental's shares continue to be officially listed on the German stock exchanges in Frankfurt, Hamburg, Hanover and Stuttgart on the regulated market. They are also traded on other unofficial stock exchanges in Germany and in other countries around the world.

**Continental ADR listings**

In addition to being listed on European stock exchanges, Continental shares are traded in the USA as part of a sponsored ADR program on the over-the-counter (OTC) market. They are not admitted to the US stock market. Since the split of the outstanding ADRs at the end of October 2018, ten ADRs (rather than the previous five) are equivalent to one Continental share.

**Continental Investor Relations online**

For more information about Continental shares, bonds and credit ratings, please visit [www.continental-ir.com](https://www.continental-ir.com).

**Key figures of the Continental share<sup>1</sup>**

€ (unless otherwise specified)	2020	2019
Basic earnings per share	-4.81	-6.13
Diluted earnings per share	-4.81	-6.13
Dividend per share	— <sup>2</sup>	3.00
Dividend payout ratio (%)	n. a.	n. a.
Dividend yield <sup>3</sup> (%)	0.0 <sup>2</sup>	2.4
Annual average price-earnings ratio (P/E ratio) <sup>4</sup>	n. a.	n. a.
Share price at year end	121.25	115.26
Annual average share price	93.36	127.58
Share price at year high	126.50	157.40
Share price at year low	51.45	103.62
Number of outstanding shares, average (in millions)	200.0	200.0
Number of outstanding shares as at December 31 (in millions)	200.0	200.0

<sup>1</sup> All market prices are quotations of the Continental share in the Xetra system of Deutsche Börse AG.

<sup>2</sup> Subject to the approval of the Annual Shareholders' Meeting on April 29, 2021.

<sup>3</sup> Dividend per share at the annual average share price.

<sup>4</sup> Net income per share attributable to the shareholders of the parent at the annual average share price.

# Corporate Governance

## Report of the Supervisory Board

Dear shareholders,

The Supervisory Board comprehensively fulfilled all tasks incumbent upon it under applicable law, the Articles of Incorporation and By-Laws in fiscal 2020. We closely supervised, carefully monitored and advised the Executive Board in the management of the company. We have satisfied ourselves of the legality and expediency of management. We were directly involved in a timely manner in all decisions of fundamental importance to the company.

The Executive Board provided the Supervisory Board with regular, timely and comprehensive updates at its meetings and in writing on all issues of relevance to the company. In particular, these include the business performance, planning, business strategy, significant business transactions in the company and the Continental Group, and the related risks and opportunities, as well as compliance issues. The members of the Supervisory Board were also available to the Executive Board for consultation outside the meetings. As chairman of the Supervisory Board, I had regular contact with the Executive Board, in particular with its chairman, and discussed current company issues and developments with them. Pursuant to a suggestion of the German Corporate Governance Code, I also held discussions with investors in 2020 on topics specific to the Supervisory Board.

### Meetings of the Supervisory Board and the committees

The COVID-19 pandemic affected the work of the Supervisory Board in a variety of ways. Due to the contact and travel restrictions, the Supervisory Board and its committees were only able to meet in person at the start of the year and in September 2020. Most meetings were held virtually. This meant that the participants were connected to one another via a secure online communication platform, could follow the presentations on screen and make contributions to the discussions at any time. In total, the Supervisory Board convened for four ordinary meetings and five extraordinary meetings in 2020, as well as for the strategy meeting and an information session. The Supervisory Board passed one resolution by means of a written procedure. At its meetings, the Supervisory Board regularly conferred part of the time in the absence of the Executive Board. The Chairman's Committee held eight meetings in the reporting year. The Audit Committee met four times in 2020. The Nomination Committee held a written vote. The Mediation Committee in accordance with Section 27 (3) of the German Co-determination Act (Mitbestimmungsgesetz – MitbestG) was not required to meet in 2020. The Committee for Related Party Transactions, which was newly established in 2020, was likewise not required to meet. There are no other committees. All committees report to the plenary session on a regular basis. The corporate governance statement starting on page 16 describes their responsibilities in more detail and names their members.

In fiscal 2020, all members of the Supervisory Board attended more than half of the meetings of the plenary session and also of the committees to which they belonged. A detailed account of each Supervisory Board member's meeting attendance will be published in the Investors section of our [website](#) on March 23, 2021, with the invitation to the Annual Shareholders' Meeting.

### Key topics dealt with by the Supervisory Board and the Chairman's Committee

At each meeting of the plenary session, the Executive Board informed the Supervisory Board in detail of the sales, results and employment development in the Continental Group and individual business areas as well as the financial situation of the company. Where the actual course of business deviated from the defined plans and targets, the Executive Board provided detailed explanations. It discussed the reasons for these deviations and the measures introduced in depth with the Supervisory Board. In addition, the Executive Board regularly informed us about the Continental Group's main raw materials and sales markets and about Continental AG's share price performance.

As was the case in the second half of 2019, the Supervisory Board meetings throughout the reporting year additionally addressed the major challenges that the company is facing as a result of the partially disruptive and ever accelerating transformation of the automotive industry, and which have become exacerbated to the point of crisis due to the effects of the COVID-19 pandemic worldwide. The restructuring plans summarized in the Transformation 2019–2029 structural program as well as further measures taken by the Executive Board to increase the company's financial strength and competitiveness were the subject of intense and sometimes contentious discussions in several meetings throughout the year, starting with an extraordinary meeting on **February 19, 2020**.

At this meeting on **February 19, 2020**, the Supervisory Board also approved the new remuneration system for members of the Executive Board, valid as of January 1, 2020, after further extensive discussion. This is described in detail in the remuneration report. We also dealt with the preparations for the spin-off and subsequent listing of Vitesco Technologies, and were informed about this in detail once again at a separate information session on **March 3, 2020**. This spin-off was also discussed at the meeting to approve the annual financial statements on **March 17, 2020**, in which the Supervisory Board further acknowledged the decision to postpone the Annual Shareholders' Meeting scheduled for April 30, 2020, due to the restrictions as a result of COVID-19. Other topics of focus in this meeting included the determination of remuneration paid to individual members of the Executive Board as well as the company's annual financial statements and the consolidated financial statements for 2019, which we discussed and approved in the presence of the auditor. In addition, based on the reasoned recommendation of the Audit Committee, we declared our intention to propose to the 2021 Annual Shareholders' Meeting the appointment of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hannover (PwC), as the new auditor for fiscal 2021. At a further extraordinary meeting on **April 16, 2020**, the Executive Board provided the Supervisory Board with an in-depth report on the situation for employees and the company with respect to the coronavirus pandemic and the measures to protect against it. The meeting on **April 30, 2020**, was devoted, among other topics, to the presentation of Prof. Paul Erker's study on the history of Continental during the Nazi era as well as reports on the status of the Transformation





2019–2029 structural program. The Supervisory Board further acknowledged the Executive Board's decision to postpone the spin-off of Vitesco Technologies due to the COVID-19 pandemic and the resulting ongoing economic uncertainty. In addition, the Supervisory Board approved amendments to its By-Laws and those of the Audit Committee in line with the German Act for the Implementation of the 2nd EU Shareholder Rights Directive (*ARUG II*) and the new version of the German Corporate Governance Code.

On **June 3, 2020**, another extraordinary Supervisory Board meeting was held. The main topics of discussion were the approval for holding a virtual Annual Shareholders' Meeting on July 14, 2020, and its preparation, a waiver of remuneration for the members of the Supervisory Board and the Executive Board, and the appointment of Andreas Wolf as a member of the Executive Board for the Powertrain business area. Following the virtual Annual Shareholders' Meeting on **July 14, 2020**, the Supervisory Board convened again to discuss business performance and agreed on restructuring measures in Mexico and Spain. At the full-day strategy meeting on **September 29, 2020**, the Executive Board and the Supervisory Board once again discussed at length the strategic objectives and strategic planning of the Continental Group and the business areas, as well as the HR strategy. The main topics of discussion were the growth strategy for Rubber Technologies, vehicle architecture and connectivity, software and systems excellence, and autonomous

mobility and safety, as well as the activities of co-pace, Continental's start-up organization. We again devoted a larger part of the meeting on **September 30, 2020**, to discussions without the Executive Board, including discussions relating to the succession planning for the Executive Board. The Supervisory Board also approved the closure of the tire plant in Aachen and the automotive location in Karben, the restructuring measures at the Regensburg location, and the repatriation of the business from associate Osram Continental. Finally, the head of the Compliance department submitted her annual report to the plenary session on the department's work and significant compliance cases. On **November 12, 2020**, another extraordinary meeting took place: we approved the early termination of the directorship of Dr. Elmar Degenhart, who announced on October 29, 2020, that he would be stepping down from his position as chairman of the Executive Board for health reasons effective November 30, 2020, and we appointed Nikolai Setzer as his successor. The Executive Board also informed us about the Capital Market Days in December 2020.

At its meeting on **December 15, 2020**, the Supervisory Board discussed in detail the annual planning for 2021 and the long-term planning. It also approved the planning and the investment plans for fiscal 2021. In addition, we determined the objectives for the short-term and long-term variable remuneration components for the members of the Executive Board.

At its meetings on **February 19, March 17, June 3, November 12 and December 15, 2020**, the Chairman's Committee held preparatory discussions in particular regarding the plenary session's decisions on the remuneration system for the members of the Executive Board, the determination of their individual remuneration, the remuneration of the Supervisory Board, and other personnel matters relating to the Executive Board. In addition, at its meeting on February 19, 2020, it approved the granting of guarantees for the business of Vitesco Technologies with specific automotive manufacturers, which will remain effective after the spin-off. The Chairman's Committee also dealt with this topic again at an extraordinary meeting on **October 19, 2020** and at its December meeting. At a meeting on **April 30, 2020**, it approved additional financing for associate Osram Continental, and on **September 30, 2020**, it approved the issuing of bonds as part of the Debt Issuance Programme.

#### Key topics dealt with by the Audit Committee

The Audit Committee was also informed by the Executive Board in detail and on an ongoing basis about sales, results and employment development in the Continental Group and individual business areas as well as the financial situation of the company. The Executive Board is assisted by the heads of Accounting and Group Controlling, who can provide the Audit Committee directly with information at its meetings. In addition, the chairman of the Audit Committee is in contact with the chief financial officer and the auditor of the Continental Group outside of the meetings on a regular basis.

As a focus of each of its quarterly meetings, the Audit Committee talks with the Executive Board about the accounting as at the end of the previous quarter and the outlook for the year as a whole as well as the quarterly and half-year financial reports prior to their publication. At its meeting on **March 3, 2020**, the Audit Committee discussed the company's annual financial statements and the consolidated financial statements as well as the non-financial statement for 2019 with the Executive Board and the auditor and recommended their approval to the plenary session of the Supervisory Board. The interim financial statements as at June 30, 2020, were reviewed by KPMG AG Wirtschaftsprüfungsgesellschaft, Hannover (KPMG), on behalf of the Audit Committee. The work of the Compliance and Group Audit departments and reporting on significant incidents are also regular topics at each quarterly meeting. This includes in particular the matters described in more detail in the report on risks and opportunities and in the notes to the consolidated financial statements. The head of the Compliance department and the head of Group Audit are also available to provide information directly to the Audit Committee and its chairman in coordination with the Executive Board. The chairman of the Audit Committee shares key information as part of his regular reporting to the plenary session. In addition, the Executive Board reports to the Audit Committee on the material risks covered by the risk management system and the corresponding measures resolved. The Audit Committee has satisfied itself of the effectiveness of the internal control system, the risk management system and the internal audit system.

In addition to these recurring topics, at its meeting on **March 3, 2020**, the Audit Committee had a final discussion of the results of the selection process for the change of auditor required in 2021 and decided to recommend to the plenary session of the Supervisory Board that the appointment of PwC as the new auditor for fiscal 2021 be proposed. On **July 31, 2020**, the Audit Committee heard information on the progress of major acquisition and investment projects, as it does regularly every year. In 2020, this related in particular to the purchase of an indirect minority stake in HERE International B.V., Netherlands, as well as the takeover of Kathrein Automotive GmbH, Germany, by the Vehicle Networking and Information business area and of Kmart Tyre and Auto Service Ltd., Australia (now operating under the name Tyre and Auto Pty Ltd, Australia), by the Tires business area. The Executive Board provided the Audit Committee, at its meetings on **July 31 and November 4, 2020**, with in-depth information about the investigations initiated by the public prosecutor's office against Continental employees in connection with the diesel scandal as a result of supplying the engine control unit for the EA 189 engine to VW. This matter was also the subject of reports by the chairman of the Audit Committee to the plenary session and of regular exchanges with the Supervisory Board chairman. Also discussed on multiple occasions were the allegations made by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) regarding an alleged failure to issue an ad hoc disclosure in connection with the publication of the results for the third quarter of 2016. At the meeting on **November 4, 2020**, the Audit Committee issued the mandate for the audit of the 2020 annual and consolidated financial statements and the dependent company report to the auditor appointed by the Annual Shareholders' Meeting, KPMG, after obtaining the necessary dependent company report, and coordinated key audit matters with the auditor. KPMG was also commissioned to audit the combined non-financial statement. In addition, the Audit Committee defined an approval framework for commissioning the auditor with permissible non-audit services in accordance with the EU Audit Regulation. The Executive Board regularly informs the Audit Committee about the use of this authorization.

#### Corporate governance

At its meeting in December 2020, the Supervisory Board agreed to an updated declaration in accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz - AktG*) on the recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) ("the Code"). It refers to both the Code as amended on February 7, 2017, and the new version of the Code dated December 16, 2019. Owing to the Code's revised recommendations, the Supervisory Board also approved adjustments to the "objectives for the composition of the Supervisory Board." There were no conflicts of interest for members of the Supervisory Board in the reporting year. In its opinion, the Supervisory Board also had an appropriate number of independent members, in particular on the shareholder side, as defined in the Code at all times in the period under review. Further information on this topic and on corporate governance in general is included in the corporate governance statement starting on page 16.

### Annual and consolidated financial statements; combined non-financial statement for 2020

KPMG audited the annual financial statements as at December 31, 2020, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch – HGB*), the 2020 consolidated financial statements and the combined management report for the company and the Continental Group, including the accounts, the accounting-related internal control system and the system for early risk recognition. The 2020 consolidated financial statements of Continental AG were prepared in accordance with the International Financial Reporting Standards (IFRS). The auditor issued unqualified opinions. In terms of the system for early risk recognition, the auditor found that the Executive Board had taken the necessary measures under Section 91 (2) *AktG* and that the company's system for early risk recognition is suitable for identifying developments at an early stage that pose a risk to the company as a going concern. In addition, KPMG audited the Executive Board's report on relations with affiliated companies pursuant to Section 312 *AktG* (dependent company report). KPMG issued the following unqualified opinion on this report in accordance with Section 313 (3) *AktG*:

"Based on the results of our statutory audit and evaluation we confirm that:

- > the actual information included in the report is correct,
- > with respect to the transactions listed in the report, payments by the company were not unduly high or that detrimental effects had been compensated for, and
- > there are no circumstances in favor of a significantly different assessment than that made by the Executive Board in regard to the measures listed in the report."

The Audit Committee discussed the documents relating to the annual financial statements, including the dependent company report, and the auditor's reports with the Executive Board and the auditor on March 2, 2021. Furthermore, the plenary session of the Supervisory Board discussed these at length at its meeting to approve the annual financial statements on March 16, 2021. The discussions also concerned the combined non-financial statement for the Continental Group and for Continental AG according to Section 289b and Section 315b *HGB*. The required documents were distributed to all members of the Audit Committee and the Supervisory Board in good time before these meetings so that the members had sufficient opportunity to review them. The auditor was present at these discussions. The auditor reported on the main results of the audits and was available to provide additional information to the Audit Committee and the Supervisory Board. Based on its own review of the annual financial statements, the consolidated financial statements, the combined management report of Continental AG and of the Continental Group, as well as the dependent company report including the final declaration of the Executive Board, and based on the report and the recommendation of the Audit Committee, the Supervisory Board concurred with the results of the auditor's audit. There were no objections. The Supervisory Board approved the annual financial statements and the

consolidated financial statements. The annual financial statements are thereby adopted. KPMG issued an unqualified opinion for the combined non-financial statement. Based on the Supervisory Board's own review, the Audit Committee's report on its preliminary examination and its recommendation, and KPMG's audit and unqualified opinion on the combined non-financial statement, the Supervisory Board finds that the combined non-financial statement is correct and appropriate and was prepared in accordance with Sections 315b and 315c in conjunction with Sections 289c to 289e *HGB*.

The Supervisory Board together with the Executive Board will propose to the Annual Shareholders' Meeting on April 29, 2021, to forgo the payment of a dividend for the past fiscal year and that the retained earnings for fiscal 2020 be carried forward in full to new account.

### Personnel changes in the Supervisory Board and Executive Board

There were no personnel changes made in the Supervisory Board in 2020.

Further information on the members of the Supervisory Board and its committees who were in office in the year under review can be found on pages 19 and 20 and on pages 219 and 220.

At its meeting on June 3, 2020, the Supervisory Board appointed Andreas Wolf as a member of the Executive Board for the Powertrain business area. After the spin-off of Vitesco Technologies had to be postponed, this decision gives due consideration to his responsibility for the business area that he took over in October 2018. On October 29, 2020, Dr. Elmar Degenhart informed us of his wish to resign from his position as chairman of the Executive Board for health reasons as of November 30, 2020. The Supervisory Board approved this on November 12, 2020. Once more, we would like to express our thanks to Elmar Degenhart for his outstanding performance, his exemplary leadership and his considerable contribution to Continental's success over the years. We wish him all the best for the future, and in particular good health. At the same time, the Supervisory Board appointed Nikolai Setzer as chairman of the Executive Board. Nikolai Setzer will continue to serve as chairman of the Automotive Board.

The Supervisory Board would like to thank the Executive Board, all the employees and the employee representatives for their considerable dedication over the past year.

Hanover, March 16, 2021

For the Supervisory Board,



Prof. Dr.-Ing. Wolfgang Reitzle  
Chairman



# Corporate Governance Statement Pursuant to Section 289f of the German Commercial Code (*HGB*)

## Responsible corporate governance is what governs the actions of the Executive Board and the Supervisory Board.

Responsible corporate governance geared toward sustainable, long-term value creation and in the interests of all stakeholder groups is what governs the actions of the Executive Board and Supervisory Board of Continental AG. The following report presents the corporate governance at Continental. This corporate governance statement pursuant to Section 289f of the German Commercial Code (*Handelsgesetzbuch – HGB*) is supplemented by the remuneration report of Continental AG and is a part of the company's management report.

### Declaration pursuant to Section 161 *AktG* and deviations from the German Corporate Governance Code

In December 2020, the Executive Board and the Supervisory Board issued the following annual declaration in accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz – AktG*):

"The Executive Board and the Supervisory Board of Continental AG declare in accordance with Section 161 German Stock Corporations Act (*AktG*) that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated February 7, 2017 (published by the Federal Ministry of Justice in the official part of the electronic Federal Gazette (*Bundesanzeiger*) on April 24, 2017; hereinafter "Code 2017") were complied with, with the exceptions set out in Item 1, and further the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated December 16, 2019 (published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (*Bundesanzeiger*) on March 20, 2020; hereinafter "Code 2020"), are being complied with, with the exceptions stated under Item 2. Reference is made to the declaration of the Executive Board and the Supervisory Board of December 2019 as well as to previous declarations in accordance with Section 161 of the German Stock Corporation Act (*AktG*) and the deviations from the recommendations of the German Corporate Governance Code explained therein.

- › Item 1: According to Section 5.4.1 Paragraph 2 of the Code 2017, the Supervisory Board should specify specific objectives for its composition, which, among other things, take into account an age limit to be specified for Supervisory Board members. The Supervisory Board has specified such objectives. However, the Supervisory Board did not establish an age limit because it is of the opinion that such a general criterion is not suitable for evaluating the qualifications of an individual candidate's nomination to the Supervisory Board.
- › Item 2: According to recommendation C.2 of Code 2020, the Supervisory Board shall set an age limit for members of the Supervisory Board. The Supervisory Board does not set an age limit

because it does not consider such a general criterion to be appropriate for evaluating the qualifications of a Supervisory Board member general criterion is not suitable for evaluating the qualifications of members of the Supervisory Board.

Hanover, December 2020

Prof. Dr.-Ing. Wolfgang Reitzle  
Chairman of the Supervisory Board

Nikolai Setzer  
Chairman of the Executive Board"

The declaration is published in the Company/Corporate Governance section of Continental's website [📄](#). Earlier declarations in accordance with Section 161 *AktG* can also be found there. Out-of-date corporate governance statements can also be found there for a period of at least five years.

### Key corporate governance practices

The following documents are key foundations of our sustainable and responsible corporate governance:

- › OUR BASICS – Continental AG's corporate guidelines. OUR BASICS have reflected the vision, values, desired behavior and self-image of the Continental Group since 1989, and are available in the Company/Corporate Strategy section of Continental's website [📄](#).
- › Sustainability ambition; available on Continental's website at [📄 www.continental-sustainability.com/downloads](#).
- › Compliance with the binding Code of Conduct for all Continental employees. For more information, see the Compliance section on page 22 or Continental's website at [📄 www.continental-sustainability.com/downloads](#).

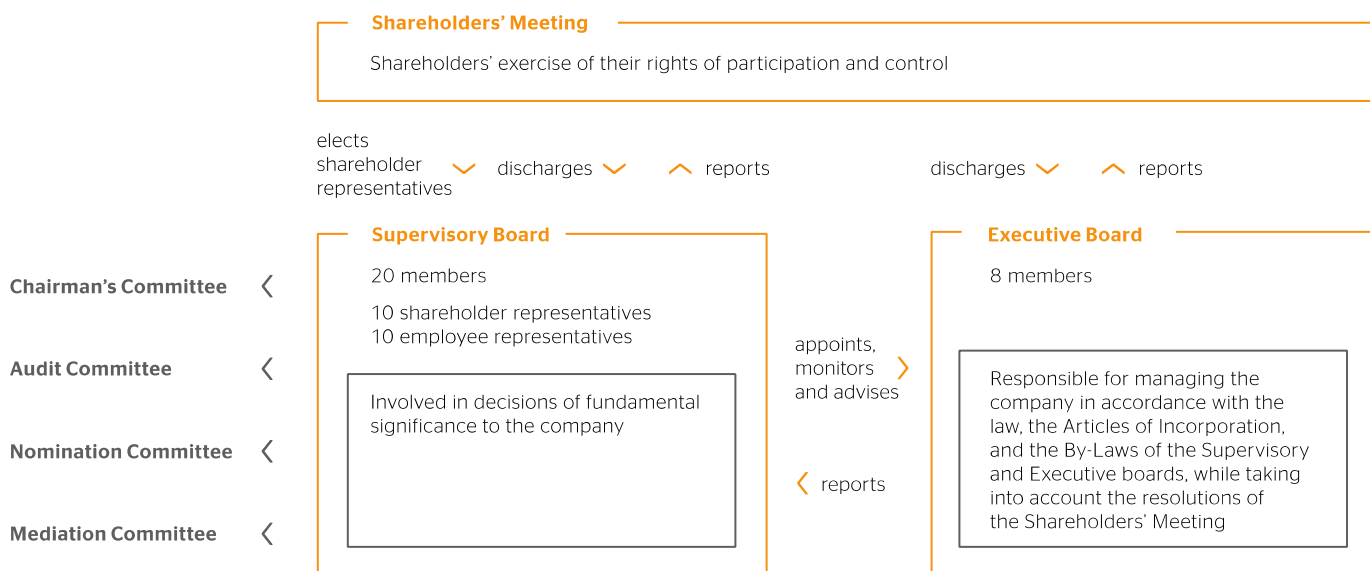
### Corporate bodies

In line with the law and the Articles of Incorporation, the company's corporate bodies are the Executive Board, the Supervisory Board and the Shareholders' Meeting. As a German stock corporation, Continental AG has a dual management system characterized by a strict personnel division between the Executive Board as the management body and the Supervisory Board as the monitoring body. The cooperation between the Executive Board, Supervisory Board and Shareholders' Meeting is depicted on the next page.

### The Executive Board and its practices

The Executive Board has sole responsibility for managing the company in the interests of the company, free from instructions from third parties in accordance with the law, the Articles of Incorporation and the Executive Board's By-Laws, while taking into account the resolutions of the Shareholders' Meeting. All members of the Executive Board share responsibility for the management of the company jointly. Regardless of this principle of joint responsibility, each Executive Board member is individually responsible for the areas entrusted to them. The chairman of the Executive Board is

## Corporate bodies of the company



responsible for the company's overall management and business policy. Nikolai Setzer was appointed chairman of the Executive Board of Continental AG with effect from December 1, 2020. In this role, he ensures management coordination and uniformity on the Executive Board and represents the company to the public. The Executive Board jointly develops the company's strategy, agrees it with the Supervisory Board and ensures its implementation.

The Executive Board currently has eight members. The first time a person is appointed to the Executive Board, his or her term as a rule is three years only. As a rule, a member of the Executive Board is not appointed beyond the statutory retirement age. Only under exceptional circumstances will a member of the Executive Board be reappointed prior to one year before the end of their term of appointment with simultaneous annulment of their current appointment. More information on the members of the Executive Board can be found on page 218 and in the Company/Corporate Governance section of Continental's website [📄](#).

The Executive Board has By-Laws that regulate in particular the allocation of duties among the Executive Board members, key matters pertaining to the company and its subsidiaries that require a decision to be made by the Executive Board, the duties of the Executive Board chairman, and the process in which the Executive Board passes resolutions. The Executive Board By-Laws are available in the Company/Corporate Governance section of Continental's website [📄](#). The Supervisory Board By-Laws on the basis of the Articles of Incorporation require the consent of the Supervisory Board for significant actions taken by management.

The Executive Board has established the Automotive Board, which aims to foster the increased decentralization of responsibility that the global reorganization of the company seeks to achieve, relieve the burden on the corporate Executive Board and significantly

shape the ongoing transformation process in the Automotive Technologies group sector. To this end, the Executive Board also delegated decision-making powers to the Automotive Board for certain matters that affect only Automotive Technologies. In addition to the chairman of the Executive Board, who serves as chairman of the Automotive Board, the Automotive Board comprises the Executive Board members for the Autonomous Mobility and Safety as well as Vehicle Networking and Information business areas, and other members.

In preparation for its planned spin-off with subsequent listing, Vitesco Technologies was granted greater organizational independence as of January 1, 2021, with the aim of promoting its flexibility and agility. As part of this move, the Executive Board transferred decision-making authorities, effective January 1, 2021, to the Management Board of Vitesco Technologies GmbH for certain matters relating exclusively to the business of Vitesco Technologies.

### The Supervisory Board and its practices

The Supervisory Board appoints the members of the Executive Board and collaborates with the Executive Board to develop a long-term succession plan. The Supervisory Board discusses this at least once a year without the Executive Board. In order to become acquainted with potential successor candidates, the Supervisory Board, in consultation with the Executive Board, offers them the opportunity to deliver presentations to the Supervisory Board.

The Supervisory Board supervises and advises the Executive Board in managing the company. The Supervisory Board is directly involved in decisions of material importance to the company. As specified by law, the Articles of Incorporation or the Supervisory Board By-Laws, certain corporate management matters require the approval of the Supervisory Board. The chairman of the Supervisory Board coordinates its work and represents it vis-à-vis third

parties. Within reasonable limits, he is prepared to talk to investors about issues specific to the Supervisory Board. He maintains regular contact between meetings with the Executive Board, and in particular with its chairman, to discuss issues relating to the company's strategy, business development, risk management and compliance.

### Composition of the Supervisory Board

The Supervisory Board comprises 20 members in accordance with the German Co-determination Act (*Mitbestimmungsgesetz - MitbestG*) and the company's Articles of Incorporation. Half the members of the Supervisory Board are elected individually by the shareholders in the Shareholders' Meeting (shareholder representatives), while the other half are elected by the employees of Continental AG and its German subsidiaries (employee representatives). Both the shareholder representatives and the employee representatives have an equal duty to act in the interests of the company. The Supervisory Board's chairman must be a shareholder representative. He has the casting vote in the event of a tie.

The current Supervisory Board was constituted on April 26, 2019. The term of office of the Supervisory Board members lasts until the end of the 2024 Annual Shareholders' Meeting. The chairman of the Supervisory Board is Prof. Dr.-Ing. Wolfgang Reitzle who, in accordance with the German Corporate Governance Code, is independent of the company and its Executive Board. The Supervisory Board does not include any members who previously belonged to the Executive Board of Continental AG, who exercise an executive function or advisory role at a major competitor of Continental, or who have a personal relationship with such a competitor.

The company has set up an informational program that provides newly elected members of the Supervisory Board with a thorough overview of the company's products and technologies as well as finances, controlling and corporate governance at Continental.

The Supervisory Board has drawn up its own By-Laws that supplement the law and the Articles of Incorporation with more detailed provisions, including provisions on Supervisory Board meetings, the duty of confidentiality, the handling of conflicts of interest and the Executive Board's reporting obligations, and a list of transactions and measures that require the approval of the Supervisory Board. The Supervisory Board By-Laws are available in the Company/Corporate Governance section of Continental's website [✉](#). The Supervisory Board consults, in the absence of the Executive Board, on a regular basis. Before each regular meeting of the Supervisory Board, the representatives of the shareholders and of the employees each meet separately with members of the Executive Board to discuss the upcoming meeting.

Every two to three years, the Supervisory Board reviews how effectively the overall Supervisory Board and its committees have fulfilled their responsibilities. The Supervisory Board recently carried out such a review in 2016 with the help of an external consultant. This once again confirmed the positive development of the Supervisory Board's work in the past years. The Supervisory Board has adopted the recommendations that resulted from the 2016 efficiency review. The next self-assessment was originally scheduled

for 2020 but was postponed until 2021 because it could not reasonably have been carried out in 2020 due to the impact of the COVID-19 pandemic.

### Profile of skills and expertise for the Supervisory Board

In accordance with recommendation C.1 of the German Corporate Governance Code, the Supervisory Board has prepared a profile of skills and expertise and specified targets for its composition.

The Supervisory Board as a whole should possess the skills and expertise described in more detail below. It is not expected that all Supervisory Board members possess all skills and expertise. Instead, each area of expertise must be covered by at least one Supervisory Board member. The Supervisory Board assumes that all Supervisory Board members possess the knowledge and skills required for the proper performance of their duties and the characteristics necessary for successful Supervisory Board work. In particular, these include integrity, commitment, capacity for discussion and teamwork, sufficient availability and discretion.

› **Internationality:** Due to Continental AG's global activities, its Supervisory Board requires international professional or business experience. This means professional training or work abroad or with a strong connection to foreign markets. International professional and business experience with regard to Asian markets is also desirable.

› **Industry experience:** The Supervisory Board should have professional experience in the automotive industry or other industries in which the company operates. In particular, the Supervisory Board wants to increase its expertise in the new business areas that are important parts of the company's strategy. Therefore, professional knowledge or experience of digitalization, information technology, telecommunications, mobility services, electric mobility, or related areas should be available.

› **Management experience:** The Supervisory Board should include members with management experience. In particular, this includes experience in corporate management or as a senior manager of a business, or experience in a managerial role at other large organizations or associations.

› **Financial experience:** The Supervisory Board should possess financial knowledge and experience, namely in the areas of accounting, control and risk management systems, and the audit of financial statements. The chairman of the Audit Committee must have in-depth knowledge in these areas.

› **Corporate governance and board experience:** Members of the Supervisory Board should have experience as a member of the supervisory board or executive board of a German listed company or as a member of such a body of a foreign listed company.

The Supervisory Board has specified the following targets for its composition:

- › The number of members of the Supervisory Board who have the required international experience should at a minimum remain constant. At least seven members currently have international skills and experience.
- › An appropriate number of members with industry experience should be maintained. Far more than half of the Supervisory Board members cover this area of expertise.
- › The Supervisory Board should have an appropriate number of members on the shareholder side whom it deems to be independent in accordance with the German Corporate Governance Code. The Nomination Committee was mandated by the Supervisory Board to assess the independence of the shareholder representatives in accordance with the German Corporate Governance Code and to determine compliance with the targets for the proportion of independent shareholders. As determined by the Nomination Committee, the Supervisory Board has an appropriate number of members on the shareholder side who are independent in accordance with the German Corporate Governance Code.
- › More than one half of the shareholder representatives should be independent of Continental AG and its Executive Board. The shareholder representatives currently on the Supervisory Board are all, without exception, independent of Continental AG and its Executive Board.
- › At least five shareholder representatives should be independent of the controlling shareholder, the IHO Group, headquartered in Herzogenaurach, Germany. The shareholder representatives independent of the controlling shareholder are:
  - › Prof. Dr.-Ing. Wolfgang Reitzle
  - › Dr. Gunter Dunkel
  - › Satish Khata
  - › Isabel Corinna Knauf
  - › Sabine Neuß
  - › Prof. Dr. Rolf Nonnenmacher
  - › Prof. KR Ing. Siegfried Wolf
- › In its nominations for election to the Supervisory Board, the Supervisory Board as a rule does not nominate candidates who have already held this position for three full terms of office at the time of the election.
- › The Supervisory Board has not stipulated an age limit as recommended in recommendation C.2 of the German Corporate Governance Code. It does not consider such a general criterion to be suitable for deciding whether a candidate is eligible to be a member of the Supervisory Board.

According to Section 96 (2) *AktG*, the Supervisory Board of Continental AG is also subject to the requirement that at least 30% of its members be women and at least 30% be men. The company reports on this on page 21, in accordance with Section 289f (2) No. 4 to 6 *HGB*.

In its nominations of candidates for election to the Supervisory Board, the Supervisory Board takes into account the requirements of the profile of skills and expertise for the board as a whole as well as the aforementioned targets.

The corporate governance statement will continue to provide regular updates on the status of the implementation of the targets.

### Committees of the Supervisory Board

The Supervisory Board currently has five committees: the Chairman's Committee, the Audit Committee, the Nomination Committee, the committee formed in accordance with Section 27 (3) *MitbestG* (the Mediation Committee) and the committee for the approval of company transactions with related persons (Committee for Related Party Transactions) (Section 107 (3) Sentence 4; Section 111b (1) *AktG*).

The members of the **Mediation Committee** also form the Chairman's Committee, which comprises the chairman of the Supervisory Board, Prof. Dr.-Ing. Wolfgang Reitzle (chairman); his vice chairperson, Christiane Benner; Georg F. W. Schaeffler; and Jörg Schönfelder. Key responsibilities of the **Chairman's Committee** are preparing the appointment of Executive Board members and concluding, terminating and amending their employment contracts and other agreements with them. However, the plenum of the Supervisory Board alone is responsible for establishing the total remuneration of the Executive Board members. Another key responsibility of the Chairman's Committee is deciding on the approval of certain transactions and measures by the company as specified in the Supervisory Board By-Laws. The Supervisory Board has conferred some of these participation rights on the Chairman's Committee, each member of which may however, in individual cases, demand that a matter again be submitted to the plenary session for decision.

The **Audit Committee's** tasks relate to the company's accounting, the audit of the financial statements, risk management and compliance. In particular, the committee deals with the audit of the accounts, monitors the accounting process and the effectiveness of the internal control system, the risk management system, the internal audit system and compliance; and performs a preliminary examination of Continental AG's annual financial statements and the consolidated financial statements. The committee makes its recommendation to the plenary session of the Supervisory Board, which then passes resolutions pursuant to Section 171 *AktG*. Furthermore, the committee discusses the company's draft interim financial reports. It is also responsible for ensuring the necessary independence of auditors and deals with additional services performed by the auditors. The committee engages the auditors, determines the focus of the report as necessary, negotiates the fee and regularly reviews the quality of the audit. It also gives its recommenda-



tion for the Supervisory Board's proposal to the Annual Shareholders' Meeting for the election of the auditor. The Audit Committee is also responsible for the preliminary audit of non-financial reporting and for the engagement of an auditor for its review, if any. The chairman of the Audit Committee is Prof. Dr. Rolf Nonnenmacher. He is independent in all respects as defined in the German Corporate Governance Code and, as an auditor, has special knowledge and experience in the application of accounting principles and internal control procedures. Another committee member, Klaus Rosenfeld, is also a financial expert. The other members are Francesco Grioli, Dirk Nordmann, Georg F. W. Schaeffler and Michael Iglhaut. Neither a former Executive Board member nor the chairman of the Supervisory Board may act as chairman of the Audit Committee.

The **Nomination Committee** is responsible for nominating suitable candidates for the Supervisory Board to propose to the Annual Shareholders' Meeting for election. In addition, the committee must propose targets for the Supervisory Board's composition and profile of skills and expertise and review both regularly. The Nomination Committee consists entirely of shareholder representatives, specifically the two members of the Chairman's Committee, Prof. Dr.-Ing. Wolfgang Reitzle (chairman) and Georg F. W. Schaeffler, the chairman of the Audit Committee, Prof. Dr. Rolf Nonnenmacher, and Maria-Elisabeth Schaeffler-Thumann as an additional member.

In accordance with Section 31 (3) Sentence 1 *MitbestG*, the **Mediation Committee** becomes active only if the first round of voting on a proposal to appoint a member of the Executive Board or to remove a member by consent does not achieve the legally required two-thirds majority. This committee must then attempt mediation before a new vote is taken.

The Committee for Related Party Transactions (**RPT Committee**) deals with transactions between Continental AG and a related person, where these transactions require the prior consent of Continental AG's Supervisory Board in accordance with Sections 111a and 111b *AktG*. Transactions in this case require the prior consent of the Supervisory Board. In addition to the chairman of the Supervisory Board, Prof. Dr.-Ing. Wolfgang Reitzle, and the chairman of the Audit Committee, Prof. Dr. Rolf Nonnenmacher, the Committee for Related Party Transactions includes two further members elected by the Supervisory Board from among the employee representatives.

More information on the members of the Supervisory Board and its committees can be found on pages 219 and 220. Current resumes, which are updated annually, are available in the Company/Corporate Governance section of Continental's website [📄](#). They also contain information on how long each member has held their position on the Supervisory Board.

### Shareholders and the Shareholders' Meeting

The company's shareholders exercise their rights of participation and control in the Shareholders' Meeting. The Annual Shareholders' Meeting, which must be held in the first eight months of every fiscal year, decides on all issues assigned to it by law, such as the appropriation of profits, the election of shareholder representatives to the Supervisory Board, the discharging of Supervisory Board

and Executive Board members, the appointment of auditors and amendments to the company's Articles of Incorporation. Each Continental AG share entitles the holder to one vote. There are no shares conferring multiple or preferential voting rights and no limitations on voting rights.

All shareholders who register in a timely manner and prove their entitlement to participate in the Shareholders' Meeting and to exercise their voting rights are entitled to participate in the Shareholders' Meeting. To facilitate the exercise of their rights and to prepare them for the Shareholders' Meeting, the shareholders are fully informed about the past fiscal year and the points on the upcoming agenda before the Shareholders' Meeting by means of the annual report and the invitation to the meeting. All documents and information on the Shareholders' Meeting, including the annual report, are published on the company's website [📄](#) in German and English. Moreover, the entire Annual Shareholders' Meeting can also be watched on the company's website. When holding the Annual Shareholders' Meeting, the chairperson presiding over the meeting is guided by the fact that an ordinary annual shareholders' meeting should be concluded after four to six hours. To make it easier for shareholders to exercise their rights, the company offers all shareholders who cannot or do not want to exercise their voting rights themselves the opportunity to vote at the Shareholders' Meeting via a proxy who is bound by instructions. The required voting instructions can also be issued to the proxy via an internet service (InvestorPortal) before the end of the general debate on the day of the Shareholders' Meeting. In addition, the service provider that assists the company with conducting the Shareholders' Meeting is instructed not to forward the individual voting instructions to Continental until the day before the Shareholders' Meeting.

### Accounting and auditing of financial statements

The Continental Group's accounting is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The annual financial statements of Continental AG are prepared in accordance with the accounting regulations of the German Commercial Code (*Handelsgesetzbuch – HGB*). The Annual Shareholders' Meeting on July 14, 2020, elected KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover (KPMG) to audit the consolidated financial statements for fiscal 2020 as well as the interim financial reports of the company. KPMG has audited the consolidated financial statements and the separate financial statements for more than 30 years. Andreas Modder has been the responsible auditor at KPMG since assuming this role for the consolidated financial statements for fiscal 2019.

### Internal control system and risk management

Diligent corporate management and good corporate governance also require that the company deal with risks responsibly. Continental has a corporate-wide internal control and risk management system, especially in terms of the accounting process, that helps analyze and manage the company's risk situation. The risk management system serves to identify and evaluate developments that could result in significant disadvantages and to avoid risks that would jeopardize the continued existence of the company. We report on this in detail in the report on risks and opportunities, which forms part of the management report for the consolidated financial statements.

### Transparent and prompt reporting

As part of our investor relations and corporate communications, we regularly report to shareholders, analysts, shareholders' associations, the media and interested members of the public in equal measure on significant developments in the company and its situation. All shareholders have instant access to all the information that is also available to financial analysts and similar parties. The website [www.continental.com](#) of Continental AG provides the latest information, including the company's financial reports, presentations held at analyst and investor conferences, press releases and ad-hoc disclosures. The dates of key periodic publications (annual report, quarterly statements and half-year report) and events as well as of the Annual Shareholders' Meeting and the annual financial press conference are announced well in advance in a financial calendar on the website [www.continental.com](#) of Continental AG. For the scheduled dates for 2021, see the [Investors/Events and Presentations](#) section.

### Reporting pursuant to Section 289f (2) No. 4 to 6 HGB

Pursuant to Section 96 (2) *AktG*, the Supervisory Board of Continental AG as a listed stock corporation subject to the German Co-determination Act consists of at least 30% women and at least 30% men. This minimum quota must always be fulfilled by the Supervisory Board as a whole. Due to an objection by the employee representatives against the overall fulfillment in accordance with Section 96 (2) Sentence 3 *AktG* before the election of the Supervisory Board in spring 2019, the minimum quota must be fulfilled separately by the shareholder representatives and the employee representatives. Women made up 30% of both the shareholder and employee representatives of the Supervisory Board of Continental AG as at December 31, 2020.

In accordance with Section 111 (5) *AktG*, the Supervisory Board must set a target quota of women on the Executive Board and a deadline for achieving this target. If the ratio of women is less than 30% at the time this is set, the target must not subsequently fall below the ratio achieved. Based on the current composition of the Executive Board, the Supervisory Board does not anticipate any significant personnel changes in the coming years. In December 2016, the Supervisory Board therefore set a target for the ratio of women on the Executive Board of Continental AG of at least 11% for the period up until December 31, 2021. After conducting a review in December 2019, the Supervisory Board decided to leave the defined target for December 31, 2021, unchanged. Women made up 12.5% of the Executive Board of Continental AG as at December 31, 2020, and at the time this report was prepared.

In accordance with Section 76 (4) *AktG*, the Executive Board of Continental AG is required to set targets for the ratio of women in the first two management levels below the Executive Board and a deadline for achieving these targets. In November 2016, the Executive Board set the following target quotas for women in the first two management levels below the Executive Board at Continental AG for the period up until December 31, 2021: 26% for the first management level and 33% for the second management level. As at

December 31, 2020, the ratio of women was 30% at the first management level and 28% at the second management level. As a global company, Continental continues to attach high priority to the goal of steadily increasing the proportion of women in management positions throughout the Continental Group, above and beyond the legal requirements in Germany.

### Diversity concept

Continental counts on the diversity of its employees. The current focus of its commitment to promote diversity is on internationality and a balanced gender ratio.

The Supervisory Board also pays attention to the diversity of the composition of the Executive Board. The Executive Board does the same when appointing people to management positions. As a basic principle, the Executive Board aims to achieve a balanced ratio of domestic to international managers everywhere. The proportion of local and international managers varies according to region. In 2020, a total of about 46% of the Continental Group's managers came from other countries.

Continental AG is also working on increasing the proportion of women in management positions. The target of having 16% female managers by 2020 has been achieved. The proportion is to be increased to 25% by 2025.

In drawing up the Executive Board's succession plan, the Supervisory Board together with the Executive Board makes use of the measures and programs to promote internationality and women in management positions, thus making it possible to identify and develop potential international and female candidates for positions on the Executive Board. The aim in the medium term is to use these measures to increase the diversity of the Executive Board even further.

The Supervisory Board also pays attention to the diversity of its own composition. For the Supervisory Board, diversity refers to age, gender, background and professional experience, among other things. The Supervisory Board is convinced that it will achieve diversity in its composition in particular by fulfilling the profile of skills and expertise and meeting the targets for its composition.

# Compliance

One of our four values is trust. Trust requires integrity, honesty and incorruptibility. Compliance with all the legal requirements that apply to Continental AG and its subsidiaries and its internal regulations by management and employees has therefore long been a goal of the company and an integral part of its corporate culture. In addition to our corporate guidelines, OUR BASICS, this is reflected in particular in our sustainability ambition and the Code of Conduct that is binding for all employees. The Executive Board is firmly committed to these principles and that of "zero tolerance," particularly with regard to corruption and antitrust violations.

The basis of our compliance management system (CMS) is a comprehensive analysis of the compliance risks to which the company is exposed. The company and its business activities are examined in terms of potential compliance risks that can arise, for instance, from its structures and processes, a specific market situation or even operations in certain geographic regions. This takes into account, for example, the results of regular corporate-wide reporting on compliance risks in the governance, risk and compliance (GRC) system, the findings of investigations by the Group Audit department, and external sources such as Transparency International's Corruption Perception Index. This analysis is substantiated and expanded primarily by a series of discussions with management and employees at all levels and at our training events. The risk analysis is not a one-off procedure, but is constantly reviewed and updated.

The head of the Compliance department manages the compliance organization in operational terms. The person holding this position is subordinate to the corporate compliance officer, who reports directly to the chief financial officer. The focal area of the work of the Compliance department is preventing violations of antitrust and competition law, corruption, fraud and other property offenses, and infringements of regulations for the prevention of money laundering. For other areas in which there is a risk of compliance violations, responsibility for compliance management lies with the respective functions that have performed these duties competently for a long time and are supported in these tasks by the Compliance department.

The CMS consists of the three pillars of prevention, detection and response:

› The first pillar of CMS – **prevention** – serves to maintain and further develop a general culture of compliance. This begins with setting an appropriate "tone from the top" by the Executive Board and management and, in addition to risk analysis, includes in particular employee training. Here, we attach great importance to in-person events at which we can address employees personally and directly and discuss their questions. Due to the restrictions caused by the COVID-19 pandemic, we are currently conducting most of this training in the form of webinars. We use e-learning programs as well. Prevention is also fostered by consultation on specific matters with the Compliance department and by the internal publication of guidelines on topics such as antitrust law and contact with competitors, giving and receiving gifts, and

sponsoring. Continental introduced the Business Partner Code of Conduct to prevent compliance violations by suppliers, service providers or similar third parties that could have negative repercussions for Continental, or that could be attributed to the company under laws such as the UK Bribery Act. This must be recognized as a basic requirement for doing business with Continental. If necessary, third-party due diligence can be performed with regard to compliance issues. Another key element of preventive compliance is communication measures, which are carried out on a regular basis. These include video tutorials on compliance, as well as Compliance Days and Compliance Games that are organized by the individual locations with the support of the compliance organization. They, too, have been converted to a digital format.

› The second pillar of CMS – **detection** – comprises regular and ad hoc audits. In addition, compliance is always a subject of audits carried out by the Group Audit department. Continental has set up the Compliance & Anti-Corruption Hotline to give employees and third parties outside the Continental Group the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, but also other offenses or accounting manipulation, can be reported anonymously via the hotline where permissible by law. The Group Audit and Compliance departments investigate and pursue all tips received by this hotline. The hotline is available worldwide in many different languages. The number of tips received by the hotline has risen steadily over the past few years. We see this as a sign of increased awareness of compliance topics and as a success in our compliance work. Since the start of the COVID-19 pandemic and the associated restrictions, we have recorded a decline in the number of tips received.

› The third pillar of CMS – **response** – deals with the consequences of compliance violations that have been identified. The Compliance department is involved in decisions on measures that may be required, including any individual sanctions. Furthermore, the Compliance department conducts a thorough analysis of such events to ensure that isolated incidents are not symptoms of failings in the system, and to close any gaps in prevention and continuously further develop the compliance management system.

In 2016, the design, implementation and effectiveness of Continental AG's CMS for the areas of anti-corruption, competition/antitrust law, fraud and other property offenses were audited in accordance with Audit Standard 980 of the Institut der Wirtschaftsprüfer e. V. (IDW) and were issued an unqualified review opinion.

Material compliance-related matters and risks are described in more detail in the report on risks and opportunities starting on page 99, and in the notes to the consolidated financial statements (Note 36).

# Remuneration Report

This remuneration report is a part of the management report.

## Process for determining and implementing as well as reviewing the remuneration system for members of the Executive Board of Continental AG

The Supervisory Board determines the system for remuneration of the Executive Board in accordance with the legal regulations in Sections 87 (1) and 87a (1) of the German Stock Corporation Act (*Aktiengesetz – AktG*). The Supervisory Board is supported by its Chairman's Committee in this respect. The Chairman's Committee and the Supervisory Board can bring in external consultants where necessary. For the mandating thereof, care is taken to ensure they are independent of the Executive Board and the company.

The remuneration system resolved by the Supervisory Board is presented to the Annual Shareholders' Meeting for approval. Should the Annual Shareholders' Meeting not approve said remuneration system, a reviewed version of the remuneration system is presented for approval at the following Annual Shareholders' Meeting at the latest, in accordance with Section 120a (3) *AktG*.

The Chairman's Committee arranges for the regular review of the system for remuneration of the members of the Executive Board by the Supervisory Board. Where necessary, it recommends changes to the system to the Supervisory Board. For each substantial change to the remuneration system, but at least every four years, the remuneration system is to be presented to the Annual Shareholders' Meeting for approval in accordance with Section 120a (1) Sentence 1 *AktG*.

## New remuneration system as of January 1, 2020

The Supervisory Board reviews the Executive Board's remuneration regularly. Most recently in 2019, it once again commissioned an independent consultant to review the remuneration of the Executive Board and the remuneration system, in order to take into account changes in the general conditions as a result of the German Act for the Implementation of the 2nd EU Shareholder Rights Directive (*ARUG II*) – which took effect on January 1, 2020 – and the new version of the German Corporate Governance Code of December 16, 2019 (published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette (*Bundesanzeiger*) on March 20, 2020). On the basis of reviews by the independent consultant, the Supervisory Board discussed the new remuneration system for the Executive Board in detail over several meetings and finalized this at its meeting on March 17, 2020. The new remuneration system was then approved by the Annual Shareholders' Meeting of Continental AG on July 14, 2020.

The new system has applied to the remuneration of members of the Executive Board of Continental AG since January 1, 2020. This remuneration report describes the new remuneration system for the Executive Board as well as the structure and amount of the remuneration for individual members of the Executive Board.

## Principles of the remuneration system

The remuneration system for members of the Executive Board of Continental AG makes a valuable contribution toward promoting the business strategy of Continental AG. Through the arrangements for the remuneration system, the members of the Executive Board

will be motivated to achieve major strategic corporate targets – in particular, increasing the company's value and holding a top market position with regard to customer focus, quality and market share.

When determining Executive Board members' remuneration, the Supervisory Board focuses on the following principles:

### Promotion of the corporate strategy

The remuneration system, in its entirety, makes a valuable contribution toward the promotion and implementation of the corporate strategy, by defining sustainable performance criteria relating to the long-term success of the company.

### Appropriateness of the remuneration

The remuneration of the Executive Board members is proportionate to their tasks and performance. It takes into account the complexity and the economic position of the company. Compared to similar companies, the remuneration is in line with the market and, at the same time, competitive.

### Linking of remuneration to performance

The remuneration of members of the Executive Board is linked to their performance, whereby the variable remuneration component is dependent on specific target criteria being met. Outstanding performance is therefore reflected accordingly in the Executive Board member's remuneration, while failure to meet the predefined targets will result in a noticeable reduction in their remuneration.

### Focus on sustainable and long-term development of the company

The remuneration of the members of the Executive Board is geared toward the sustainable and long-term development of the company. The major portion of the variable remuneration component is therefore measured over several years. As part of the long-term variable remuneration component, the members of the Executive Board are also given non-financial target criteria for the sustainable development of the company.

### Harmonization with shareholder and stakeholder interests

The remuneration system makes a key contribution toward linking the interests of the Executive Board with the interests of shareholders and other stakeholders. The major portion of the variable remuneration component is linked to the performance of the company and the Continental share price. In addition, the Executive Board commits to acquire and permanently hold shares in Continental AG during its appointment.

### Consistency of the remuneration system

The remuneration system for members of the Executive Board is linked to the remuneration of the Continental Group's managers, sets comparable incentives and presents a set of harmonized targets.

## Overview: components and structure of total target-based remuneration

The remuneration system comprises a fixed component that is unrelated to performance as well as a variable component that is based on performance.

The fixed component that is unrelated to performance comprises the fixed annual salary, additional benefits and future benefit rights.



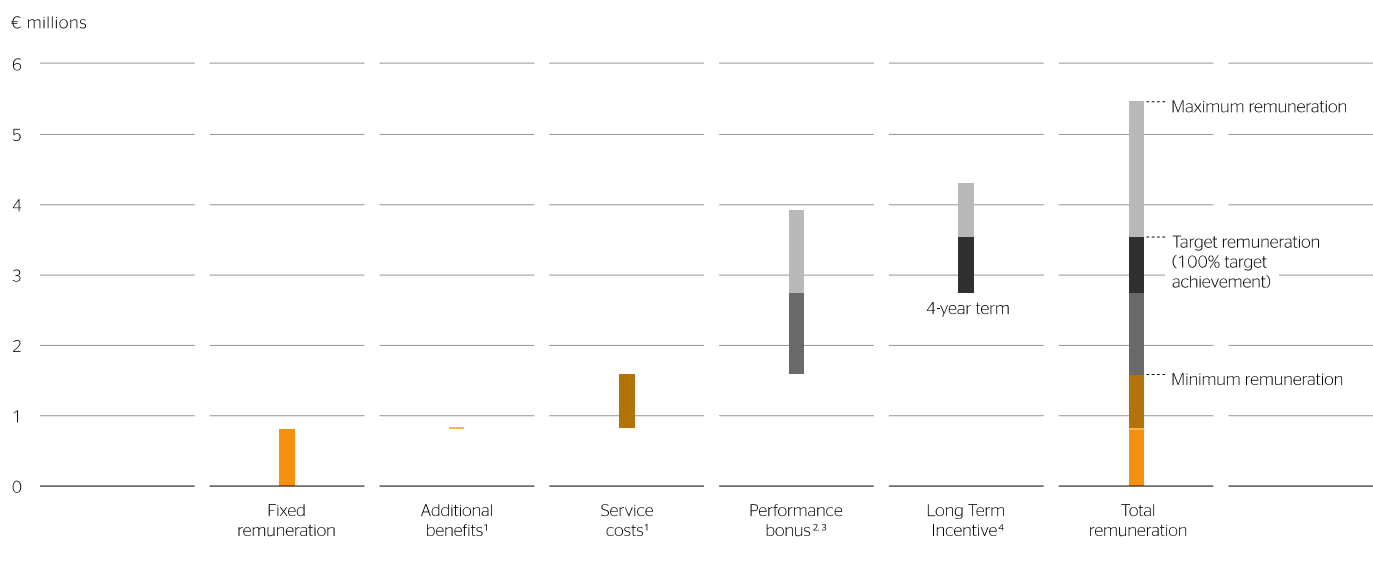
The variable component that is based on performance comprises a short-term remuneration component (performance bonus without equity deferral) as well as long-term remuneration components (long-term incentive and equity deferral of the performance bonus). For the variable remuneration components, before the start of each fiscal year, target criteria are determined by the Supervisory Board with a view to its strategic goals, the provisions of Sections 87 and 87a AktG and the German Corporate Governance Code in its respective valid version, whereby the degree to which these criteria are met will determine the actual amount paid out.

The Supervisory Board may take the function and area of responsibility of the individual members of the Executive Board into account

accordingly when determining the amount of the total target-based remuneration. As part of this, shares of the individual remuneration component for the total target-based remuneration are indicated below in percentage ranges. The precise proportions therefore vary depending on the functional differentiation as well as a possible change within the framework of the yearly remuneration review.

The fixed annual salary comprises 22% to 28% of the target remuneration, the performance bonus (excluding equity deferral) between 17% and 22%, and the equity deferral and long-term incentive between 33% and 38%. Future benefit rights make up between 17% and 23% of the target remuneration, and additional benefits make up approximately 1%.

### Remuneration of an Executive Board Member responsible for a Business Area (example)



1 Average figure for 2020.

2 Based on a target amount (here €1.167 million) for 100% achievement of defined EBIT, ROCE and FCF targets as well as a personal contribution factor (PCF) of 1.0. A maximum of 200% of the target amount can be achieved.

3 From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years.

4 Based on the allotment value, which is converted into virtual shares of Continental AG. The payment amount depends on the relative total shareholder return, the sustainability criteria achieved and the share price before the payment. A maximum of 200% of the allotment value can be achieved.

## Remuneration Components in Detail

### 1. Fixed remuneration component

The fixed annual salary is a fixed remuneration for the entire fiscal year that is paid out in 12 equal monthly installments.

Each member of the Executive Board also receives additional benefits, including:

- > Provision of a company car, which can also be for personal use
- > Reimbursement of travel expenses, as well as relocation costs and expenses for running a second household, where this is required for work reasons

- > A regular health check

- > Directors' and officers' (D&O) liability insurance with deductible in accordance with Section 93 (2) Sentence 3 AktG

- > Group accident insurance

- > The employers' liability insurance association contribution including, where necessary, income tax incurred as a result, as well as

- > Health insurance and long-term care insurance contributions based on Section 257 of Book V of the German Social Code (SGB V) and Section 61 of Book XI of the German Social Code (SGB XI)

Each member of the Executive Board is granted post-employment benefits that are paid starting at the age of 63, but not before they leave the service of Continental AG (hereinafter "insured event"). From January 1, 2014, the company pension for the members of the Executive Board was changed to a defined contribution commitment. A capital component is credited to the Executive Board member's pension account each year. In addition, a fixed contribution, agreed by the Supervisory Board in the Executive Board member's employment contract, is multiplied by an age factor that represents an appropriate return. For members of the Executive Board who were already in office prior to January 1, 2014, the future benefit rights accrued until December 31, 2013, have been converted into a starting component in the capital account. When the insured event occurs, the benefits are paid out as a lump sum, in installments or – as is normally the case due to the expected amount of the benefits – as a pension. Post-employment benefits are adjusted after commencement of such benefit payments in accordance with Section 16 of the German Company Pensions Law (*Betriebsrentengesetz – BetrAVG*).

## 2. Variable remuneration component

### a) Performance bonus (short-term incentive, STI)

In the employment contract, the Supervisory Board agrees to a target amount for the performance bonus (hereinafter "STI target amount") that is granted to each member of the Executive Board in the event of 100% target achievement. The maximum amount of the performance bonus is limited to 200% of the STI target amount.

The amount of the STI to be paid out depends on the extent to which a member of the Executive Board achieves the targets set by the Supervisory Board for this Executive Board member for the following three key financial indicators as performance criteria within the meaning of Section 87a (1) Sentence 2 No. 4 *AktG*:

› Earnings before interest and tax (hereinafter "EBIT"), adjusted for goodwill impairment as well as gains and/or losses from the disposal of parts of the company

› Return on capital employed (hereinafter "ROCE") as the ratio of EBIT (adjusted, as mentioned above) to average operating assets for the fiscal year

› Cash flow arising from operating activities and cash flow (hereinafter "free cash flow" or "FCF"), adjusted for cash inflows and outflows from the disposal or acquisition of companies and business operations

The degree to which the EBIT target is achieved is weighted at 40%, the ROCE target at 30% and the free cash flow target at 30% in the calculation of the STI.

For each financial performance criterion, the target value for 100% target achievement corresponds to the value that the Supervisory Board agreed in each case for this financial performance criterion in the planning for the respective fiscal year.

For each financial performance criterion, the Supervisory Board determines the values for target achievement of 0% and 200% on an annual basis. The degree to which the target is achieved is calculated on a straight-line basis between 0% and 200% by comparing this with the respective actual value for the fiscal year.

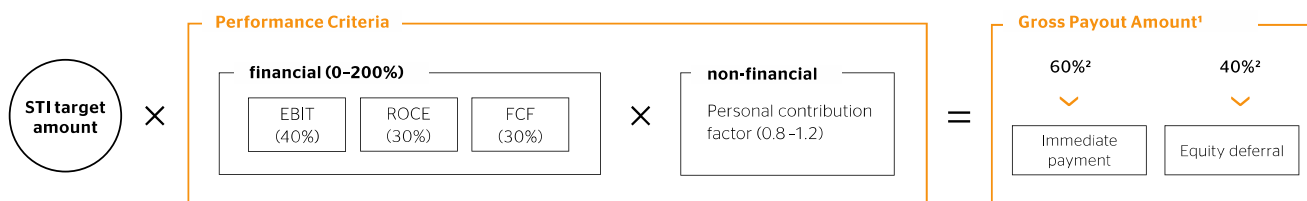
A subsequent change to target values and the comparison parameters is – subject to the options described below for dealing with extraordinary events and developments – not possible.

In addition, prior to the start of each fiscal year, the Supervisory Board can determine personal, non-financial performance criteria to be included in target achievement in the form of a personal contribution factor (hereinafter "PCF") with a value between 0.8 and 1.2 for individual or all members of the Executive Board from the following areas:

› Market development and customer focus (e.g. new markets, new product or customer segments)

› Implementation of transformation projects (e.g. spin-off, portfolio adjustments, reorganization, efficiency enhancements, strategic alliances)

## Structure of the performance bonus (STI)



<sup>1</sup> A maximum of 200% of the target amount can be achieved.

<sup>2</sup> Net amount; from the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

- Organizational and cultural development (e.g. promotion of corporate values, agility and ownership, strengthening of internal cooperation and communication, succession planning, employer brand)

The non-financial performance criteria and target achievement for the PCF should be understandable and verifiable. After the end of the fiscal year, the Supervisory Board assesses the performance of the individual member of the Executive Board based on the set performance criteria and targets, and determines a value between 0.8 and 1.2 for the PCF.

If the Supervisory Board has not set any targets for the PCF for a fiscal year, the PCF value is 1.0.

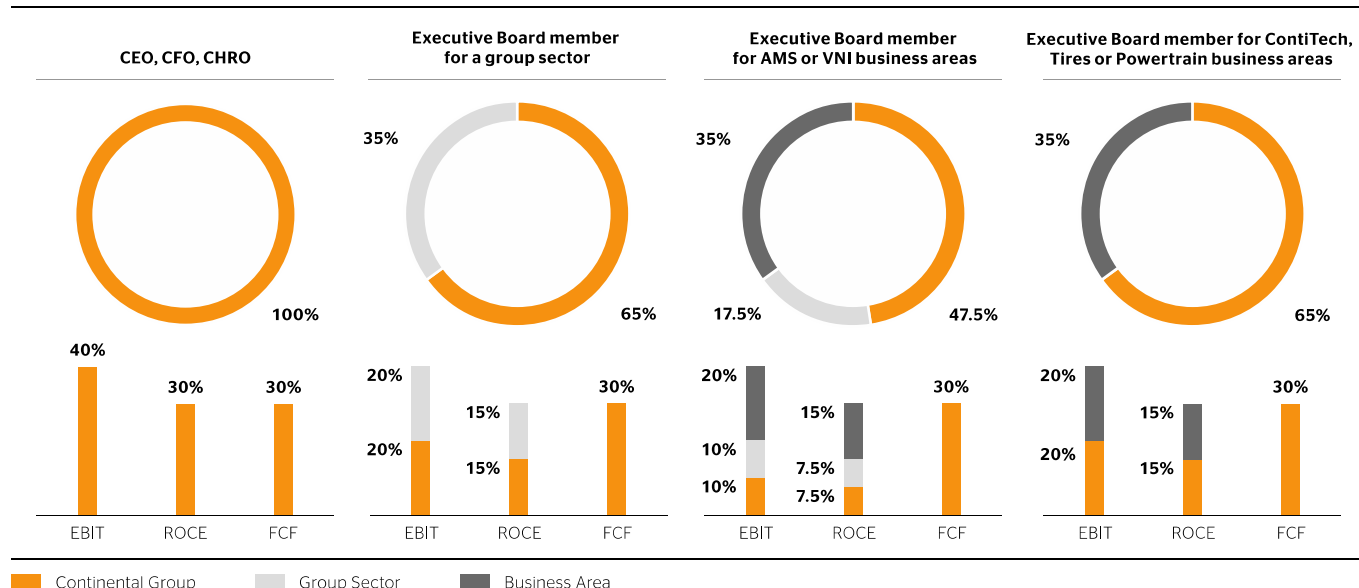
The financial and non-financial performance criteria for the performance bonus are intended to incentivize the members of the Executive Board to create value and to achieve or even exceed the short-term economic goals as well as motivate them to attain operational excellence. The PCF also allows the Supervisory Board to take into account the individual or collective achievements of the Executive Board members, based on non-financial performance criteria and goals, that are decisive for the operational implementation of the corporate strategy.

The performance bonus is intended firstly to reflect the overall responsibility for the company of the members of the Executive Board and promote collaboration among the group sectors, and secondly to provide independent leadership for the respective areas. When determining the targets and calculating the STI for each member of the Executive Board, the respective business responsibility is therefore taken into account as follows:

- For an Executive Board member whose area of responsibility extends to the Continental Group as a whole – e.g. chief executive officer (CEO), chief financial officer (CFO), chief human relations officer (CHRO) – achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group.
- For an Executive Board member whose area of responsibility consists of a group sector (e.g. chairman of the Automotive Board), achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group and for the group sector (50% each).
- For an Executive Board member whose area of responsibility consists of the Autonomous Mobility and Safety (AMS) or Vehicle Networking and Information (VNI) business area, achievement of the EBIT and ROCE targets is measured based on the key figures determined for the Continental Group (25%), for Automotive Technologies (25%) and for the respective business area (50%).
- For an Executive Board member whose area of responsibility consists of the ContiTech, Tires or Powertrain business area, the extent to which the EBIT and ROCE targets have been achieved is measured on the basis of the key figures determined for the Continental Group (50%) and for the respective business area (50%).
- Achievement of the free cash flow target is measured for all Executive Board members based on free cash flow for the Continental Group as a whole.

## Short-term incentive (STI)

### Consideration of business responsibility for financial performance criteria



After the end of the fiscal year, the target achievement for each financial performance criterion is calculated on the basis of the audited consolidated financial statements of Continental AG and multiplied by the STI target amount in accordance with the weighting described below. By multiplying this result by the PCF, the gross value of the STI amount to be paid (hereinafter "gross payout amount") is determined. A special or recognition bonus cannot be granted to the Supervisory Board.

Each member of the Executive Board is obligated to invest 20% of the gross payout amount (generally corresponding to around 40% of the net payment amount) in shares of Continental AG. The remainder is paid out as short-term variable remuneration.

The purchase of shares is to take place through an external service provider within a defined timeframe after the settlement and provision of the amount, taking into consideration the statutory provisions that apply in each case, in particular the statutory regulations on insider business (starting from Art. 7 of the EU Market Abuse Regulation) and managers' transactions (Art. 19 of the EU Market Abuse Regulation). Each member of the Executive Board is obligated to hold the shares legally and economically for a period of at least three years from the day of acquisition. The shares acquired as deferral can be counted toward the obligation of the Executive Board member to acquire shares of Continental AG in accordance with the share ownership guideline presented below.

#### b) Long-term incentive (LTI)

In the financial report as at September 30, 2020, the long-term incentive plan from the new remuneration system was described as the Continental long-term incentive plan (CLIP 2020). In the following, this will be referred to as the 2020 LTI plan. The long-term incentive (hereinafter "LTI") is intended to promote the long-term commitment of the Executive Board to the company and its sustainable growth. Therefore, the long-term total shareholder return (hereinafter "TSR") of Continental shares, compared with an index consisting of European companies that are active in the automotive and tire industry and comparable with Continental AG (STOXX Europe 600 Automobiles & Parts (SXAGR); hereinafter "benchmark index"), is a key performance criterion for the LTI. The second performance criterion is a sustainability score that is multiplied by the degree of target achievement in order to calculate the LTI to be paid. The amount of the LTI to be paid is based on the performance of the Continental share price over the term of the LTI.

Each LTI has a term of four fiscal years. In the employment contract, the Supervisory Board agrees to an allotment value in euros for the LTI with each member of the Executive Board. At the start of the first fiscal year of the term of the LTI plan, this allotment value is converted into a basic holding of virtual shares. The allotment value is divided by the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the term of the respective LTI plan (issue price).

The maximum amount of the LTI to be paid is limited to 200% of the allotment value, which is set out in the employment contract for the respective member of the Executive Board.

For the calculation of the relative TSR, after the four-year term of the LTI plan, the TSR on Continental shares (Continental TSR) is compared with the performance of the benchmark index over this time period.

If the Continental TSR corresponds to the benchmark TSR, the TSR target is 100% achieved. If the Continental TSR falls short of the benchmark TSR by 25 percentage points or more, the target achievement is 0%. If the Continental TSR exceeds the benchmark TSR by 25 percentage points or more, the target achievement is 150%. If the Continental TSR falls short of, or exceeds, the benchmark TSR by fewer than 25 percentage points, the degree to which the targets are achieved is calculated on a straight-line basis between 50% and 150%. A target achievement of more than 150% is excluded.

The Supervisory Board sets out appropriate provisions in the event of changes to Continental's share capital, the listing of the Continental share or the benchmark index that have a substantial impact on the Continental TSR or the benchmark TSR.

Sustainability is an integral part of the corporate strategy at Continental and is based on the four company values of Trust, Passion To Win, Freedom To Act and For One Another. For Continental, sustainability means having a positive impact on society and reducing any negative impact of business operations.

The Executive Board of Continental AG approved a new sustainability strategy in fiscal 2019, which the Supervisory Board is integrating into the remuneration system. The Executive Board's sustainability strategy defines 12 material topics: climate protection, clean mobility, circular economy, sustainable supply chains, green and safe factories, good working conditions, product quality, corporate governance, innovation and digitalization, safe mobility, long-term profitability, and corporate citizenship. From these, the Executive Board has identified the following strategic focus areas:

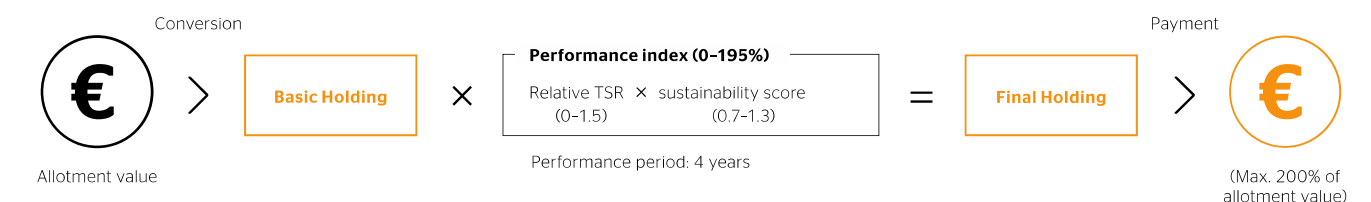
- › Climate protection
- › Clean mobility
- › Circular economy
- › Sustainable supply chains

The Executive Board of Continental AG has set ambitious sustainability goals based on these four topics. The necessary concepts, performance indicators and individual targets are being developed successively.

Based on the current concepts, performance indicators and individual targets for the 12 topics, in particular the strategic focus areas, the Supervisory Board sets out up to six performance criteria and targets for the sustainability score of the respective LTI plan. These can be targets for CO<sub>2</sub> emissions and recycling quotas or the review of good working conditions for employees in the Continental Group (e.g. based on sick leave or accident rates).



## Structure of the 2020 long-term incentive (2020 LTI)



When determining the performance criteria for the sustainability score, the Supervisory Board pays particular attention to the availability of data required at the corporate level, data quality and its comparability over time, but also the degree to which achievement of targets is influenced by management performance. The target achievement should also be verifiable, as part of the audit of the non-financial statement.

The Supervisory Board reviews the extent to which targets have been achieved on the basis of the reviewed consolidated financial statements and the non-financial statement of the Continental Group for the fourth fiscal year of the term of the LTI plan. For the calculation of the sustainability score, to the value of 0.7 for each target that has been achieved, a value is added that is determined by dividing 0.6 by the number of determined performance criteria. The sustainability score can be no higher than 1.3.

For the calculation of the LTI to be paid out, the relative TSR and the sustainability score for the performance index (hereinafter "PI") are first multiplied together. By multiplying the basic holding of virtual shares with the PI, this results in the final holding of virtual shares.

The final holding of virtual shares is multiplied by the payout ratio in order to determine the gross amount of the LTI to be paid out in euros (hereinafter "payout amount"). The payment ratio is the sum of the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the last two months prior to the next ordinary Annual Shareholders' Meeting that follows the end of the term of the LTI plan and the dividends paid out per share during the term of the LTI plan.

The payout amount may not exceed 200% of the allotment value agreed in the employment contract.

If the employment contract for a member of the Executive Board ends without good cause before the end of the first fiscal year of an LTI plan, the Executive Board member is entitled to an LTI that is reduced pro rata temporis. If the employment contract for a member of the Executive Board ends without good cause after the end of the first fiscal year but before the end of the term of an LTI

plan, the Executive Board member remains entitled to the full LTI. The other conditions of the LTI do not change; in particular, the time of calculation and the maturity date of the payment remain unchanged. No entitlement to payment of an LTI, or to payment of a pro rata LTI, exists in the event of premature termination of the employment contract for good reason.

### Determining the specific total target-based remuneration

The Supervisory Board determines, in accordance with the remuneration system, the amount of total target-based remuneration for each member of the Executive Board for the coming fiscal year in each case. As a guide, the respective remuneration is appropriately proportionate to the tasks and performance of the member of the Executive Board as well as the location of the company, should not exceed the usual remuneration without good cause, and is geared toward a long-term and sustainable development of Continental AG. For this purpose, comparative observations are employed, both externally and internally:

- › Horizontal (external) comparison: To assess the appropriateness and conventionality of the specific total remuneration for the members of the Executive Board compared with other companies, the Supervisory Board consults a suitable benchmark group (horizontal comparison). For this peer group comparison, the market position of the companies compared with Continental AG is a decisive factor. In this respect, the companies of the German stock index (DAX) form a comparative market within which the total target-based remuneration and maximum remuneration in particular are compared.
- › Vertical (internal) comparison: The vertical comparison refers to the ratio of the Executive Board remuneration to the remuneration of senior executives and the workforce in the Continental Group in Germany, with development over time also taken into account. For this purpose, the Supervisory Board defined senior executives as comprising the management levels below the Executive Board of Continental AG within the Continental Group which, according to the internal job evaluation system, are part of the group of senior executives. The rest of the workforce specifically includes the circle of executives, likewise defined in accordance with the internal job evaluation system, as well as the group of non-tariff employees and the group of tariff employees.

› **Differentiation based on the respective job specifications:** The remuneration system allows the Supervisory Board to take the function and area of responsibility of the individual members of the Executive Board into account accordingly when determining the amount of the total target-based remuneration. In the professional judgment of the Supervisory Board, function-specific differentiations are therefore permitted, whereby criteria such as customary market practice, experience of the relevant Executive Board member, and the area for which they have responsibility are taken into account.

› **Maximum remuneration amounts:** The variable remuneration is intended to guarantee a balanced risk-opportunity profile. If the set targets are not achieved, the payment amount of the variable remuneration can be reduced to zero. If the targets are significantly exceeded, the payment for both the short-term and the long-term variable remuneration components is limited to 200% of the target amount or allotment value.

In addition, the Supervisory Board set out a ceiling for all remuneration components combined, including additional benefits and service costs, in accordance with Section 87a (1) Sentence 2 No. 1 *AktG* (hereinafter "maximum remuneration"). The maximum remuneration is €11.5 million for the chief executive officer, €6.7 million for the chief financial officer and the chief human relations officer, and €6.2 million for the other members of the Executive Board. These ceilings refer, in each case, to the sum of all payments resulting from the remuneration provisions for a fiscal year.

## Further remuneration-relevant provisions

### 1. Malus and clawback provision

If an Executive Board member, in their function as a member of the Executive Board, commits a demonstrably deliberate gross infringement of their duty of care as set out in Section 93 *AktG*, of a significant principle for action in the internal guidelines introduced by the company, or of one of their other obligations as set out in the employment contract, the Supervisory Board can, at its due discretion, wholly or partially reduce the variable remuneration that is to be granted for the fiscal year in which the gross infringement took place to zero (hereinafter "malus provision").

If the variable remuneration has already been paid out at the time the decision is made to impose a reduction, the members of the Executive Board must pay back the excess payments received in accordance with this decision (hereinafter "clawback provision"). In this case, the company is also entitled to charge for other remuneration claims of the member of the Executive Board.

Any claims for damages of Continental AG against the member of the Executive Board, in particular from Section 93 (2) *AktG*, will remain unaffected by the agreement of a malus or clawback provision.

### 2. Share ownership guideline

In addition to the remuneration components already mentioned, each member of the Executive Board is required to invest a minimum amount in Continental AG shares and to hold these shares during their term of office plus an additional two years after the end of their appointment and the end of their employment contract.

The minimum amount to be invested by each member of the Executive Board is based on their agreed gross fixed annual salary. It amounts to 200% of the fixed annual salary of the chief executive officer and 100% of the fixed annual salary of all other members of the Executive Board.

For the duration of the mandatory holding period, a member of the Executive Board may neither pledge Continental shares acquired in accordance with the share ownership guideline nor otherwise hold them.

### 3. Terms and termination options

The employment contracts do not plan for an ordinary termination option; the mutual right for extraordinary termination of the employment contract for good cause remains unaffected. Continued remuneration payments have been agreed for a certain period in the event of incapacitation through no fault of the Executive Board member concerned. If a member of the Executive Board becomes permanently unable to work during the term of their employment contract, the employment contract will end on the day on which the permanent inability to work is identified.

In the event of premature termination of Executive Board work without good cause, payments to be agreed where necessary that are made to the member of the Executive Board, including added benefits, shall not exceed the value of two annual salaries (hereinafter "severance cap") or the value of remuneration for the remaining term of the employment contract of the Executive Board member. For the calculation of the severance cap, the total remuneration for the past fiscal year is taken into account, and if necessary also the expected total remuneration for the current fiscal year.

For each member of the Executive Board, a post-contractual non-compete covenant is agreed for a duration of two years. Over this period of time, appropriate compensation (compensation for non-competition) is granted at an amount of 50% of the most recently contractually agreed benefits each year. Any severance payment is to be credited against the compensation for non-competition.

The remuneration system does not allow for special provisions in the event of a change of control or redundancy payment commitments.

### 4. Dealing with extraordinary events and developments

The Supervisory Board may, at the recommendation of the Chairman's Committee, temporarily deviate from parts of the remuneration system for the Executive Board in extraordinary cases, where this is appropriate and necessary in order to maintain the incentivizing effect of the remuneration for members of the Executive Board in the interests of the company in the long term, the remuneration of members of the Executive Board continues to be geared toward sustainable and long-term development of the business, and the financial strength of the company is not overstretched. Extraordinary developments may be, for example, extraordinary and far-reaching changes to the economic situation (as a result of a major economic crisis, for example) that can make the original target criteria and/or financial incentives of the remuneration system redundant, provided these or the specific effects that they have were not foreseeable. Market developments that are generally

unfavorable are expressly not considered to be extraordinary developments.

The parts of the remuneration system from which deviations can occur are the process, the provisions on the structure and amount of remuneration, as well as the individual remuneration components. If making an amendment to the existing remuneration components is not sufficient to restore the incentive effect of the remuneration for the member of the Executive Boards, the Supervisory Board has the right, in the event of extraordinary developments and under the same conditions, to temporarily grant additional remuneration components.

A deviation from, or addition to, the remuneration components is only possible thanks to a corresponding resolution of the Supervisory Board on a previous proposal by the Chairman's Committee that approves the extraordinary circumstances and the need for a deviation or addition here.

#### Remuneration system prior to December 31, 2019

The remuneration system in place until December 31, 2019, (hereinafter "2019 remuneration system") continues to have an impact on the remuneration of both serving and former members of the Executive Board, in particular in relation to the long-term incentives, equity deferral and future benefit rights granted until the end of 2019. In addition, the remuneration of Dr. Elmar Degenhart was based on the 2019 remuneration system until he left the Executive Board of Continental AG on November 30, 2020. The key elements from the 2019 remuneration system are therefore described below.

Remuneration for Executive Board members as set out in the 2019 remuneration system consisted of the following:

- > Fixed remuneration
- > Variable remuneration elements
- > Additional benefits
- > Retirement benefits

#### 1. Fixed remuneration

Each Executive Board member received fixed annual remuneration paid in 12 monthly installments. The fixed remuneration, with 100% target achievement of the variable remuneration elements, made up around one-third of the direct remuneration.

#### 2. Variable remuneration elements

The Executive Board members also received variable remuneration in the form of a performance bonus and a share-based long-term incentive (LTI). A key criterion for measuring variable remuneration was the Continental Value Contribution (CVC) (please refer to the Corporate Management section in the management report, page 49). The variable remuneration elements, with 100% target achievement, made up around two-thirds of the direct remuneration. The structure of the variable remuneration was geared toward the sustainable development of the company, with a future-oriented assessment basis that generally covered several years. The share of long-term components amounted to 60% or more of variable remuneration on the basis of the target values.

#### a) Performance bonus

The performance bonus was based on a target amount that the Supervisory Board determined for each Executive Board member for 100% target achievement. Target criteria were the year-on-year change in the CVC and the return on capital employed (ROCE). For Executive Board members with responsibility for a particular business area, these criteria related to the relevant business area; for other Executive Board members, they related to the Continental Group. The CVC target was 100% achieved if the CVC was unchanged compared to the previous year. If the CVC fell or rose by a defined percentage, this element was reduced to zero or reached a maximum of 150%. In the case of negative CVC in the previous year, target achievement was based on the degree of improvement. The criteria for the ROCE target were guided by planning targets. This component could also be omitted if a certain minimum value was not achieved.

The CVC target was weighted at 60% and the ROCE target at 40% in the calculation of the performance bonus. In addition to the CVC and ROCE targets, the Supervisory Board could determine a strategic target at the beginning of each fiscal year, which was weighted at 20% – reducing the weighting of the other two targets accordingly. This option was not made use of for fiscal 2020. In order to take into account extraordinary factors that influenced the degree to which targets were achieved, the Supervisory Board had the right – as it saw fit – to retroactively adjust the established attainment of goals on which the calculation of the performance bonus was based by up to 20% downward or upward. It did not make use of the discretionary power. In any event, the performance bonus was capped at 150% of the target bonus. This applied irrespective of whether an additional strategic target was resolved.

The performance bonus achieved in a fiscal year was divided into a lump sum, which was paid out as an annual bonus (immediate payment), and a deferred payment (deferral). The immediate payment amounted to 60% and the deferral 40%. The deferral was converted into virtual shares of Continental AG. Following a holding period of three years after the end of the fiscal year for which the respective performance bonus was determined, the value of these virtual shares was paid out together with the value of the dividends that were distributed for the fiscal years of the holding period. The conversion of the deferral into virtual shares and payment of their value after the holding period were based on the average share price for the three-month period immediately preceding the Annual Shareholders' Meeting in the year of conversion or payment. The possible increase in the value of the deferral was capped at 250% of the initial value. Future payments of the value of deferrals will still be made under the 2019 remuneration system, provided the three-year holding period for the virtual shares has expired.

#### b) Long-term incentive (LTI)

The LTI plan was resolved by the Supervisory Board on an annual basis with a term of four years in each case. It determined the target bonus to be paid for 100% target achievement for each Executive Board member, taking into account the Continental Group's earnings and the member's individual performance.

The first criterion for target achievement was the average CVC that the Continental Group actually generated in the four fiscal years during the term, starting with the fiscal year in which the tranche was issued. This value was compared to the average CVC, which was set in the strategic plan for the respective period. The degree to which this target was achieved could vary between 0% and a maximum of 200%. The other target criterion was the total shareholder return (TSR) on Continental shares during the term of the tranche. To determine the TSR, the average price of the Continental share in the months from October to December was set in relation to the beginning and the end of the respective LTI tranche. In addition, all dividends paid during the term of the LTI tranche were taken into account for the TSR (please refer to Note 28 of the notes to the consolidated financial statements). The degree to which this target was achieved was multiplied by the degree to which the CVC target was achieved to determine the degree of target achievement on which the LTI that would actually be paid after the end of the term was based. The maximum payment amount was capped at 200% of the target bonus.

Future payments of the LTI tranches issued may still be made under the 2019 remuneration system.

#### 3. Additional benefits

Executive Board members also received additional benefits, primarily the reimbursement of expenses, including any relocation expenses and payments – generally for a limited time – for a job-related second household, the provision of a company car, and premiums for group accident and directors' and officers' (D&O) liability insurance. As a rule, members of the Executive Board were required to pay taxes on these additional benefits.

Continued remuneration payments were also agreed for a certain period in the event of employment disability through no fault of the Executive Board member concerned.

#### 4. Retirement benefits

All members of the Executive Board were granted post-employment benefits that were paid starting at the age of 63 (but not before they left the service of the company) or in the event of disability.

From January 1, 2014, the company pension for the members of the Executive Board was changed from a purely defined benefit to a defined contribution commitment. A capital component was credited to the Executive Board member's pension account each year. To determine this, an amount equivalent to 20% of the sum of the fixed remuneration and the target value of the 2019 performance bonus was multiplied by an age factor representing an appropriate return. The future benefit rights accrued until December 31, 2013, were converted into a starting component in the capital account. When the insured event occurred, the benefits were paid out as a lump sum, in installments or – as was normally the case due to the expected amount of the benefits – as a pension. Post-employment benefits were adjusted after commencement of such benefit payments in accordance with Section 16 of the German Company Pensions Law (*Betriebsrentengesetz – BetrAVG*).

In the employment contracts under the 2019 remuneration system, it was agreed that, in the event of premature termination of Executive Board work, payments to the Executive Board member that were to be agreed, including the additional benefits, would not exceed the value of two annual salaries or the value of remuneration for the remaining term of the employment contract for the Executive Board member. There were no compensation agreements with the members of the Executive Board in the event of a takeover bid or a change of control at the company. Dr. Ralf Cramer, who left the Executive Board on August 11, 2017, received compensation for non-competition for a post-contractual non-compete covenant that was in place until August 11, 2019. The calculation of this compensation was subsequently corrected due to a claim adjustment for the long-term component of the 2016 performance bonus and the 2016 LTI plan, and an amount of €361 thousand was therefore reclaimed. José A. Avila, who left the Executive Board on September 30, 2018, and whose employment contract ended on December 31, 2019, received compensation for non-competition in the amount of €789 thousand from January 1, 2020, for a post-contractual non-compete covenant that was still in place.

Dr. Elmar Degenhart, who left the Executive Board on November 30, 2020, received compensation for non-competition in the amount of €87 thousand from December 1, 2020, for a post-contractual non-compete covenant that was still in place.



### Individual remuneration

In the tables below, the benefits, inflows and service costs granted to the members of the Executive Board are shown separately in accordance with the recommendations of Section 4.2.5 (3) of the German Corporate Governance Code as amended on February 7, 2017.

€ thousands	Remuneration granted				Inflows	
	2019	2020	2020 (min.)	2020 (max.)	2019	2020
<b>N. Setzer</b> (Chairman since December 1, 2020)						
Fixed remuneration	800	828	828	828	800	828
Additional benefits	19	15	15	15	19	15
<b>Total</b>	<b>819</b>	<b>843</b>	<b>843</b>	<b>843</b>	<b>819</b>	<b>843</b>
Performance bonus (immediate payment)	700	768	0	1,536	209	84
Multiannual variable remuneration	1,250	1,359	0	2,718	517	342
Performance bonus (deferral) [3 years]	467	–	–	–	517	286
Performance bonus (deferral) [2020] <sup>1</sup>	–	512	0	1,024	–	56
Long-term incentive [4 years]	783	847	0	1,694	0	0
<b>Total</b>	<b>2,769</b>	<b>2,970</b>	<b>843</b>	<b>5,097</b>	<b>1,545</b>	<b>1,269</b>
Service costs	737	999	999	999	737	999
<b>Total remuneration</b>	<b>3,506</b>	<b>3,969</b>	<b>1,842</b>	<b>6,096</b>	<b>2,282</b>	<b>2,268</b>
<b>Dr. E. Degenhart</b> (Chairman from August 12, 2009, to November 30, 2020)						
Fixed remuneration	1,450	1,281	1,281	1,281	1,450	1,281
Additional benefits	21	20	20	20	21	20
<b>Total</b>	<b>1,471</b>	<b>1,301</b>	<b>1,301</b>	<b>1,301</b>	<b>1,471</b>	<b>1,301</b>
Performance bonus (immediate payment)	1,500	1,373	0	2,059	270	0
Multiannual variable remuneration	2,550	1,270	0	2,998	909	403
Performance bonus (deferral) [3 years]	1,000	915	0	2,288	909	403
Long-term incentive [4 years]	1,550	355	0	710	0	0
<b>Total</b>	<b>5,521</b>	<b>3,944</b>	<b>1,301</b>	<b>6,358</b>	<b>2,650</b>	<b>1,704</b>
Service costs	1,293	1,443	1,443	1,443	1,293	1,443
<b>Total remuneration</b>	<b>6,814</b>	<b>5,387</b>	<b>2,744</b>	<b>7,801</b>	<b>3,943</b>	<b>3,147</b>
<b>J. A. Avila</b> (Powertrain from January 1, 2010 to September 30, 2018)						
Fixed remuneration	–	–	–	–	–	–
Additional benefits	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Performance bonus (immediate payment)	–	–	–	–	–	–
Multiannual variable remuneration	–	–	–	–	541	207
Performance bonus (deferral) [3 years]	–	–	–	–	541	207
Long-term incentive [4 years]	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>541</b>	<b>207</b>
Service costs	–	–	–	–	–	–
<b>Total remuneration</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>541</b>	<b>207</b>

<sup>1</sup> From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

€ thousands	Remuneration granted				Inflows	
	2019	2020	2020 (min.)	2020 (max.)	2019	2020
<b>Dr. R. Cramer</b> <b>(Continental China from August 12, 2009 to August 11, 2017)</b>						
Fixed remuneration	–	–	–	–	–	–
Additional benefits	2	2	2	2	2	2
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Performance bonus (immediate payment)	–	–	–	–	–	–
Multiannual variable remuneration	–	–	–	–	541	239
Performance bonus (deferral) [3 years]	–	–	–	–	541	239
Long-term incentive [4 years]	–	–	–	–	–	–
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>543</b>	<b>241</b>
Service costs	–	–	–	–	–	–
<b>Total remuneration</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>543</b>	<b>241</b>
<b>H.-J. Duensing</b> <b>(ContiTech since May 1, 2015)</b>						
Fixed remuneration	800	773	773	773	800	773
Additional benefits	24	23	23	23	24	23
<b>Total</b>	<b>824</b>	<b>796</b>	<b>796</b>	<b>796</b>	<b>824</b>	<b>796</b>
Performance bonus (immediate payment)	700	700	0	1,400	126	140
Multiannual variable remuneration	1,250	1,250	0	2,500	72	405
Performance bonus (deferral) [3 years]	467	–	–	–	72	312
Performance bonus (deferral) [2020] <sup>1</sup>	–	467	0	934	–	93
Long-term incentive [4 years]	783	783	0	1,566	0	0
<b>Total</b>	<b>2,774</b>	<b>2,746</b>	<b>796</b>	<b>4,696</b>	<b>1,022</b>	<b>1,341</b>
Service costs	632	691	691	691	632	691
<b>Total remuneration</b>	<b>3,406</b>	<b>3,437</b>	<b>1,487</b>	<b>5,387</b>	<b>1,654</b>	<b>2,032</b>
<b>F. Jourdan</b> <b>(Autonomous Mobility and Safety since September 25, 2013)</b>						
Fixed remuneration	800	773	773	773	800	773
Additional benefits	29	29	29	29	29	29
<b>Total</b>	<b>829</b>	<b>802</b>	<b>802</b>	<b>802</b>	<b>829</b>	<b>802</b>
Performance bonus (immediate payment)	700	700	0	1,400	126	76
Multiannual variable remuneration	1,250	1,250	0	2,500	541	149
Performance bonus (deferral) [3 years]	467	–	–	–	541	98
Performance bonus (deferral) [2020] <sup>1</sup>	–	467	0	934	–	51
Long-term incentive [4 years]	783	783	0	1,566	0	0
<b>Total</b>	<b>2,779</b>	<b>2,752</b>	<b>802</b>	<b>4,702</b>	<b>1,496</b>	<b>1,027</b>
Service costs	642	711	711	711	642	711
<b>Total remuneration</b>	<b>3,421</b>	<b>3,463</b>	<b>1,513</b>	<b>5,413</b>	<b>2,138</b>	<b>1,738</b>

<sup>1</sup> From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

€ thousands	Remuneration granted				Inflows	
	2019	2020	2020 (min.)	2020 (max.)	2019	2020
<b>C. Kötz</b> (Tires since April 1, 2019)						
Fixed remuneration	600	773	773	773	600	773
Additional benefits	19	17	17	17	19	17
<b>Total</b>	<b>619</b>	<b>790</b>	<b>790</b>	<b>790</b>	<b>619</b>	<b>790</b>
Performance bonus (immediate payment)	527	700	0	1,400	348	79
Multiannual variable remuneration	1,142	1,250	0	2,500	0	53
Performance bonus (deferral) [3 years]	359	–	–	–	–	–
Performance bonus (deferral) [2020] <sup>1</sup>	–	467	0	934	–	53
Long-term incentive [4 years]	783	783	0	1,566	0	0
<b>Total</b>	<b>2,288</b>	<b>2,740</b>	<b>790</b>	<b>4,690</b>	<b>967</b>	<b>922</b>
Service costs	708	936	936	936	708	936
<b>Total remuneration</b>	<b>2,996</b>	<b>3,676</b>	<b>1,726</b>	<b>5,626</b>	<b>1,675</b>	<b>1,858</b>
<b>H. Matschi</b> (Vehicle Networking and Information since August 12, 2009)						
Fixed remuneration	800	773	773	773	800	773
Additional benefits	16	18	18	18	16	18
<b>Total</b>	<b>816</b>	<b>791</b>	<b>791</b>	<b>791</b>	<b>816</b>	<b>791</b>
Performance bonus (immediate payment)	700	700	0	1,400	126	76
Multiannual variable remuneration	1,250	1,250	0	2,500	541	142
Performance bonus (deferral) [3 years]	467	–	–	–	541	91
Performance bonus (deferral) [2020] <sup>1</sup>	–	467	0	934	–	51
Long-term incentive [4 years]	783	783	0	1,566	0	0
<b>Total</b>	<b>2,766</b>	<b>2,741</b>	<b>791</b>	<b>4,691</b>	<b>1,483</b>	<b>1,009</b>
Service costs	698	805	805	805	698	805
<b>Total remuneration</b>	<b>3,464</b>	<b>3,546</b>	<b>1,596</b>	<b>5,496</b>	<b>2,181</b>	<b>1,814</b>
<b>Dr. A. Reinhart</b> (Group Human Relations since October 1, 2014)						
Fixed remuneration	800	1,063	1,063	1,063	800	1,063
Additional benefits	12	14	14	14	12	14
<b>Total</b>	<b>812</b>	<b>1,077</b>	<b>1,077</b>	<b>1,077</b>	<b>812</b>	<b>1,077</b>
Performance bonus (immediate payment)	700	700	0	1,400	126	76
Multiannual variable remuneration	1,250	1,360	0	2,720	541	290
Performance bonus (deferral) [3 years]	467	–	–	–	541	239
Performance bonus (deferral) [2020] <sup>1</sup>	–	467	0	934	–	51
Long-term incentive [4 years]	783	893	0	1,786	0	0
<b>Total</b>	<b>2,762</b>	<b>3,137</b>	<b>1,077</b>	<b>5,197</b>	<b>1,479</b>	<b>1,443</b>
Service costs	776	920	920	920	776	920
<b>Total remuneration</b>	<b>3,538</b>	<b>4,057</b>	<b>1,997</b>	<b>6,117</b>	<b>2,255</b>	<b>2,363</b>

<sup>1</sup> From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

€ thousands	Remuneration granted				Inflows	
	2019	2020	2020 (min.)	2020 (max.)	2019	2020
<b>W. Schäfer</b> (Group Finance and Controlling since January 1, 2010)						
Fixed remuneration	1,100	1,063	1,063	1,063	1,100	1,063
Additional benefits	10	17	17	17	10	17
<b>Total</b>	<b>1,110</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>	<b>1,110</b>	<b>1,080</b>
Performance bonus (immediate payment)	700	700	0	1,400	126	76
Multiannual variable remuneration	1,360	1,360	0	2,720	541	290
Performance bonus (deferral) [3 years]	467	–	–	–	541	239
Performance bonus (deferral) [2020] <sup>1</sup>	–	467	0	934	–	51
Long-term incentive [4 years]	893	893	0	1,786	0	0
<b>Total</b>	<b>3,170</b>	<b>3,140</b>	<b>1,080</b>	<b>5,200</b>	<b>1,777</b>	<b>1,446</b>
Service costs	741	844	844	844	741	844
<b>Total remuneration</b>	<b>3,911</b>	<b>3,984</b>	<b>1,924</b>	<b>6,044</b>	<b>2,518</b>	<b>2,290</b>
<b>A. Wolf</b> (Powertrain since June 3, 2020)						
Fixed remuneration	–	448	448	448	–	448
Additional benefits	–	8	8	8	–	8
<b>Total</b>	<b>–</b>	<b>456</b>	<b>456</b>	<b>456</b>	<b>–</b>	<b>456</b>
Performance bonus (immediate payment)	–	406	0	811	–	180
Multiannual variable remuneration	–	724	0	1,449	–	120
Performance bonus (deferral) [3 years]	–	–	–	–	–	0
Performance bonus (deferral) [2020] <sup>1</sup>	–	270	0	541	–	120
Long-term incentive [4 years]	–	454	0	908	–	0
<b>Total</b>	<b>–</b>	<b>1,586</b>	<b>456</b>	<b>2,716</b>	<b>–</b>	<b>756</b>
Service costs	–	244	244	244	–	244
<b>Total remuneration</b>	<b>–</b>	<b>1,830</b>	<b>700</b>	<b>2,960</b>	<b>–</b>	<b>1,000</b>

<sup>1</sup> From the net inflow of the performance bonus, shares of Continental AG with a value of 20% of the gross payout amount must be purchased and held for a period of three years; the corresponding gross amount was calculated assuming a tax and contribution ratio of 50% flat.

Dr. Ralf Cramer, who left the Executive Board on August 11, 2017, still received subsequent additional benefits of €2 thousand and payments from the long-term component of the 2016 performance bonus in the amount of €239 thousand in 2020. José A. Avila, who left the Executive Board on September 30, 2018, was paid €207 thousand from the long-term component of the 2016 performance bonus in 2020. In addition, on the basis of his employment contract that ended as planned on December 31, 2019, he was also paid a further €126 thousand as an immediate component of the performance bonus and €84 thousand as a long-term component of the performance bonus in virtual shares of the company in 2020.

The disclosures on benefits granted and inflows are broken down into fixed and variable remuneration components and supplemented by disclosures on the service costs. The fixed remuneration components include the non-performance-related fixed remuneration and additional benefits. The variable performance-related remuneration components consist of the immediate payment from the performance bonus as a short-term remuneration component and the two long-term components: the deferral of the performance bonus and LTI. Due to the changeover of the remuneration system, the part of the performance bonus that is part of the multiannual

variable remuneration is broken down into the “three-year deferral” as set out in the 2019 remuneration system and the “2020 deferral” as set out in the remuneration system in place since January 1, 2020.

The tables above take into account the reference tables recommended in Section 4.2.5 (3) of the German Corporate Governance Code as amended on February 7, 2017 (“DCGK 2017”) and show, separately for each member of the Executive Board, the benefits granted in fiscal 2020 and fiscal 2019 as well as the payments made (“inflow”). The immediate payment, both deferrals and the LTI are each recognized as remuneration granted at the value of the commitment at the time it is granted (equivalent to 100% target achievement). The remuneration elements are supplemented by disclosures on individually attainable maximum and minimum remuneration.

The inflow recognized in the year under review comprises the fixed remuneration components actually received plus the amounts of the immediate payment to be received in the following year that had been determined at the time the remuneration report was prepared. The “three-year deferral” covers the amounts from the long-



term component of the 2016 performance bonus that were paid out in 2020. The "2020 deferral" refers to the amount paid out at the time the remuneration report was prepared as an amount to be converted for equity deferral into shares of the company and is paid out the following year. The gross payout amount is disclosed, which, assuming a tax and contribution ratio of 50% flat, must be employed to meet the conversion obligation of the Executive Board member. Inflows from multiannual variable remuneration (LTI tranches from 2016/2019 onward) that were scheduled to end in the period under review are not paid until the following year. In line with the recommendations of Section 4.2.5 (3) DCGK 2017, service costs in the disclosures on inflows correspond to the

amounts granted, although they do not represent actual inflows in a stricter sense.

Given the economic strain as a result of the coronavirus crisis and out of solidarity with the employees affected by short-time work and other restrictions, the Executive Board resolved, with the approval of the Supervisory Board, a reduction in its monthly fixed remuneration of 10% for April to July 2020.

In fiscal 2020, the members of the Executive Board neither received nor were promised payments by a third party with respect to their activities on the Executive Board.

## Remuneration of the Executive Board in 2020

€ thousands	Remuneration components			Total	Share-based payment <sup>3</sup>
	Fixed <sup>1</sup>	Variable, short-term	Variable, long-term <sup>2</sup>		
N. Setzer	843	84	903	<b>1,830</b>	803
Dr. E. Degenhart (until November 30, 2020)	1,301	0	355	<b>1,656</b>	428
H.-J. Duensing	796	140	876	<b>1,812</b>	705
F. Jourdan	802	76	834	<b>1,712</b>	716
C. Kötzt	790	79	836	<b>1,705</b>	762
H. Matschi	791	76	834	<b>1,701</b>	754
Dr. A. Reinhardt	1,077	76	944	<b>2,097</b>	811
W. Schäfer	1,080	76	944	<b>2,100</b>	811
A. Wolf (since June 3, 2020)	456	180	574	<b>1,210</b>	381
<b>Total</b>	<b>7,936</b>	<b>787</b>	<b>7,100</b>	<b>15,823</b>	<b>6,171</b>

<sup>1</sup> In addition to cash components, the fixed remuneration includes non-cash elements, such as benefits relating to international assignments and in particular any related taxes paid, company cars and insurance.

<sup>2</sup> Long-term component of variable remuneration that must be invested as a deferral in company shares to be held for a period of three years to ensure a focus on the sustainable development of the company, and benefits granted under the 2020 long-term incentive plan.

<sup>3</sup> Benefits granted under the 2020 long-term incentive plan, and changes in the value of virtual shares granted in previous years and in the value of the 2017 to 2020 long-term incentive plans.

## Remuneration of the Executive Board in 2019

€ thousands	Remuneration components			Total	Share-based payment <sup>3</sup>
	Fixed <sup>1</sup>	Variable, short-term	Variable, long-term <sup>2</sup>		
Dr. E. Degenhart	1,471	270	1,730	<b>3,471</b>	-1,493
H.-J. Duensing	824	126	867	<b>1,817</b>	-737
F. Jourdan	829	126	867	<b>1,822</b>	-681
C. Kötzt (since April 1, 2019)	619	348	1,015	<b>1,982</b>	127
H. Matschi	816	126	867	<b>1,809</b>	-755
Dr. A. Reinhardt	812	126	867	<b>1,805</b>	-688
W. Schäfer	1,110	126	977	<b>2,213</b>	-824
N. Setzer	819	209	923	<b>1,951</b>	-649
<b>Total</b>	<b>7,300</b>	<b>1,457</b>	<b>8,113</b>	<b>16,870</b>	<b>-5,700</b>

<sup>1</sup> In addition to cash components, the fixed remuneration includes non-cash elements, such as benefits relating to international assignments and in particular any related taxes paid, company cars and insurance.

<sup>2</sup> Long-term component of variable remuneration that is converted into virtual shares of Continental AG to ensure a focus on the sustainable development of the company, and benefits granted under the 2019 long-term incentive plan.

<sup>3</sup> Long-term component of variable remuneration that is converted into virtual shares of Continental AG to ensure a focus on the sustainable development of the company, benefits granted under the 2019 long-term incentive plan, and changes in the value of virtual shares granted in previous years and in the value of the 2016 to 2019 long-term incentive plans.

**Share-based payment - performance bonus (deferral) [three-year]**

The amounts of variable remuneration converted into virtual shares of Continental AG for members of the Executive Board as set out in the 2019 remuneration system changed as follows:

units	Number of shares as at Dec. 31, 2018	Payment	Commitments	Number of shares as at Dec. 31, 2019	Payment	Commitments	Number of shares as at Dec. 31, 2020
N. Setzer	8,212	-3,316	2,228	7,124	-3,023	1,689	5,790
Dr. E. Degenhart (until November 30, 2020)	16,307	-5,836	3,512	13,983	-4,252	2,184	11,915
J. A. Avila (until September 30, 2018)	8,771	-3,471	883	6,183	-2,188	–	3,995
Dr. R. Cramer (until August 11, 2017)	7,772	-3,471	–	4,301	-2,528	–	1,773
H.-J. Duensing	6,211	-465	682	6,428	-3,293	1,020	4,155
F. Jourdan	7,619	-3,471	1,475	5,623	-1,036	1,020	5,607
C. Kötzt (since April 1, 2019)	–	–	–	–	0	2,816	2,816
H. Matschi	7,115	-3,471	4,689	8,333	-964	1,020	8,389
Dr. A. Reinhart	8,901	-3,471	1,640	7,070	-2,528	1,020	5,562
W. Schäfer	8,901	-3,471	1,640	7,070	-2,528	1,020	5,562
H.-G. Wente (until April 30, 2015)	228	-228	–	–	–	–	–
<b>Total</b>	<b>80,037</b>	<b>-30,671</b>	<b>16,749</b>	<b>66,115</b>	<b>-22,340</b>	<b>11,789</b>	<b>55,564</b>

€ thousands	Fair value as at Dec. 31, 2018	Fair value of distribution	Change in fair value	Fair value of commitments	Fair value as at Dec. 31, 2019	Fair value of distribution	Change in fair value	Fair value of commitments	Fair value as at Dec. 31, 2020
N. Setzer	1,093	-517	62	266	904	-286	-75	202	745
Dr. E. Degenhart (until November 30, 2020)	2,181	-909	107	418	1,797	-403	-98	261	1,557
J. A. Avila (until September 30, 2018)	1,171	-541	66	105	801	-207	-61	0	533
Dr. R. Cramer (until August 11, 2017)	1,037	-541	67	0	563	-239	-85	0	239
H.-J. Duensing	828	-72	-4	81	833	-312	-102	121	540
F. Jourdan	1,019	-541	69	176	723	-98	-15	121	731
C. Kötzt (since April 1, 2019)	–	–	–	–	–	0	0	336	336
H. Matschi	952	-541	70	559	1,040	-91	26	121	1,096
Dr. A. Reinhart	1,191	-541	65	195	910	-239	-64	121	728
W. Schäfer	1,193	-541	65	195	912	-239	-64	121	730
H.-G. Wente (until April 30, 2015)	29	-36	7	0	0	–	–	–	–
<b>Total</b>	<b>10,694</b>	<b>-4,780</b>	<b>574</b>	<b>1,995</b>	<b>8,483</b>	<b>-2,114</b>	<b>-538</b>	<b>1,404</b>	<b>7,235</b>

As at December 31, 2020, there are no longer any commitments for Heinz-Gerhard Wente, who retired on April 30, 2015. Dr. Ralf Cramer, who was a member of the Executive Board until August 11, 2017, was paid commitments of €239 thousand (equivalent to 2,528 units) in 2020. As at December 31, 2020, there were commitments with a fair value of €239 thousand (equivalent to 1,773 units). José A. Avila, who left the Executive Board on September 30, 2018, was paid commitments of €207 thousand (equivalent to 2,188 units) in 2020. As at December 31, 2020, there were commitments with a fair value of €533 thousand (equivalent to 3,995 units). Dr. Elmar Degenhart, who left the Executive Board on November 30, 2020, was paid commitments of €403 thousand (equivalent to 4,252 units) in 2020. As at December 31, 2020, there were commitments with a fair value of €1,557 thousand (equivalent to 11,915 units).

Owing to the individual arrangements specific to the company, there are certain features of the virtual shares as compared to standard options that must be taken into account in their measurement.

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares. The measurement model also takes into account the average value accumulation of share prices in the respective reference period, the dividends paid, and the floor and cap for the payment amount.

The following parameters for the performance bonus were used as at the measurement date of December 31, 2020:

- › Constant zero rates as at the measurement date of December 31, 2020:  
2017 tranche: -0.74% as at the due date and as at the expected payment date;  
2018 tranche: -0.74% as at the due date and as at the expected payment date;  
2019 tranche: -0.76% as at the due date and as at the expected payment date.
- › Interest rate based on the yield curve for government bonds.

› Dividend payments as the arithmetic mean based on publicly available estimates for 2021 and 2022; the paid dividend of Continental AG amounted to €3.00 per share in 2020, and Continental AG distributed a dividend of €4.75 per share in 2019.

› Historical volatilities on the basis of daily Xetra closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility for the 2017 tranche is 37.04%, for the 2018 tranche 48.36% and for the 2019 tranche 41.89%.

### Share-based payment - long-term incentive (LTI plans starting with 2018)

The LTI plans starting with 2018 developed as follows:

€ thousands	Fair value as at Dec. 31, 2018 <sup>1</sup>	2019 LTI plan commitment	Change in fair value	Fair value as at Dec. 31, 2019 <sup>1</sup>	2020 LTI plan commitment	Change in fair value	Fair value as at Dec. 31, 2020 <sup>1</sup>
N. Setzer	800	783	-1,583	0	847	-135	712
Dr. E. Degenhart (until November 30, 2020) <sup>2</sup>	1,699	1,550	-3,249	0	355	-56	299
J. A. Avila (until September 30, 2018) <sup>3</sup>	800	—	-800	0	—	—	0
Dr. R. Cramer (until August 11, 2017)	357	—	-357	0	—	—	0
H.-J. Duensing	800	783	-1,583	0	783	-125	658
F. Jourdan	800	783	-1,583	0	783	-125	658
C. Kötz (since April 1, 2019) <sup>4</sup>	105	783	-888	0	783	-125	658
H. Matschi	800	783	-1,583	0	783	-125	658
Dr. A. Reinhardt	800	783	-1,583	0	893	-142	751
W. Schäfer	936	893	-1,829	0	893	-142	751
H.-G. Wente (until April 30, 2015)	33	—	-33	0	—	—	0
A. Wolf (since June 3, 2020)	—	—	—	—	454	-73	381
<b>Total</b>	<b>7,930</b>	<b>7,141</b>	<b>-15,071</b>	<b>0</b>	<b>6,574</b>	<b>-1,048</b>	<b>5,526</b>

<sup>1</sup> As at the end of the reporting period, the 2020 tranche was vested at 25%, the 2019 tranche at 50%, the 2018 tranche at 75% and the 2017 tranche at 100%.

<sup>2</sup> With the departure of Dr. E. Degenhart as at November 30, 2020, a portion of the commitments of the 2017, 2018 and 2019 LTI plans expired. The commitment in 2017 fell from €1,550 thousand to €1,517 thousand, the commitment in 2018 fell from €1,550 thousand to €1,130 thousand, and the commitment in 2019 fell from €1,550 thousand to €743 thousand. This did not result in any change to fair value, since all tranches have a fair value of €0.

<sup>3</sup> With the termination of the employment contract of J. A. Avila as at December 31, 2019, a portion of the 2017, 2018 and 2019 LTI plans expired. All remaining pro rata tranches had a fair value of €0 as at December 31, 2020.

<sup>4</sup> C. Kötz remains entitled to LTI plans that were granted to him as a senior executive between 2016 and 2018.

A Monte Carlo simulation is used in the measurement of the TSR target criterion. This means that log-normal distributed processes are simulated for the price of Continental shares. The Monte Carlo simulation takes into account the average value accumulation of share prices in the respective reference period, the TSR dividends paid and the restriction for the payment amount.

The following TSR parameters were used as at the measurement date of December 31, 2020:

- › Constant zero rates as at the measurement date of December 31, 2020:  
2017 LTI plan: -0.73% as at the payment date;

2018 LTI plan: -0.73% as at the due date and -0.74% as at the expected payment date;  
2019 LTI plan: -0.75% as at the due date and -0.76% as at the expected payment date;  
2020 LTI plan: -0.76% as at the due date and -0.77% as at the expected payment date.

- › Interest rate based on the yield curve for government bonds.

› Dividend payments as the arithmetic mean based on publicly available estimates for 2021 until 2023; the paid dividend of Continental AG amounted to €3.00 per share in 2020, and Continental AG distributed a dividend of €4.75 per share in 2019.

> Historical volatilities on the basis of daily Xetra closing rates for Continental shares and the benchmark index based on the respective remaining term for LTI tranches. The volatility for the 2018 LTI plan is 53.65% and for the 2019 LTI plan 43.12%. For the 2020 LTI plan, this is 39.30% for the Continental share and 31.21% for the benchmark index.

> Historical correlations on the basis of daily Xetra closing rates for the benchmark index based on the respective remaining term of the components of the 2020 LTI plan. For the 2020 LTI plan, the historical correlation is 0.8632.

### Expenses for retirement benefits

The defined benefit obligations for all pension commitments for the active members of the Executive Board in 2020 are presented below:

€ thousands	Defined benefit obligations	
	December 31, 2020	December 31, 2019
N. Setzer	10,129	7,844
Dr. E. Degenhart (until November 30, 2020)	19,088	16,167
H.-J. Duensing	4,608	3,572
F. Jourdan	6,308	5,067
C. Kötz (since April 1, 2019)	1,899	748
H. Matschi	9,927	8,181
Dr. A. Reinhart	7,431	5,562
W. Schäfer	14,618	12,548
A. Wolf (since June 3, 2020)	446	–
<b>Total</b>	<b>74,454</b>	<b>59,689</b>

Please see Note 41 of the notes to the consolidated financial statements for details of pension obligations for former members of the Executive Board.

### Remuneration of the Supervisory Board

On the basis of *ARUG II*, Section 113 (3) *AktG* has been rewritten. In accordance with this, a resolution of the Annual Shareholders' Meeting is made at least once every four years on the remuneration of the Supervisory Board members.

In light of this, and with the support of an independent consultant, a new remuneration system was developed for the members of the Supervisory Board and resolved separately in each case by the Executive Board and the Supervisory Board.

The new remuneration system was then resolved by the Annual Shareholders' Meeting of Continental AG on July 14, 2020. It has been valid since January 1, 2020.

In accordance with the new remuneration system, the remuneration of the members of the Supervisory Board no longer includes any variable remuneration components, but rather exclusively consists of fixed remuneration components. The switch to an exclusively fixed remuneration system facilitates advising and monitoring geared toward the sustainable development of the company and also corresponds to Suggestion G.18 Sentence 1 of the German Corporate Governance Code. From the perspective of Continental AG, an exclusively fixed remuneration is more suited to strengthening the independence of the members of the Supervisory Board and ensuring their remuneration is proportionate to the work carried out.

The removal of the variable remuneration component makes it necessary – in order to ensure that the remuneration level remains the same as it is now – to increase the yearly fixed remuneration of a Supervisory Board member from €75,000 as it stands now to €180,000. For the chairman and vice chairperson of the Supervisory Board, as well as the chairperson and members of a committee, there are also plans to increase the level of remuneration in the future. This will be three times the regular fixed remuneration of a Supervisory Board member for the chairman of the Supervisory Board, 2.5 times as much for the chairman of the Audit Committee, two times as much for the chairperson of another committee, and 1.5 times as much for the vice chairperson of the Supervisory Board and for the members of a committee.

In addition, each Supervisory Board member shall receive meeting-attendance fees of €1,000 for each Supervisory Board meeting that the member attends in person. This shall apply, mutatis mutandis, to personal attendance of committee meetings that do not take place on the same day as a Supervisory Board meeting. The members of the Supervisory Board shall also have their cash expenses reimbursed, in addition to the value added tax incurred by them for activities relating to Supervisory Board work.

The amount and structure of the future remuneration of the Supervisory Board members of Continental AG is in line with the market when compared with the remuneration of Supervisory Board members in other DAX 30 companies. Continental AG assumes that the



remuneration of the Supervisory Board members – with the exception of the reduced remuneration of an ordinary member of a committee – will remain largely unchanged despite the proposed structural adjustments.

The Annual Shareholders' Meeting will make a resolution on the remuneration of the Supervisory Board members at least once every four years in the future, with an affirmative resolution permitted. For

the purpose of this presentation to the Annual Shareholders' Meeting, the remuneration system will be subject to a timely review.

Given the economic strain as a result of the coronavirus crisis and out of solidarity with the employees affected by short-time work and other restrictions, the members of the Supervisory Board accepted a 10% reduction in their annual fixed remuneration on a pro rata basis for April to July 2020.

The remuneration of individual Supervisory Board members in 2020 as provided for under these arrangements is shown in the following table:

### Remuneration of the Supervisory Board

€ thousands	Remuneration components		
	2020	2019	
	Fixed <sup>1</sup>	Fixed <sup>1</sup>	Variable
Prof. Dr.-Ing. Wolfgang Reitzle	526	234	156
Hasan Allak (since April 26, 2019) <sup>2</sup>	183	57	35
Christiane Benner <sup>2</sup>	269	119	78
Dr. Gunter Dunkel	184	82	52
Francesco Grioli <sup>2</sup>	269	122	78
Prof. Dr.-Ing. Peter Gutzmer (until April 26, 2019)	–	25	16
Michael Iglhaut <sup>2</sup>	265	122	78
Satish Khata (since April 26, 2019)	179	57	35
Isabel Corinna Knauf (since April 26, 2019)	183	57	35
Prof. Dr. Klaus Mangold (until April 26, 2019)	–	26	16
Sabine Neuß	174	82	52
Prof. Dr. Rolf Nonnenmacher	439	199	130
Dirk Nordmann <sup>2</sup>	272	122	78
Lorenz Pfau (since April 26, 2019) <sup>2</sup>	182	57	35
Klaus Rosenfeld	272	122	78
Georg F. W. Schaeffler	264	124	78
Maria-Elisabeth Schaeffler-Thumann	174	121	78
Jörg Schönfelder <sup>2</sup>	271	120	78
Stefan Scholz <sup>2</sup>	182	82	52
Gudrun Valtin (until April 26, 2019) <sup>2</sup>	–	25	16
Elke Volkmann <sup>2</sup>	181	82	52
Kirsten Vörkel <sup>2</sup>	183	82	52
Erwin Wörle (until April 26, 2019) <sup>2</sup>	–	25	16
Prof. TU Graz e.h. KR Ing. Siegfried Wolf	174	80	52
<b>Total</b>	<b>4,826</b>	<b>2,224</b>	<b>1,426</b>

<sup>1</sup> Including meeting-attendance fees.

<sup>2</sup> In accordance with the guidelines issued by the German Federation of Trade Unions, these employee representatives have declared that their board remuneration is transferred to the Hans Böckler Foundation and in one case to other institutions as well.

# Management Report

The following management report is a combined management report as defined in Section 315 (5) of the German Commercial Code (*Handelsgesetzbuch – HGB*), as the future opportunities and risks of the Continental Group and of the parent company, Continental AG, are inextricably linked.

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# Glossary of Financial Terms

## The following glossary of financial terms applies to the management report and the consolidated financial statements.

**Adjusted EBIT.** EBIT before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects (e.g. impairment, restructuring, and gains and losses from disposals of companies and business operations). Since it eliminates one-off effects, it can be used to compare operational profitability between periods.

**Adjusted sales.** Sales adjusted for changes in the scope of consolidation.

**American depositary receipts (ADRs).** ADRs securitize the ownership of shares and can refer to one, several or even a portion of a share. ADRs are traded on US stock exchanges in the place of foreign shares or shares that may not be listed on US stock exchanges.

**Capital employed.** The funds used by the company to generate its sales.

**Cash conversion ratio.** Ratio of free cash flow excluding acquisitions and divestments of companies and business units, restructuring expenses, restructuring-related expenses and carve-out effects to net income attributable to the shareholders of the parent.

**Changes in the scope of consolidation.** Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.

**Continental Value Contribution (CVC).** The absolute amount of additional value created. The delta CVC represents the change in absolute value creation compared to the prior year. The delta CVC allows us to monitor the extent to which management units generate value-creating growth or employ resources more efficiently.

The CVC is measured by subtracting the weighted average cost of capital (WACC) from the return on capital employed (ROCE) and multiplying this by the average operating assets for the fiscal year. The WACC calculated for the Continental Group corresponds to the required minimum return. The cost of capital is calculated as the weighted average ratio of the cost of equity and borrowing costs.

**Currency swap.** Swap of principal payable or receivable in one currency into similar terms in another currency. Often used when issuing loans denominated in a currency other than the functional currency of the lender.

**Derivative instruments.** Transactions used to manage interest rate and/or currency risks.

**Dividend payout ratio.** The ratio between the dividend for the fiscal year and the earnings per share.

**EBIT.** Earnings before interest and tax. In Continental's financial reports, this abbreviation is defined as earnings before financial result and tax. It is the result of ordinary business activities and is used to assess operational profitability.

**EBITDA.** Earnings before interest, tax, depreciation and amortization. In Continental's financial reports, this abbreviation is defined as earnings before financial result, tax, depreciation and amortization. It equals the sum of EBIT; depreciation of property, plant and equipment; amortization of intangible assets; and impairment, excluding impairment on financial investments. This key figure is used to assess operational profitability.

**Financial result.** The financial result is defined as the sum of interest income, interest expense, the effects from currency translation (resulting from financial transactions), the effects from changes in the fair value of derivative instruments, and other valuation effects. The financial result is the result of financial activities.

**Free cash flow.** The sum of cash flow arising from operating activities and cash flow arising from investing activities. Also referred to as cash flow before financing activities. Free cash flow is used to assess financial performance.

**Gearing ratio.** Net indebtedness divided by equity. Also known as the debt-to-equity ratio. This key figure is used to assess the financing structure.

**Gross domestic product (GDP).** A measure of the economic performance of a national economy. It specifies the value of all goods and services produced within a country in a year.

**Hedging.** Securing a transaction against risks, such as fluctuations in exchange rates, by entering into an offsetting hedge transaction, typically in the form of a forward contract.

**IAS.** International Accounting Standards. Accounting standards developed and resolved by the IASB.

**IASB.** International Accounting Standards Board. Independent standardization committee.

**IFRIC.** International Financial Reporting Interpretations Committee (predecessor of the IFRS IC).

**IFRS.** International Financial Reporting Standards. The standards are developed and resolved by the IASB. In a broad sense, they also include the IAS, the interpretations of the IFRS IC or of the predecessor IFRIC as well as the former SIC.

**IFRS IC.** International Financial Reporting Standards Interpretations Committee.

**Interest-rate swap.** The exchange of interest payments between two parties. For example, this allows variable interest rates to be exchanged for fixed interest or vice versa.

**Net indebtedness.** The net amount of interest-bearing financial liabilities as recognized in the statement of financial position, the fair values of the derivative instruments, cash and cash equivalents, as well as other interest-bearing investments. This figure is the basis for calculating key figures of the capital structure.

**Operating assets.** The assets less liabilities as reported in the statement of financial position, without recognizing the net indebtedness, sale of trade accounts receivable, deferred tax assets, income tax receivables and payables, as well as other financial assets and debts. Average operating assets are calculated as at the end of the quarterly periods and, according to our definition, correspond to the capital employed.

**PPA.** Purchase price allocation. The process of breaking down the purchase price and assigning the values to the identified assets, liabilities and contingent liabilities following a business combination. Subsequent adjustments to the opening statement of financial position – resulting from differences between the preliminary and final fair values at the date of initial consolidation – are also recognized as PPA.

**Rating.** Standardized indicator for the international finance markets that assesses and classifies the creditworthiness of a debtor. The classification is the result of an economic analysis of the debtor by specialist rating companies.

**Research and development expenses (net).** Research and development expenses (net) are defined as expenses for research and development less reimbursements and subsidies that we received in this context.

**Return on capital employed (ROCE).** The ratio of EBIT to average operating assets for the fiscal year. ROCE corresponds to the rate of return on the capital employed and is used to assess the company's profitability and efficiency.

**SIC.** Standing Interpretations Committee (predecessor to the IFRIC).

**Tax rate.** The ratio of income tax expense to the earnings before tax. It can be used to estimate the company's tax burden.

**Weighted average cost of capital (WACC).** The weighted average cost of the required return on equity and net interest-bearing liabilities.

**Working capital.** Inventories plus trade accounts receivable less trade accounts payable. Sales of trade accounts receivable are not included.



# Corporate Profile

## Structure of the Continental Group

### The Continental Group comprises three group sectors and 21 business units.

#### Organizational structure

The Continental Group is divided into the group sectors Automotive Technologies, Rubber Technologies and Powertrain Technologies. These sectors comprise five business areas with a total of 21 business units (as of January 1, 2021). A business area or business unit is classified according to product requirements, market trends, customer groups and distribution channels. The business areas and business units have overall responsibility for their business, including their results.

The legally independent Powertrain business area operates under the name Vitesco Technologies. This has no effect on the financial reporting of the Powertrain business area within the Continental Group.

#### Business responsibility

Overall responsibility for managing the company is borne by the Executive Board of Continental Aktiengesellschaft (AG). Each business area is represented by one Executive Board member.

To ensure a unified business strategy, an Automotive Board was established in the Automotive Technologies group sector, with the CEO of Continental AG serving as chairman.

With the exception of Group Purchasing, the central functions of Continental AG are represented by the chairman of the Executive Board, the chief financial officer and the Executive Board member responsible for Human Relations. They take on the functions required to manage the Continental Group across business areas. These include, in particular, finance, controlling, compliance, law, IT, human relations, sustainability, as well as quality and environment.

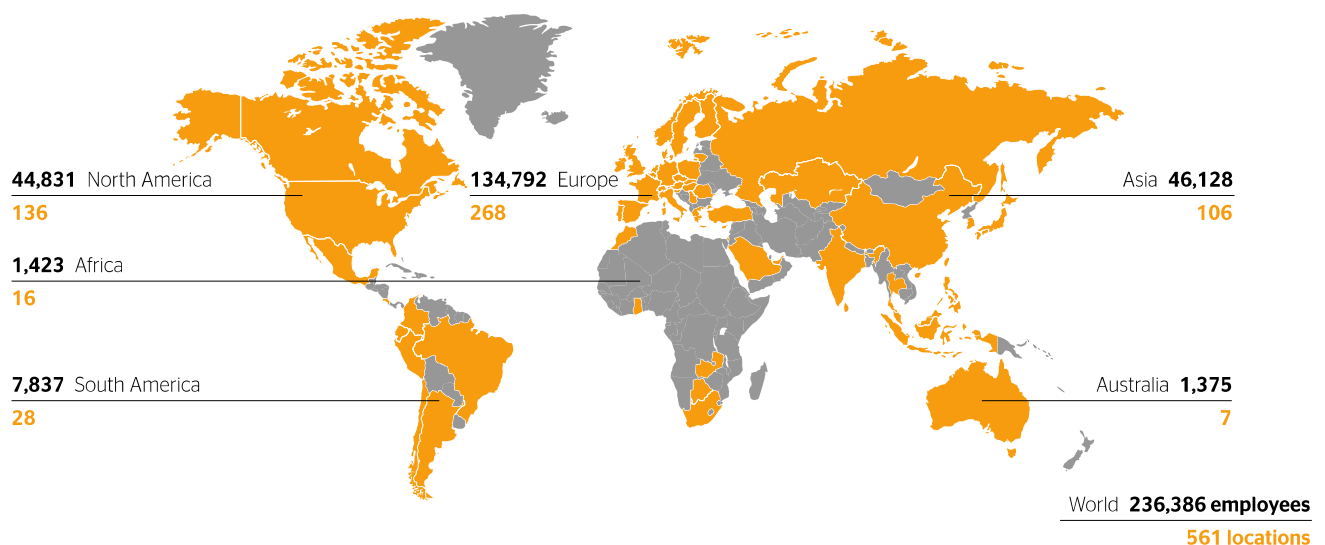
#### Companies and locations

Continental AG is the parent company of the Continental Group. In addition to Continental AG, the Continental Group comprises 563 companies, including non-controlled companies. The Continental team is made up of 236,386 employees at a total of 561 locations in the areas of production, research and development, and administration, in 58 countries and markets. Added to this are the distribution locations, with 955 company-owned tire outlets and a total of around 5,000 franchises and operations with a Continental brand presence.

#### Customer structure

With a 69% share of consolidated sales, automotive manufacturers are our most important customer group. This industry is accordingly important for the growth of the Automotive Technologies and Powertrain Technologies group sectors. In the Tires business area of the Rubber Technologies group sector, sales to dealers and end customers represent the largest share of the tire-replacement business. In the ContiTech business area, important customers come from both the automotive industry and other key industries such as railway engineering, machine and plant construction, mining and the replacement business.

### 561 locations in 58 countries and markets



## Structure of the Continental Group

<b>Continental Group</b> Sales: €37.7 billion; Employees: 236,386				
<b>Automotive Technologies</b> Sales: €15.3 billion Employees: 95,551		<b>Rubber Technologies</b> Sales: €15.6 billion Employees: 100,327		<b>Powertrain Technologies</b> Sales: €7.0 billion Employees: 40,102
<b>Autonomous Mobility and Safety</b> Sales: €7.5 billion Employees: 47,762	<b>Vehicle Networking and Information</b> Sales: €7.9 billion Employees: 47,789	<b>Tires</b> Sales: €10.2 billion Employees: 56,864	<b>ContiTech</b> Sales: €5.6 billion Employees: 43,463	<b>Powertrain</b> Sales: €7.0 billion Employees: 40,102

### Automotive Technologies

The **Autonomous Mobility and Safety business area** develops, produces and integrates active and passive safety technologies and controls vehicle dynamics. The product portfolio ranges from electronic and hydraulic brake and chassis control systems to sensors, advanced driver assistance systems, airbag electronics and sensors, electronic air suspension systems and cleaning systems for windshields and headlights. Autonomous Mobility and Safety has a high level of systems expertise in the interconnectivity of individual components. As a result, products and system functions are created along the "SensePlanAct" chain of effects. These make driving safer and easier and pave the way for autonomous mobility.

The business area is divided into four business units:

- › Advanced Driver Assistance Systems
- › Hydraulic Brake Systems
- › Passive Safety and Sensorics
- › Vehicle Dynamics

The **Vehicle Networking and Information business area**, with its vision of "Always On," sees the vehicle of the future as a partner that supports its passengers with intelligent and secure solutions – seamlessly networked, user-friendly, convenient and smart. The business area develops and integrates components and end-to-end systems for connected mobility – architecture, hardware, software and services. With solutions for networking, human-machine interaction, user experience, high-performance computing, digital services and system integration for passenger cars, light commercial vehicles and fleets, Vehicle Networking and Information ensures stable and safe connectivity and smooth information flows for connected mobility.

The business area is divided into three business units:

- › Commercial Vehicles and Services
- › Connected Car Networking
- › Human Machine Interface

### Rubber Technologies

With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the **Tires business area** stands for innovative top performance in tire technology. Services for dealers and fleet management as well as digital tire monitoring and management systems are further areas of focus. The aim is to contribute to safe, economical and sustainable mobility. In the reporting year, 23% of sales related to business with vehicle manufacturers, and 77% related to the tire-replacement business.

As of January 1, 2021, changes have been made to the organizational structure of the Tires business area. In order to ensure greater customer proximity and focus and increase organizational efficiency, the passenger-car business and the commercial-vehicle business have been merged into a single business unit. The Tires business area is now divided into five business units:

- › Original Equipment
- › Replacement, APAC (Asia and Pacific region)
- › Replacement, EMEA (Europe, the Middle East and Africa)
- › Replacement, The Americas (North, Central and South America)
- › Specialty Tires

The **ContiTech business area** focuses on smart and sustainable solutions beyond rubber and develops digital and intelligent solutions in future-oriented sectors. In doing so, ContiTech draws on its long-standing knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. The products, systems and solutions developed by ContiTech are used both in the automotive industry as well as in railway engineering, machine and plant construction, mining, agriculture and other important sectors of the future. In the reporting year, 48% of sales related to business with automotive manufacturers, and 52% related to business with other industries and in the automotive replacement market.

The Air Spring Systems and Vibration Control business units were consolidated into one business unit – Advanced Dynamics Solutions – on January 1, 2021. The business area is now divided into six business units:

- > Advanced Dynamics Solutions
- > Conveying Solutions
- > Industrial Fluid Solutions
- > Mobile Fluid Systems
- > Power Transmission Group
- > Surface Solutions

### Powertrain Technologies

The **Powertrain business area** brings together the full spectrum of Continental's drivetrain technology expertise. Powertrain's aim is to develop innovative, efficient electrification technologies for all types of vehicle. Its portfolio includes 48-volt electrification solutions, electric drives, and power electronics for hybrid and battery-electric vehicles. Furthermore, Powertrain develops and produces high-voltage boxes, electronic controls, sensors, actuators, turbochargers, hydraulic components and pumps as well as solutions for exhaust-gas aftertreatment.

The business area is divided into three business units:

- > Electronic Controls
- > Electrification Technology
- > Sensing and Actuation

### Globally interconnected value creation

Research and development (R&D) took place at 88 locations in the reporting year, predominantly in close proximity to our customers to ensure that we can respond flexibly to their various requirements and to regional market conditions. This applies particularly

to projects of Automotive Technologies and Powertrain Technologies, as well as the ContiTech business area. The fundamental product requirements for tires are much the same across the world. They are adapted according to the specific requirements of each market. In this respect, R&D has a largely centralized structure in the Tires business area. Continental generally invests between 7% and 8% of sales in R&D each year. For more information, see the Research and Development section.

Continental processes a wide range of raw materials and semi-finished products. The purchasing volume in the reporting year was €24.4 billion in total, €16.7 billion of which was for production materials. Automotive Technologies and Powertrain Technologies use primarily steel, aluminum, precious metals, copper and plastics. Key areas when it comes to purchasing materials and semi-finished products include electronics and electromechanical components, which together make up about 45% of the Continental Group's purchasing volume for production materials. Furthermore, mechanical components account for nearly a quarter of production materials. Natural rubber and oil-based chemicals such as synthetic rubber and carbon black are key raw materials for Rubber Technologies. The total purchasing volume for these materials amounts to around a sixth of the total volume for production materials. For more information, see the Development of Raw Materials Markets section in the economic report.

Production and sales in Automotive Technologies and Powertrain Technologies as well as in the ContiTech business area are organized across regions. Tire production activities, in which economies of scale play a key role, are represented with major locations in the three dominant automotive markets in terms of production and vehicle numbers, namely Europe, the USA and China. Low production costs coupled with large volumes and proximity to our customers or high rates of regional growth constitute key success factors. Tires are sold worldwide via our dealer network with tire outlets and franchises, as well as through tire trading in general.

### Globally interconnected value creation

R&D	Purchasing	Production	Sales & Distribution
<b>Innovative</b> €3.4 billion in expenditure	<b>Diverse</b> €24.4 billion in volumes	<b>Global</b> 246 locations	<b>Local</b> €37.7 billion in sales

# Strategy of the Continental Group

## Realigned strategy to address the transformation in the mobility industry.

The transformation in the mobility industry opens up many opportunities. To capitalize on these opportunities, Continental adopted a realigned strategy in the year under review. This is based on three cornerstones:

- › Strengthening operational performance
- › Differentiating the portfolio
- › Turning change into opportunity

### 1. Strengthening operational performance

By strengthening our operational performance, we can ensure our future viability and competitiveness. We are aligning our cost structure to global market conditions. Measures for this purpose were introduced in September 2019 and are part of our Transformation 2019-2029 structural program.

In addition to adjusting our cost structure, we also want to continuously improve our productivity, for example by increasing the level of automation and digitalization in our production environment. In our plants, our colleagues are already working together with more than 2,000 collaborative robots, including autonomous, driverless transportation systems.

### 2. Differentiating the portfolio

We will differentiate our product portfolio in a more targeted way in the future. We are concentrating on two key areas: "growth" and "value." By focusing on "growth" we are aiming, above all, to establish a strong position in innovative fields featuring highly dynamic growth, and with "value" we are addressing saturated markets with stable but low growth.

We see above-average growth in connected, assisted and autonomous driving, as well as in new vehicle architectures. In the Tires and ContiTech business areas, our opportunities lie in high-growth regions and digital solutions and services, such as those for fleet and industrial customers.

Our extensive know-how in the area of software gives us a major competitive advantage here. It is software that will make the difference in the future. Crucial to this are, for example, high-performance computers that combine vehicle functions from the areas of safety, assistance, connectivity and entertainment. Continental is the first automotive supplier ever to supply such a central computer for the Volkswagen ID. series. Connectivity, safety and convenience are key to the future of mobility – regardless of how a vehicle is powered.

These fields include products and systems for assisted and autonomous driving, services for automotive manufacturers, end and fleet customers as well as architecture, connectivity and software solutions.

When it comes to "value," our focus is on profitable product areas where we have solid competitive positions in markets with a high degree of maturity. These include, for example, safety solutions, display and control systems, surface materials and the European tire business. Our growth will be only slightly higher than the market here. The emphasis will be on sustaining profitability and generating sufficient funds, which we will use to ensure the competitive expansion of growth areas geared to market and technology leadership that are unable to fully finance their ambitious growth themselves.

The portfolio strategy also includes possible acquisitions, divestments and partnerships. We will regularly review business units focusing on "value" to determine whether they are able to create the best possible value for Continental. We will also assess how profitability can be increased. Divestitures may also be an option. However, this would be pursued only after careful consideration of potential dissynergies. Part of this systematic approach is the planned spin-off of Vitesco Technologies in 2021. Our internal processes have been reorganized for this purpose and the necessary organizational requirements are in place.

1

#### Strengthen operational performance

- › Right-size cost structure
- › Commitment to efficiency and quality

2

#### Differentiate our portfolio

- › Win in growth businesses
- › Manage value businesses for profitability and cash

3

#### Turn change into opportunity

- › Embrace sustainability
- › Focus on passion to win and transparency and ownership

### 3. Turning change into opportunity

The third cornerstone of our strategy involves turning change into opportunity. We have already laid the foundation for this through our company culture, which is based on our four values of Trust, For One Another, Freedom To Act and Passion To Win. The task now is to strengthen this Passion To Win further in order to turn market opportunities into value even more quickly. We will make clear and transparent decisions to ensure that our actions are appropriate for our respective focus areas. Our aim is to be among the winners of the transformation in our industries and to create value for all stakeholders.

At the end of 2020, we thus laid a solid foundation for sustainability like practically no other company in the supplier industry to date. From 2022, we will make our global business with zero-tailpipe-emission vehicles completely carbon-neutral. By 2050 at the latest, we want to achieve 100% carbon neutrality, 100% emission-free mobility and industry, a 100% circular economy and 100% responsible value chains. In doing so, we will decisively shape the future of sustainable mobility.

For the Continental Group and the individual group sectors (excluding Powertrain Technologies), this means the following: for the Continental Group as a whole, we are aiming for average annual organic growth of around 5% to 8% and an adjusted EBIT margin of between around 8% and 11% in the medium term. Its return on capital employed is expected to amount to around 15% to 20%, and its cash conversion ratio to more than 70%.

The Automotive Technologies group sector will focus on the growing global demand for even safer, more connected and more convenient mobility. We are supplying the technological basis for this, which primarily comprises integrated vehicle architecture and increasingly comprehensive computer programs for controlling mobility systems. These include, for example, our high-performance computers as well as products and systems for assisted and automated driving. We are also in leading market positions in the area of display and control systems as well as safety applications such as braking and restraint systems.

Overall, we expect the Automotive Technologies group sector – in other words, the Autonomous Mobility and Safety as well as Vehicle Networking and Information business areas – to achieve average annual organic growth of around 7% to 11% in the medium term. This assumes that the average annual market growth for passenger

cars and light commercial vehicles will be between around 5% and 7%, as forecast. In the medium term, we will therefore exceed this by around 2 to 4 percentage points. The adjusted EBIT margin is expected to be around 6% to 8%, and the return on capital employed to exceed 15%.

In the Rubber Technologies group sector, the Tires business area will focus on further consolidating its position among the world's top tire manufacturers. We want to increase our market share in the growth markets of Asia and North America in particular. In the passenger-car tire segment, the global business with tires for electric mobility and ultra-high performance tires is to be systematically expanded further. We also see further growth for truck and bus tires as well as in the area of specialty tires.

We are pursuing ambitious targets in the area of sustainability. We want to become the most progressive manufacturer in the tire industry by 2030. The focus here will be on climate protection, low-emission mobility, a circular economy and sustainable supply chains. For example, our tires are to be made from 100% sustainable materials by 2050.

The tire market is expected to grow by around 3% to 4% in the medium term, based on the production of passenger cars and light commercial vehicles, the tire replacement market and the production of truck tires. On this basis, we expect to achieve annual growth of around 4% to 5%. In our tire segment, we are aiming in the medium term for an adjusted EBIT margin of around 12% to 16% and a return on capital employed (ROCE) of more than 20%.

The ContiTech business area will pursue the path it has been forging since 2017 in the direction of "smart and sustainable solutions beyond rubber." With the growth-based part of the product portfolio, we want to grow at a rate of around 3 percentage points faster than the market. The potential here results primarily from the increasing demand for digital and intelligent solutions. In this regard, ContiTech can draw on its long-standing and detailed knowledge of the industry and materials. We will also combine various materials with electronic components and individual services. The value-based portfolio includes applications for passenger cars and rail transport as well as the printing and mining industries. For ContiTech overall, we anticipate that medium-term growth will be 1 percentage point higher than the forecast market growth of around 2% to 3% and the EBIT margin will be around 9% to 11%. Its return on capital employed is expected to exceed 20%.

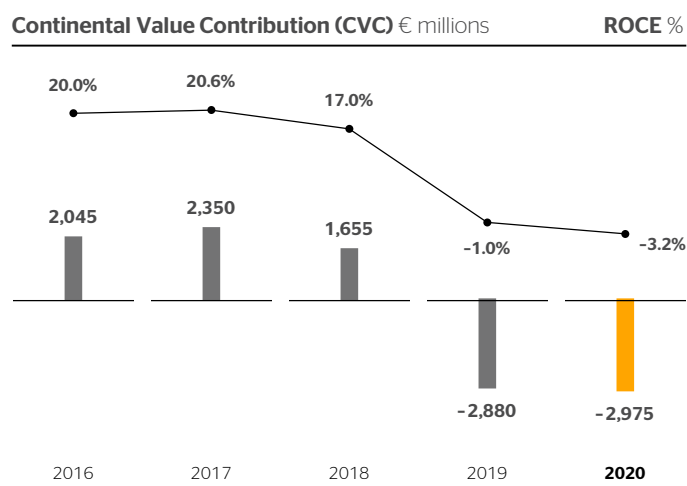


# Corporate Management

## The goal is the sustained increase in the Continental Group's value.

### Value management

Key financial performance indicators for Continental relate to the development of sales, capital employed, the adjusted EBIT margin, as well as the amount of capital expenditure and free cash flow. To allow us to use the financial performance indicators for management purposes as well, and to map the interdependencies between these indicators, we summarize them as key figures as part of a value-driver system. Our corporate objectives center on the sustainable enhancement of the value of each individual business unit. This goal is achieved by generating a positive return on the capital employed in each respective business unit. At the same time, this return must always exceed the equity and debt financing costs of acquiring the operating capital. It is also crucial that the absolute contribution to value (Continental Value Contribution, CVC) increases year for year. This can be achieved by increasing the return on capital employed (with the costs of capital remaining constant), lowering the costs of capital (while maintaining the return on capital employed), or decreasing capital employed over time. The performance indicators used are EBIT, capital employed, and the weighted average cost of capital (WACC), which is calculated from the proportional weight of equity and debt costs.



EBIT is calculated from the ongoing sales process. The figure is the net total of sales, other income and expenses plus income from equity-accounted investees and from investments but before financial result and income tax expense. In the year under review, consolidated EBIT amounted to -€0.7 billion.

Capital employed is the funds used by the company to generate its sales. At Continental, this figure is calculated as the average of operating assets as at the end of the quarterly reporting periods. In 2020, average operating assets amounted to €22.5 billion.

The return on capital employed (ROCE) represents the ratio of these two calculated values. Comparing a figure from the statement of income (EBIT) with one from the statement of financial position (capital employed) produces an integral analysis. We deal with the problem of the different periods of analysis by calculating the capital employed as an average figure over the ends of quarterly reporting periods. ROCE amounted to -3.2% in 2020.

The weighted average cost of capital (WACC) is calculated to determine the cost of financing the capital employed. Equity costs are based on the return from a risk-free alternative investment plus a market risk premium, taking into account Continental's specific risk. Borrowing costs are calculated based on Continental's weighted debt-capital cost rate. Based on the long-term average, the weighted average cost of capital for our company is about 10%.

Value is added only if ROCE exceeds the weighted average cost of capital (WACC). We call this value added, produced by subtracting WACC from ROCE multiplied by average operating assets, the Continental Value Contribution (CVC). In 2020, the CVC amounted to -€2,974.8 million.

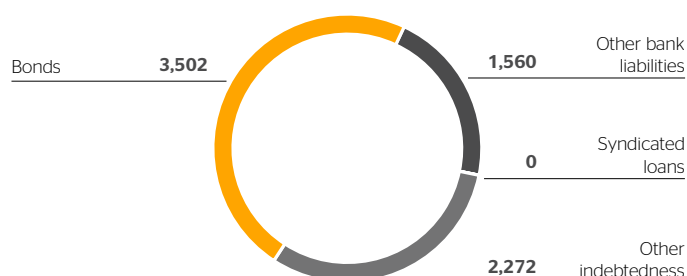
ROCE by business area (in %)	2020	2019
Autonomous Mobility and Safety	-2.1	-2.3
Vehicle Networking and Information	-31.9	-23.0
Tires	14.3	21.2
ContiTech	7.7	8.7
Powertrain	-14.1	-16.9
<b>Continental Group</b>	<b>-3.2</b>	<b>-1.0</b>

### Financing strategy

Our financing strategy aims to support the value-adding growth of the Continental Group while at the same time complying with an equity and liabilities structure adequate for the risks and rewards of our business.

The Finance & Treasury corporate function provides the necessary financial framework to finance corporate growth and secure the long-term existence of the company. The company's annual investment requirements are likely to be around 7% of sales in the coming years.

### Composition of gross indebtedness (€7,334 million)



Our goal is to finance ongoing investment requirements from the operating cash flow. Other investment projects, for example acquisitions, should be financed from a balanced mix of equity and debt depending on the ratio of net indebtedness to equity (gearing ratio) and the liquidity situation to achieve constant improvement in the respective capital market environment. In general, the gearing ratio should be below 40% in the coming years and not exceed 60% in general. If justified by extraordinary financing reasons or specific market circumstances, we can rise above this level under certain conditions. The equity ratio should exceed 30%. In the reporting year, it was 31.9% and the gearing ratio 32.7%.

Our gross indebtedness should be a balanced mix of liabilities to banks and other sources of financing on the capital market. For short-term financing in particular, we use a wide range of financing instruments. As at the end of 2020, this mix consisted of bonds (48%), syndicated loans (not utilized), other bank liabilities (21%) and other indebtedness (31%) based on the gross indebtedness of €7,334.4 million. The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4.0 billion and has a term of five years. The margin will also depend on the Continental Group's sustainability performance. In November 2020, Continental exercised an option to extend the term by one year. The lending banks then extended this financing commitment until December 2025 at unchanged conditions. In May 2020, Continental strengthened its financial flexibility through an additional syndicated loan of €3.0 billion with a term of 364 days.

If Continental does not exercise an extension option for the syndicated loan of €3.0 billion in 2021, the financing mix will approximate the distribution prior to 2020.

The company strives to have at its disposal unrestricted liquidity of about €1.5 billion. This is supplemented by committed, unutilized credit lines from banks in order to cover liquidity requirements at all times. These requirements fluctuate during a calendar year owing in particular to the seasonal nature of some business areas. In

addition, the amount of liquidity required is also influenced by corporate growth. Unrestricted cash and cash equivalents amounted to €2,639.8 million as at December 31, 2020. There were also committed and unutilized credit lines of €7,780.8 million.

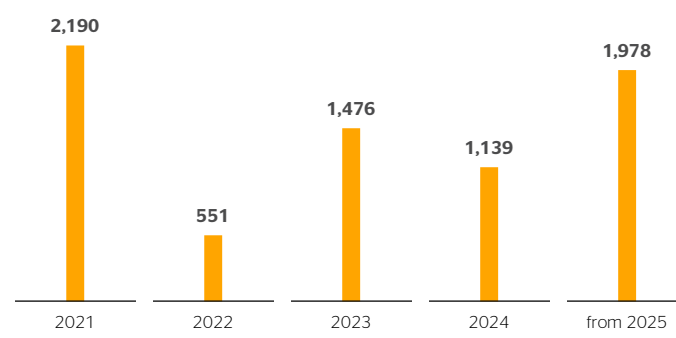
Gross indebtedness amounted to €7,334.4 million as at December 31, 2020. Key financing instruments are the syndicated loan with a revolving credit line of €4.0 billion that has been granted until December 2025, the syndicated loan additionally agreed in May 2020 of €3.0 billion with a term of 364 days, and bonds issued on the capital market.

As at December 31, 2020, the revolving credit lines of €4.0 billion and €3.0 billion had not been utilized. Around 48% of gross indebtedness is financed on the capital market in the form of bonds. The interest coupons vary between 0.0% and 2.5%. The issue of new bonds in the second quarter of 2020 with maturities between 2023 and 2026 led to a balanced overall maturity profile of the repayment amounts. In addition to the forms of financing already mentioned, there were also bilateral credit lines with various banks in the amount of €2,370.1 million as at December 31, 2020. Continental's corporate financing instruments currently also include sale-of-receivables programs and commercial paper programs. In 2020, Continental had two commercial paper programs in Germany and the USA.

### Maturity profile

Continental always strives for a balanced maturity profile of its liabilities in order to be able to repay the amounts due each year from free cash flow as far as possible. Other than short-term maturities, which are usually rolled on to the next year, the repayment of a €200.0-million bond maturing in April 2021 is also high on the agenda for 2021. The bonds issued in the second quarter of 2020 as well as the bonds issued in the previous year require repayments of €1,250.0 million in 2023, €725.0 million in 2024, €600.0 million in 2025 and €750.0 million in 2026.

### Maturities of gross indebtedness (€7,334 million)



### Continental's credit rating lowered

In the reporting period, Continental AG was rated by the three rating agencies Standard & Poor's, Fitch and Moody's, each of which adjusted their long-term credit ratings downward by one notch in spring 2020. In March 2020, Moody's modified its rating to Baa2 and left its outlook of negative unchanged. Standard & Poor's likewise followed suit in March and has since assigned Continental a BBB rating with negative outlook. Fitch adjusted its rating in April 2020 to BBB with stable outlook. Our goal remains a credit rating of BBB/BBB+.

### Credit rating for Continental AG

	December 31, 2020	December 31, 2019
<b>Standard &amp; Poor's<sup>1</sup></b>		
Long-term	BBB	BBB+
Short-term	A-2	A-2
Outlook	negative	stable
<b>Fitch<sup>2</sup></b>		
Long-term	BBB	BBB+
Short-term	F2	F2
Outlook	stable	stable
<b>Moody's<sup>3</sup></b>		
Long-term	Baa2	Baa1
Short-term	no rating	no rating
Outlook	negative	negative

<sup>1</sup> Contracted rating since May 19, 2000.

<sup>2</sup> Contracted rating since November 7, 2013.

<sup>3</sup> Contracted rating since January 1, 2019.

# Research and Development

## Future technologies are characterized by their high degree of connectivity, safety and convenience.

The future of mobility and other industries will be determined primarily by software innovations – for more safety, convenience and an intuitive user experience. Software will make a significant contribution to a future without traffic accidents. More than 90% of innovations in cars already come from software development. In industrial plants, software can be used to reduce unplanned downtimes and establish predictive maintenance intervals.

### High-performance computer and Cooperation Portal recognized with awards

Increasing functionality and connectivity are pushing conventional distributed vehicle architectures with 100 or more electronic control units to their limits. Within a new and more centralized architecture design, Continental's Body High-Performance Computer (Body HPC) replaces specific electronic control units and acts as a central "electronic brain" to manage data within the vehicle and beyond. It also acts as an application server that allows for cyber security features or wireless updates, for example. The vehicle remains state of the art, and the user can install new functions just like on a smartphone. The Body HPC is already used in the Volkswagen ID.3 model, and will be used in further models in Volkswagen's ID. series in the future as well.

While Continental's HPC simplifies the electronic architecture of a vehicle, implementing it is actually a highly complex task. An HPC like the one in the VW ID.3 is software-intensive and requires flexible development beyond what one company can offer: 19 different companies thus contributed toward the development of the software for this alone.

To effectively and efficiently shape such complex collaboration, Continental developed the Cooperation Portal, which automates

processes, ensures higher software quality and saves time with regard to development. The European Association of Automotive Suppliers (CLEPA) has given special recognition to this and presented Continental with the 2020 CLEPA Innovation Award.

### Digital tire monitoring in real time

Continental has developed ContiConnect Live, the next generation of the digital tire-monitoring solution. It complements the Conti-PressureCheck systems for monitoring tire pressure and temperature, as well as ContiConnect Yard, the reader station that records all the necessary data when the vehicle passes by the station on the company premises. With ContiConnect Live, the data on tire pressure and temperature is sent to the cloud in real time using a central telematics unit. In addition, the unit transmits the location of the vehicle via GPS and records the operating hours of the tires. The data from the cloud can be accessed via a web portal, which provides a detailed vehicle view including alarm, pressure and temperature history, as well as GPS data and operating hours. If the data is not ideal, fleet managers are informed by text message or email, minimizing punctures and increasing the safety of drivers and vehicles.

Fleet managers therefore have a faster and more convenient overview of the condition of their vehicles regardless of location. By evaluating the information, the fleet benefits from reduced downtimes, extended operating hours and lower maintenance costs. ContiConnect Live is available for all specialty tires from Continental equipped with sensor technology.

### LiDAR technology portfolio expanded

Continental has supplemented its LiDAR portfolio by acquiring a minority stake in AEye, Inc., a US company specializing in LiDAR. Along with cameras and radars, LiDAR sensors count among the key technologies for automated driving. Continental has more than 20 years of experience in LiDAR sensors. AEye has developed a long-range LiDAR technology combining an amplifiable 1550 nanometer laser with a patented, feedback-controlled microelectromechanical system (MEMS) as a scanner.

	2020		2019	
	€ millions	% of sales	€ millions	% of sales
<b>Research and development expenses (net)</b>				
Autonomous Mobility and Safety	1,008.9	13.4	1,048.7	11.2
Vehicle Networking and Information	1,284.7	16.4	1,189.2	12.4
Tires	268.0	2.6	299.4	2.6
ContiTech	149.7	2.7	162.8	2.5
Powertrain	670.5	9.6	664.1	8.5
<b>Continental Group</b>	<b>3,381.8</b>	<b>9.0</b>	<b>3,364.2</b>	<b>7.6</b>
<b>Capitalization of research and development expenses</b>	<b>173.0</b>		<b>232.4</b>	
in % of research and development expenses	4.9		6.5	
<b>Depreciation on research and development expenses</b>	<b>197.1</b>		<b>120.4</b>	

This technology can be configured using software and thus optimized for almost any vehicle model and application. The LiDAR sensor from AEye is perfectly suited for use in passenger cars and commercial vehicles thanks to its high dynamic spatial resolution and long range. Vehicles are detected at a distance of over 300 meters and pedestrians at over 200 meters. Even small, low-reflecting objects like bricks can be detected at a distance of 160 meters. Continental will industrialize this LiDAR technology to meet the needs of the automotive industry, with production scheduled to begin at the end of 2024.

#### Sensor-based inspection service for conveyor belt systems

Continental has developed a service solution for monitoring conveyor belt systems to enable the early identification of weak points along a conveyor belt section before damage occurs and unplanned and costly downtimes result. The solution, offering a combination of visual and acoustic inspection, enables efficient, data-supported planning of maintenance intervals by applying sensor-supported technologies to replace the conventional and usually very complex manual process. These technologies make the inspection more precise, reduce the amount of verification required and enable predictive maintenance.

The new service offering comprises a hybrid solution that takes into account different applications and sections. First, open sections are inspected from the air using a camera-equipped drone that monitors the conveyor belt system. Once the drone has left the inspected section, it returns to an autonomous charging station to transfer the collected data to the designated cloud via an IoT (Internet of Things) module. The image data is then processed and analyzed using an artificial intelligence (AI)-based algorithm. Second, regular maintenance is carried out in covered sections or underground conveyors using fixed microphones, which record frequency deviations in the system's numerous idlers. The acoustic

data is also uploaded to the cloud, where it is processed and analyzed using AI.

The service solution has been successfully tested in initial field trials, and the system is scheduled to be put into operation in the course of 2021.

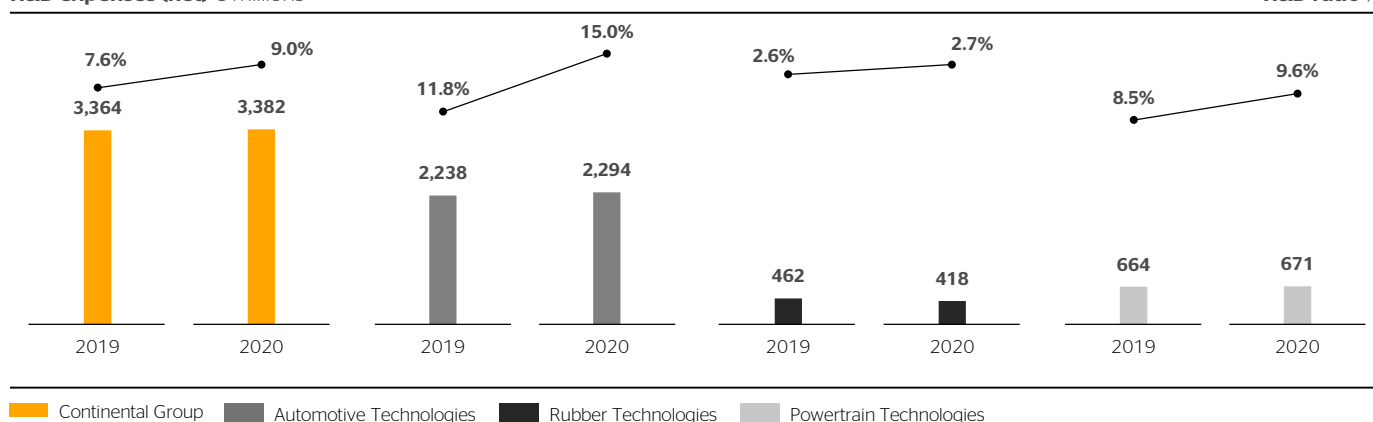
#### First transmission control system with overmolding electronics

Thanks to a new, globally unique manufacturing process, Vitesco Technologies has developed a transmission control unit known as overmolding control electronics. In the conventional design of an electronic control unit, the electronics are located within a housing. By contrast, the electronic components of an overmolding electronic control unit, which are arranged on a printed circuit board as usual, are completely embedded in plastic. New, high-precision injection molding processes as well as particularly resistant plastics make it possible to produce this type of electronic control unit for the very first time in the automotive industry.

The overmolding manufacturing process offers several advantages: As the sensitive high-tech components are completely enclosed in plastic, they are extremely robust and can withstand even strong vibrations. What's more, an overmolding component is not only lighter than a comparable electronic control unit in a conventional housing, but also significantly thinner. The new transmission control unit is seven millimeters thick, making it currently the thinnest electronic control technology on the market. By way of comparison, the electronic control unit used up to now was 1.5 centimeters thick. Another advantage is that an overmolding component can be manufactured using considerably fewer production steps than a housed electronic control unit. The new technology therefore reduces complexity and is considerably more cost-effective.

R&D expenses (net) € millions

R&D ratio %





# Sustainability and Combined Non-Financial Statement

The following section constitutes the combined non-financial statement in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e of the German Commercial Code (*Handelsgesetzbuch – HGB*), for the Continental Group and Continental AG combined, for fiscal 2020. The statement has been issued an unqualified opinion by the independent auditor, which can be found on pages 60 and 61.

## Information on Reporting

The *HGB* was used as a framework for the preparation of the combined non-financial statement. The combined non-financial statement therefore includes the main disclosures that are required in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e *HGB* in order to understand the business development, business performance and position of the company, and the effects of business operations on non-financial matters. The non-financial matters include environmental matters, employee matters, social matters, respect for human rights, and combating corruption and bribery. According to an internal analysis, the combined non-financial statement therefore covers the material topics listed in the following table. Some of these were renamed in 2020 with the adoption of the new sustainability ambition (see "Sustainability Management"). The newly named topics and what these used to be called are listed in the table.

Material topics of sustainability reporting <sup>1</sup>	
Four focus areas of sustainability	<ul style="list-style-type: none"> <li>Carbon neutrality (previously: climate protection)</li> <li>Emission-free mobility and industries (previously: clean mobility)</li> <li>Circular economy</li> <li>Responsible value chain (previously: sustainable supply chains)</li> </ul>
Eight sustainability essentials	<ul style="list-style-type: none"> <li>Good working conditions</li> <li>Green and safe factories</li> <li>Innovation and digitalization<sup>2</sup></li> <li>Benchmark in quality (previously: product quality)</li> <li>Safe mobility<sup>2</sup></li> <li>Long-term value creation (previously: sustainable profits)<sup>2</sup></li> <li>Sustainable management practice (previously: corporate governance)</li> <li>Corporate citizenship<sup>2</sup></li> </ul>

<sup>1</sup> Since 2019, we no longer report on the topic of human rights separately, but rather consider it from a holistic viewpoint in line with our internal management approach. It is incorporated into the following topics in this combined non-financial statement: responsible value chain (as part of the requirements for our suppliers), green and safe factories (with regard to occupational safety) and good working conditions (with regard to fair treatment of our employees).

<sup>2</sup> This topic was identified as being relevant to the sustainable development of the business, but according to an internal analysis was not classified as being relevant to reporting for the combined non-financial statement. It is therefore not part of the combined non-financial statement.

For information on the business model required for the combined non-financial statement, see the Structure of the Continental Group and Strategy of the Continental Group sections on pages 44 and 45 and pages 47 and 48, respectively.

Risk reporting is presented in the report on risks and opportunities starting on page 99. Beyond this, no additional non-financial risks were identified in accordance with Sections 289 (3) No. 3-4 and 315 (3) *HGB*.

The main medium of our sustainability reporting is the integrated sustainability report. This consolidates the information from the combined non-financial statement, the management report, the consolidated financial statements and other sources, as well as further supplementary information, in a modular format.

The integrated sustainability report is available online at [www.continental-sustainability.com/downloads](https://www.continental-sustainability.com/downloads).

## Sustainability Management

### Continental's sustainability ambition

In fiscal 2020, the Executive Board adopted a new sustainability ambition with the aim of advancing the company's transformation process in the area of sustainability. In the four focus areas of sustainability, we are committed to our strong, visionary ambitions, which we want to achieve by 2050 at the latest together with our partners along the value chain. The ambitions are set out in the following sections on carbon neutrality, emission-free mobility and industries, circular economy, and responsible value chain. Continental's entire sustainability ambition can also be found at [www.continental-sustainability.com/downloads](https://www.continental-sustainability.com/downloads). The sustainability ambition is based upon existing programs and processes, which it complements and gradually develops further.

### Sustainability management

The Executive Board member for Human Relations and Sustainability serves as chief sustainability officer (CSO). The Sustainability group function overseen by the CSO is responsible for sustainability management, including management of an interdepartmental committee. Sustainability organization is further supplemented by dedicated coordinators in the group sectors and business areas. Some of these organizational units also have their own interdepartmental sustainability committees.

In fiscal 2019, Continental introduced a sustainability scorecard for the Continental Group in order to measure progress in the area of sustainability. The scorecard defines the current key performance indicators for individual sustainability topics and represents the formal basis for integrating sustainability into other corporate processes. In fiscal 2020, for example, key performance indicators for sustainability were integrated into the long-term remuneration components (long-term incentive plan – LTI) of the Executive Board and global managers. For more information, see the remuneration report starting on page 27 of this annual report.

## Development of Material Sustainability Topics

### Carbon neutrality

#### Our ambition

As set out in our sustainability ambition, we strive to be 100% carbon-neutral along our entire value chain with regard to products, operations and supply by 2050 at the latest, together with our partners along the value chain.

#### Concept

The transformation toward carbon neutrality is to be achieved in four steps and in particular through the use of renewable energy, the development of new technologies, and increases in efficiency:

- › Since 2020: zero emissions from externally sourced electricity in global production through a complete switch to renewable energy, including through special electricity supply agreements (power purchase agreements) and the purchase of energy attribute certificates
- › From 2022: carbon neutrality of the allocated business with zero-tailpipe-emission vehicles
- › Corporate target by 2040: carbon neutrality of all our own production processes
- › Corporate target by 2050: carbon neutrality along the entire value chain

The targets have been validated by the Science Based Targets initiative (SBTi). On the basis of the method used, the linear derivations for 2030 from the targets for 2040 and 2050 were confirmed as being compliant with the Paris climate agreement.

#### Results of the concept

As a key performance indicator for the implementation of our concept with respect to carbon neutrality, we consider our own CO<sub>2</sub> emissions in accordance with Scope 1 and 2 of the Greenhouse Gas (GHG) Protocol. These include direct CO<sub>2</sub> emissions from fossil fuels (Scope 1 of the GHG Protocol) and indirect CO<sub>2</sub> emissions from purchased electricity, steam and heat (Scope 2 of the GHG Protocol). Our own CO<sub>2</sub> emissions amounted to 0.99 million metric tons in fiscal 2020 (PY: 3.22 million metric tons). The previous year's figure is not comparable due to a change in the method for calculating Scope 2 emissions from a location-based method to a market-based method in accordance with the GHG Protocol. In fiscal 2020, Continental switched all externally sourced electricity at the relevant production and research and development locations to 100% renewable energy as planned (RE100 project) and adapted its calculation method accordingly. This means that there are no longer any CO<sub>2</sub> emissions associated with externally purchased electricity at the relevant production and research and development locations. This led to an overall reduction in own CO<sub>2</sub> emissions of almost 70%. To a lesser extent, the decline in production related to the COVID-19 pandemic also contributed to a reduction in energy consumption and the associated CO<sub>2</sub> emissions.

#### Key performance indicators for carbon neutrality

	2020	2019
Direct CO <sub>2</sub> emissions (Scope 1) in millions of metric tons of CO <sub>2</sub> <sup>1, 2, 3</sup>	0.78	0.84
Indirect CO <sub>2</sub> emissions (Scope 2) in millions of metric tons of CO <sub>2</sub> <sup>1, 2</sup>	0.21 <sup>4</sup>	2.38 <sup>5</sup>
<b>Total own CO<sub>2</sub> emissions (Scope 1 and 2) in millions of metric tons of CO<sub>2</sub><sup>1, 2</sup></b>	<b>0.99<sup>6</sup></b>	<b>3.22<sup>6</sup></b>

<sup>1</sup> Definitions in accordance with the GHG Protocol. CO<sub>2</sub> emission factors correspond to CO<sub>2</sub> equivalents (CO<sub>2</sub>e).

<sup>2</sup> Includes the relevant production and research and development locations.

<sup>3</sup> CO<sub>2</sub> emissions from fleet consumption are only partially and not systematically included.

<sup>4</sup> Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (November 2019) were used.

<sup>5</sup> Calculated using the location-based calculation method of the GHG Protocol.

<sup>6</sup> Figures for 2020 and 2019 not comparable due to the implementation of the RE100 project and the associated change in the method for calculating Scope 2 emissions from a location-based method to a market-based method in accordance with the GHG Protocol.

For more information on carbon neutrality, including reporting on indirect CO<sub>2</sub> emissions along the value chain (Scope 3 of the GHG Protocol), see the integrated sustainability report at [www.continental-sustainability.com/downloads](https://www.continental-sustainability.com/downloads).

### Emission-free mobility and industries

#### Our ambition

As set out in our sustainability ambition, we strive for 100% emission-free mobility and industry by 2050 at the latest, together with our partners along the value chain. "Emission-free" refers to zero emissions of greenhouse gases and nitrogen oxides (NO<sub>x</sub>), for example, but does not include harmless emissions such as water vapor, non-toxic biodegradable particulate emissions or minimal noise emissions.

#### Concept

With technological solutions, Continental is shaping the transformation toward emission-free mobility and emission-free industries. In doing so, we rely both on new product developments and on the further development of the existing product portfolio. Emission-free mobility includes, for example: electrified drive systems, lightweight design solutions, automated driving solutions, new transport concepts, and rolling-resistance-optimized tires.

For more information on this topic, see the Strategy of the Continental Group section on pages 47 and 48, the Research and Development section on pages 52 and 53, and the report on risks and opportunities starting on page 99 of this annual report.

#### Results of the concept

We consider our allocated business with zero-tailpipe-emission vehicles to be a key performance indicator for the implementation of our concept with respect to emission-free mobility and industries. The new key performance indicator introduced in fiscal 2020 expresses the paradigm shift from more efficient mobility to emission-free mobility and comprised €0.83 billion of consolidated sales. It refers to business with vehicles without drive emissions that can be

clearly allocated via the vehicle manufacturer, the vehicle platform or the product specification, for example. Additionally, there are also business activities that cannot be clearly allocated to emission-free vehicles and are therefore not reported. This currently includes a major part of the replacement business, for example. The new key performance indicator replaces the previous key performance indicator "percentage of products that demonstrably contribute to energy efficiency or to the reduction of pollutant or carbon dioxide emissions."

#### Key performance indicator for emission-free mobility and industries

	2020	2019
Allocated business with zero-tailpipe-emission vehicles in € billions <sup>1, 2</sup>	0.83	n.a.

<sup>1</sup> Definition: allocated business with zero-tailpipe-emission vehicles measures both pure business and attributable business, e.g. in the case of combined vehicle platforms. The figure includes the entire business with products for vehicles transporting goods and people.

<sup>2</sup> The calculation was also based on external data sources and internal planning data. In the tire trade organization business (e.g. Vergölst) and business with car dealerships, there is no allocation at the individual customer level.

For more information on emission-free mobility and industries, see the integrated sustainability report at [www.continental-sustainability.com/downloads](https://www.continental-sustainability.com/downloads).

## Circular economy

### Our ambition

As set out in our sustainability ambition, we strive for 100% closed resource and product cycles by 2050 at the latest, together with our partners along the value chain.

### Concept

Continental is realizing the transformation toward a circular economy by means of numerous initiatives and projects, which are managed at various levels within the Continental Group. Examples include the use of recycled materials, the retreading of tires, the reduced use of plastics, as well as operational waste management.

For operational waste management, we have set ourselves the following target:

- Corporate target by the end of 2030: increase in the waste recycling quota to 95%. The waste recycling quota measures the proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.

### Results of the concept

We currently consider the waste recycling quota to be a key performance indicator for the circular economy. In fiscal 2020, this was at 81% (PY: 80%) and therefore on a par with the previous year.

A specially developed, corporate-wide awareness and participation campaign on resource conservation and waste prevention, which was initially rolled out as planned at the start of fiscal 2020, had to be suspended after a short time as a result of the COVID-19 pandemic.

#### Key performance indicator for circular economy

	2020	2019
Waste recycling quota in % <sup>1, 2</sup>	81	80

<sup>1</sup> Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.

<sup>2</sup> Includes the relevant production and research and development locations.

For more information on the circular economy, see the integrated sustainability report at [www.continental-sustainability.com/downloads](https://www.continental-sustainability.com/downloads).

## Responsible value chain

### Our ambition

As set out in our sustainability ambition, we strive for 100% responsible business partnerships and sourcing by 2050 at the latest, together with our partners along the value chain.

### Concept

Our understanding of a responsible value chain refers to our supply chain and customer relationships and to our own locations.

The transformation toward a fully and universally responsible value chain begins with concrete requirements that we already set out for our direct suppliers: in our Business Partner Code of Conduct, as well as in our sourcing policy for the purchase of sustainable natural rubber, we define the fundamental requirements for our suppliers, and for their suppliers in turn, including with regard to human rights, working conditions, environmental protection and anti-corruption. Violations of our regulations can also be reported via the Compliance & Anti-Corruption Hotline, which is available around the clock and worldwide. In the event that violations of our binding regulations are identified, we demand improvements and reserve the right to terminate the business relationship. We assess our suppliers with the help of self-assessment questionnaires via the generally accepted sustainability platforms for our industries, EcoVadis and NQC. Before even establishing a business relationship, we also check potential new suppliers and service providers by means of self-assessments as well as on-site audits, which may also include sustainability topics (such as fire protection and occupational safety).

Responsible sourcing is the responsibility of the relevant purchasing organizations, which are established at Continental by business area and product group with teams in the various countries. In fiscal 2020, a corporate purchasing network was established, which regularly deals with responsible sourcing topics as well.

We describe the transformation toward a fully and universally responsible value chain with regard to our own locations in the following sections on good working conditions and green and safe factories in particular.

We continue to develop our approach further in dialog with external stakeholders and support the development of industry-wide standards, for example through our active participation in industry dialog with the German government on human rights in the automotive industry and through the Global Platform for Sustainable Natural Rubber (GPSNR).

### Results of the concept

In fiscal 2020, we assessed our sourcing processes with regard to management capacities for the implementation of human rights due diligence, and from this we derived necessary measures together in the corporate purchasing network. The measurement is performed on the basis of a recognized external tool for self-assessment from the German Global Compact Network.

In the prioritized area of activity for the sourcing of sustainable natural rubber, the piloted approaches for traceability have been further expanded upon as part of the Rubberway project and collaboration with the German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit - GIZ) in Indonesia. With regard to other critical raw materials in our supply chain, we have also – specially for conflict minerals as well as cobalt – reorganized management and reporting and firmly established processes, roles and responsibilities within the company.

The total number of valid available self-assessment questionnaires completed by suppliers via the two sustainability platforms EcoVadis and NQC is used as a key performance indicator for the implementation of our concept with respect to the responsible value chain. As at December 31, 2020, valid self-assessment questionnaires from 696 suppliers (PY: 670) were available. This corresponds to a completion rate of 59% of suppliers selected for this process (PY: 57%).

#### Key performance indicator for responsible value chain

	2020	2019
Number of available, valid supplier self-assessment questionnaires (as at Dec. 31) <sup>1</sup>	696	670 <sup>2</sup>

<sup>1</sup> Based on the self-assessment questionnaires completed by suppliers via the sustainability platforms EcoVadis and NQC. In fiscal 2020, a change was made to the definition of validity with regard to supplier self-assessment questionnaires by Continental. This will always last for two years, irrespective of the platform used.

<sup>2</sup> Figures for 2020 and 2019 only comparable to a limited extent due to a change in definition.

For more information on the responsible value chain, see the integrated sustainability report at [www.continental-sustainability.com/downloads](https://www.continental-sustainability.com/downloads).

### Good working conditions

#### Our ambition

As set out in our sustainability ambition, we provide inspiring, healthy and fair working conditions.

#### Concept

Continental's Code of Conduct sets out the cornerstones for good working conditions as the basis of our global collaboration, including human rights and fair working conditions. Employees regularly receive training on the Code of Conduct.

In order to meet our future staffing requirements in terms of both quality and quantity, our vision is to become one of the most attractive and progressive employers. The strategic goals of HR work are therefore focused on efficiently and effectively bringing together the right people and positions (Industrialize Best Fit) and at the same time shaping the transition to digitalization, new technologies and new forms of collaboration (Enable Transformation & Leadership). Strategic workforce planning, suitable talent selection and development (in particular in the areas of software and IT) on the basis of comprehensive diagnostics, the promotion of employee diversity and lifelong learning, the further development of the management culture and the flexibilization of working hours are therefore essential strategic HR activities.

According to a preliminary analysis, up to 30,000 jobs worldwide are expected to be affected by changes under the Transformation 2019-2029 structural program over the next 10 years. We are preparing the employees affected for the technological changes and associated professional and personal challenges that they will face through structured retraining measures that are conducive to employment.

Those responsible for the projects' implementation are the HR functions at the group sector and business area level, which work together in a global network. A special network of country coordinators for working relationships is also part of this organization.

### Results of the concept

With the adoption of remote working back in fiscal 2016, we laid a central foundation on which to successfully combat the challenges associated with the COVID-19 pandemic in fiscal 2020 and enable employees to work from home.

We use the Sustainable Engagement index from our annual employee survey OUR BASICS Live as a key performance indicator for the implementation of our concept with respect to good working conditions. The index measures employee approval on topics such as whether they personally back the company values and whether they are proud to work for Continental. In fiscal 2020, the Sustainable Engagement index was 82% (PY: 81%) and therefore on a par with the previous year. Other key performance indicators are the sickness rate and the unforced fluctuation rate. The sickness rate measures sickness-related absence relative to contractually agreed working times, and the unforced fluctuation rate measures the voluntary departure of employees from the company relative to the average number of employees. In 2020, the sickness rate was up slightly compared with the previous year at 3.5% (PY: 3.4%), while the unforced fluctuation rate was down at 4.6% (PY: 6.0%). The decrease applies to all regions.

Information about personnel expenses in fiscal 2020 (i.e. wages and salaries, social security contributions and pension and post-employment benefit costs), can be found in Note 9 of the notes to the consolidated financial statements. Employee benefits such as pensions, post-employment benefits and long-term bonus payments are broken down in Note 28 of the notes to the consolidated financial statements.

Key performance indicators for good working conditions	2020	2019
OUR BASICS Live Sustainable Engagement index in %	82	81
Sickness rate in % <sup>1, 2</sup>	3.5	3.4
Unforced fluctuation rate in % <sup>2, 3, 4</sup>	4.6	6.0

1 Definition: sickness-related absence relative to contractually agreed working times.

2 Excluding temporary staff (i.e. permanent staff only).

3 Definition: voluntary departure of employees from the company relative to the average number of employees.

4 In fiscal 2020, the key performance indicator was renamed. This was previously called "unforced fluctuation."

For more information on good working conditions, see the integrated sustainability report at [www.continental-sustainability.com/downloads](https://www.continental-sustainability.com/downloads).

## Green and safe factories

### Our ambition

As set out in our sustainability ambition, we conduct our business processes in a safe and responsible manner based on systematic management and protecting people and the environment.

### Concept

Our company policy for environment, safety and health protection (ESH) defines corporate-wide guidelines for green and safe factories. On this basis, ESH targets for the Continental Group are in place: all persons in our company are to be protected against accidents and work-related sickness, and health is to be actively promoted. CO<sub>2</sub> emissions, energy use, water consumption and waste generation at the locations are to be reduced, and the waste recycling quota and energy efficiency at the locations increased.

Local management systems are used to drive the implementation of these corporate targets. The concrete organizational and technical guidelines for local management systems can be found in the relevant ESH management manuals.

The Environment and Safety & Health group functions are responsible for the related strategic, corporate-wide ESH management process, and are supplemented by corresponding ESH functions in the individual business areas. Operational environment, safety and health protection on site is the responsibility of location management and is coordinated by local ESH managers in each case.

### Results of the concept

As a key performance indicator for the implementation of our concept with respect to green and safe factories, we use the corporate-wide employee coverage quota with regard to certified local management systems in the areas of the environment, energy and occupational safety. On this basis, the majority of our employees throughout the Continental Group were covered by certified management systems as at December 31, 2020. The environmental management system certification covered 82% of employees (PY: 82%), the energy management system certification covered 51% of employees (PY: 49%), and the safety and health management system certification covered 69% of employees (PY: 69%). The accident rate - i.e. the number of accidents per million working hours - is also used as a key performance indicator with respect to green

and safe factories. The accident rate improved to 2.9 accidents per million working hours in fiscal 2020 (PY: 3.0 accidents per million working hours).

In order to address the COVID-19 pandemic, the existing corporate-wide pandemic preparedness plan ("pandemic plan") was activated in fiscal 2020, which contributed to pandemic-proof production. An emergency organizational system was set up at company level under the leadership of the Group Security group function, which incorporates the relevant corporate functions. Regional crisis teams were also established at country level. In addition, we launched medical counseling and mental health programs for our employees and their families, such as a global hotline. Another measure was the establishment of three production lines for the manufacture of surgical masks.

Key performance indicators for green and safe factories	2020	2019
Environmental protection management system certifications (ISO 14001)		
Employee coverage quota (as at Dec. 31) in %	82	82
Energy management system certifications (ISO 50001)		
Employee coverage quota (as at Dec. 31) in %	51	49
Occupational safety and health management system certifications (ISO 45001 or similar)		
Employee coverage quota (as at Dec. 31) in %	69	69
Accident rate (number of accidents per million working hours) <sup>1, 2</sup>	2.9	3.0 <sup>3</sup>

1 Definition: number of accidents during working hours per million paid working hours. Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.

2 Excluding temporary staff (i.e. permanent staff only) and way-to-work accidents.

3 Excluding Continental Tire Sales (approx. 2% of the total workforce).

For more information on green and safe factories, see the integrated sustainability report at [www.continental-sustainability.com/downloads](https://www.continental-sustainability.com/downloads).

## Benchmark in quality

### Our ambition

As set out in our sustainability ambition, we are recognized by our customers and society as being a benchmark in quality by ensuring safe and sustainable products.

### Concept

The decisive factor in becoming a benchmark in quality is a quality-oriented company culture. Our quality policy sets out guidelines for product and process quality at Continental. Product recalls, product liability claims and proceedings as a result of quality defects represent a business risk. We want to avoid this business risk due to the resulting losses of sales, costs, and loss of customer and market acceptance. Detailed reporting in this respect is included in the report on risks and opportunities starting on page 99.

Local management systems on site are used to support the implementation of these corporate targets. The concrete organizational and technical guidelines for local management systems can be found in the relevant quality management manuals.



The Total Quality Management (TQM) group function as well as the quality functions at various levels in the Continental Group, which work together in a global network, are responsible for the strategic, corporate-wide quality management process.

#### Results of the concept

As a key performance indicator for the implementation of our concept with respect to benchmark in quality, we use the corporate-wide employee coverage quota with regard to certified local quality management systems. The majority of our employees throughout the Continental Group, namely 91%, were covered by certified quality management systems as at December 31, 2020 (PY: 86%). The number of new field quality events also represents a key performance indicator with respect to benchmark in quality, which we newly defined in 2020 and are reporting on externally for the first time. A field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental on the basis of a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority. As at December 31, 2020, 18 new field quality events had been identified.

Information about the scope of warranty and product liability claims in fiscal 2020 can be found in Note 36 (Litigation and Compensation Claims) of the notes to the consolidated financial statements, on pages 209 and 210.

Key performance indicators for benchmark in quality	2020	2019
Quality management system certifications (ISO 9001 or similar)		
Employee coverage quota (as at Dec. 31) in %	91	86
New field quality events (as at Dec. 31) <sup>1</sup>	18	n.a.

<sup>1</sup> Definition: a field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental based on a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.

For more information on benchmark in quality, see the integrated sustainability report at [www.continental-sustainability.com/downloads](https://www.continental-sustainability.com/downloads).

### Sustainable management practice

#### Our ambition

As set out in our sustainability ambition, we implement effective management processes, fair business practices and responsible corporate governance with a balanced view of different perspectives.

#### Concept

Continental AG's Corporate Governance Principles are intended to help achieve responsible, value-driven management within the company and the Continental Group.

To prevent corruption and antitrust violations in particular, the Executive Board has established the global compliance organization together with the Compliance group function and regional subfunctions. This structure is supplemented by compliance coordinators

in the countries and at the locations. The fundamental principles of compliance management are set out in the corporate-wide compliance handbook. Continental has a compliance management system, which is based on a comprehensive analysis of potential compliance risks for the core areas of antitrust law and corruption prevention.

We are also committed to promoting employee diversity, which we understand as internationality, a balanced gender ratio, and a range of experiences and age categories. We have set ourselves the corporate-wide target of increasing the share of female executives and senior executives. We intend to achieve this in particular by promoting cultural change in the organization through the expansion of women's networks and the holding of diversity workshops and specific events:

- > Corporate target by 2020: share of female executives and senior executives of 16%
- > Corporate target by 2025: share of female executives and senior executives of 25%

For more information on sustainable management practice, see the corporate governance report starting on page 12 of this annual report. For more information on compliance, see the detailed compliance report on page 22 of this annual report, as well as the report on risks and opportunities starting on page 99. For more information on our diversity concept, see the corporate governance report starting on page 21 of this annual report.

#### Results of the concept

The design, implementation and effectiveness of the compliance management system was confirmed by an independent auditor in fiscal 2016 in accordance with the IDW PS 980 audit standard.

A key performance indicator for the implementation of our concept with respect to sustainable management practice is gender diversity, which measures the share of female executives and senior executives. As at December 31, 2020, Continental had increased its share of female executives and senior executives to 16.1% (PY: 15.8%) and therefore successfully met its corporate target of 16% for fiscal 2020.

Key performance indicator for sustainable management practice	2020	2019
Gender diversity – share of female executives and senior executives (as at Dec. 31) in % <sup>1</sup>	16.1	15.8

<sup>1</sup> In fiscal 2020, the key performance indicator was renamed. This was previously called "proportion of women in management positions."

For more information on sustainable management practice, see the integrated sustainability report at [www.continental-sustainability.com/downloads](https://www.continental-sustainability.com/downloads).

### Information on the development of other key sustainability topics

Information on the development of topics that have been identified as being relevant to the sustainable development of the business, but according to an internal analysis were not classified as being relevant to reporting for the combined non-financial statement, can be found in the locations specified below:

- > Innovation and digitalization: the Research and Development section on pages 52 and 53 of this annual report and in the integrated sustainability report
- > Safe mobility: the Research and Development section on pages 52 and 53 of this annual report and in the integrated sustainability report
- > Long-term value creation: the Corporate Management section on pages 49 and 50 of this annual report and in the integrated sustainability report
- > Corporate citizenship: in the integrated sustainability report

The integrated sustainability report is available online at

📄 [www.continental-sustainability.com/downloads](http://www.continental-sustainability.com/downloads).

## Independent Auditor's Report

### Reasonable assurance report of the independent auditor regarding the combined non-financial statement

To the Supervisory Board of Continental Aktiengesellschaft, Hanover

We have performed a reasonable assurance engagement on the consolidated non-financial statement combined for Continental Aktiengesellschaft (further "Continental" or the "Company") and the Continental Group in accordance with Sections 315b and 315c of the German Commercial Code (*HGB*) in conjunction with Sections 289b to 289e *HGB* which is included in chapter "Sustainability and Consolidated Non-Financial Statement" of the consolidated management report as well as in the sections "Structure of the Continental Group," "Strategy of the Continental Group" and "Report on Risks and Opportunities" of the consolidated management report, which are qualified as a part by reference, (further "combined non-financial statement") for the period from January 1 to December 31, 2020 (Appendix 1).

### Management's responsibility

The legal representatives of the Company are responsible for the preparation of the combined non-financial statement in accordance with Sections 315b and 315c *HGB* in conjunction with Sections 289b to 289e *HGB*.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the combined non-financial statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the

preparation of the combined non-financial statement that is free of – intended or unintended – material misstatements.

### Practitioner's responsibility

It is our responsibility to express a conclusion on the combined non-financial statement based on our work performed within a reasonable assurance engagement.

We conducted our work in the form of a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information," published by IAASB. Accordingly, we have to comply with our professional duties and to plan and perform the assurance engagement in such a way that we, respecting the principle of materiality, reach our conclusion with a reasonable level of assurance. The audit of the combined non-financial statement encompasses the performance of audit procedures to obtain evidence for the information included in the combined non-financial statement. The choice of audit procedures is subject to the auditor's own judgment.

Within the scope of our engagement we performed, amongst others, the following audit procedures:

- > Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for Continental
- > A risk analysis, including media research, to identify relevant information on Continental's sustainability performance in the reporting period
- > Reviewing the suitability of internally developed definitions
- > Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters
- > Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- > Performing control-based audit procedures to assess the design and effectiveness of internal controls used to collect and process non-financial disclosures and data, including the consolidation of the data at group and business area level
- > Substantive assurance procedures using, in particular, internal and external documentation in order to determine in detail whether the disclosures correspond to relevant underlying sources
- > Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites

- › Evaluation of local data collection, validation and reporting processes as well as of the reliability of reported data by means of sampling at Kaluga in Russia, Puchov in Slovakia, Changchun in China, Weißbach and Waltershausen in Germany
- › Assessment of the overall presentation of the disclosures

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

#### **Independence and quality assurance on the part of the auditing firm**

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

#### **Conclusion**

In our opinion the combined non-financial statement of Continental Aktiengesellschaft for the period from January 1 to December 31, 2020, is prepared, in all material respects, in accordance with Sections 315b and 315c *HGB* in conjunction with Sections 289b to 289e *HGB*.

#### **Restriction of use/general engagement terms**

This assurance report is issued for the purposes of the Supervisory Board of Continental Aktiengesellschaft, Hanover, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Continental Aktiengesellschaft, Hanover, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (<https://www.kpmg.de/bescheinigungen/lib/aab.pdf>). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein, including the limitation of our liability as stipulated in No. 9, and accepts the validity of the General Engagement Terms with respect to us.

Munich, March 2, 2021

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Hell

ppa. Mathias

# Economic Report

## General Conditions

### Macroeconomic Development

Due to the COVID-19 pandemic and the containment measures taken by governments across the world, the global economy shrank by 3.5% in 2020, according to the January 2021 World Economic Outlook Update (WEO Update) published by the International Monetary Fund (IMF). This fell considerably short of the IMF's original forecast of 3.2% growth from January 2020.

In the eurozone, gross domestic product (GDP) fell by 6.8% in 2020 according to the statistical office Eurostat. Of the major eurozone economies, France, Italy and Spain reported particularly steep declines in GDP of 8% to 11% year-on-year. In Germany, according to the Federal Statistical Office, GDP fell by 5.0% compared to 2019. Countries outside of the eurozone also recorded a decline in economic output in 2020. For the UK and Russia, the IMF estimated a decline in GDP of 10.0% and 3.6%, respectively.

In North America, according to the Bureau of Economic Analysis, the USA suffered a decline in GDP of 3.5% for 2020 as a result of the pandemic. Canada and Mexico were much more heavily affected according to the IMF, with declines in GDP of 5.5% and 8.5%, respectively.

Other countries in the Americas likewise suffered economic losses as a result of the pandemic in 2020. For Brazil, for example, the IMF reported a decline in GDP of 4.5%.

Asian countries also recorded mostly negative growth rates for their economies in the year under review according to the IMF. GDP for the Association of Southeast Asian Nations (ASEAN), for example, fell by 3.7% in 2020. The IMF calculated a noticeable decline in GDP of 5.1% for Japan. India's economy is estimated

to have shrunk by 8.0% according to the IMF. In contrast, China achieved GDP growth of 2.3% according to the IMF. The slump in the economy in the first quarter of 2020 was more than offset here by strong growth in subsequent quarters.

### Development of Key Customer Sectors and Sales Regions

The most important market segment for Continental is the global supply business for manufacturers of passenger cars and commercial vehicles, which accounted for 69% of sales in fiscal 2020.

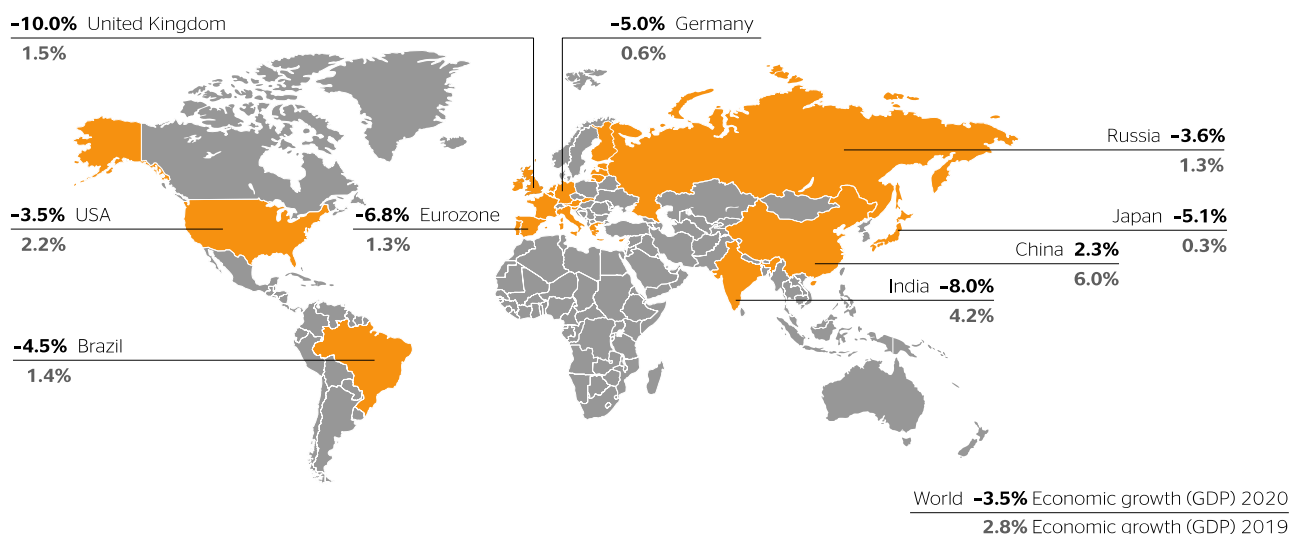
The second-biggest market segment for Continental is the global replacement-tire business for passenger cars and commercial vehicles. Because passenger cars and light commercial vehicles weighing less than 6 metric tons make up a considerably higher share of vehicle production and the replacement-tire business, their development is particularly important to our economic success.

Continental's biggest sales region is still Europe, which accounted for 48% of sales in the reporting year, followed by North America with 25% and Asia with 24%.

#### Development of new passenger-car registrations

Due to the COVID-19 pandemic and the containment measures taken by individual countries, demand for passenger cars fell sharply in all regions across the world for a period of time. Over the course of the pandemic, China was initially the hardest hit. The Chinese government had already taken comprehensive containment measures at the end of January 2020. Once these were eased, a rapid recovery in demand was seen. The German Association of

#### Year-on-year economic growth (GDP) in 2020 (for selected countries and the world)



the Automotive Industry (Verband der Automobilindustrie, VDA) anticipates a decline in new-car registrations in China of around 6% for 2020, according to preliminary data.

In many other countries, the containment measures taken by governments likewise led to significant slumps in demand for passenger cars in the reporting year. In the European car market (EU27, EFTA and the United Kingdom), sales volumes fell by 24% according to preliminary data from the VDA. According to the VDA, significant declines in sales volumes were also seen in Brazil (27%), the USA (15%), Japan (11%) and Russia (9%) in the reporting period. According to preliminary data, global new-car registrations fell by 14% in the year under review.

#### Development of production of passenger cars and light commercial vehicles

According to preliminary figures, the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons was down 16% to 74.6 million units in the reporting year. This was due to lower demand for passenger cars and temporary closures of plants.

In China, production was almost halved as a result of the extensive plant closures in the first quarter of 2020. Production recovered quickly over the remainder of the year, exceeding the previous year's figures in the second, third and fourth quarters. Despite this, China's production of passenger cars and light commercial vehicles still suffered a year-on-year decline of 4% for 2020 as a whole.

In Europe and North America – the Continental Group's other two core markets in addition to China – temporary plant closures in March and especially April led to an extreme drop in the production of passenger cars and light commercial vehicles. The gradual re-sumption of production caused monthly volumes to normalize over the remainder of the reporting year. Overall, the production of passenger cars and light commercial vehicles for 2020 decreased year-on-year by 22% in Europe and by 20% in North America.

Significant declines in production were also recorded by many other countries in the year under review, including Brazil (32%), India (23%), Japan (16%) and South Korea (11%).

#### Development of production of medium and heavy commercial vehicles

According to preliminary data, the decline in order intake from the previous year coupled with plant closures due to the COVID-19 pandemic led to a decline in the global production of medium and heavy commercial vehicles weighing more than 6 metric tons of 4% in 2020.

North America was particularly affected, with truck production falling by 31% according to preliminary figures. In Europe, preliminary data indicates that the production of medium and heavy commercial vehicles declined by 18%.

China recorded a year-on-year decline in volumes of 19% in the first quarter of 2020, but this was more than offset by a sharp rise in production of 47% and 72% in the second and third quarters, respectively. In the fourth quarter, production was up 16% year-on-year according to preliminary figures. Overall, China ended 2020 with production of medium and heavy commercial vehicles up 27% compared to the previous year's figures.

#### Development of replacement-tire markets for passenger cars and light commercial vehicles

According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons fell by 11% in the reporting year. Following the sharp global market decline in the first and second quarters of 2020 in the wake of the measures to contain the COVID-19 pandemic, demand steadily recovered in the second half of 2020.

On the basis of preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles fell by 12% in Europe and by 8% in North America. In China, preliminary data indicates a decline in sales volumes of replacement tires of 5%.

#### Development of replacement-tire markets for medium and heavy commercial vehicles

In our core markets of Europe and North America, preliminary data indicates that year-on-year demand for replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons fell by 3% and 1%, respectively, in 2020 in the wake of the COVID-19 pandemic.

### Changes to vehicle production and sales volumes in the tire-replacement business in 2020 (compared to 2019)

	Vehicle production		Replacement sales of tires	
	of passenger cars and light commercial vehicles	of medium and heavy commercial vehicles	for passenger cars and light commercial vehicles	for medium and heavy commercial vehicles
Europe	-22%	-18%	-12%	-3%
North America	-20%	-31%	-8%	-1%
China	-4%	27%	-5%	n. a.
<b>Worldwide</b>	<b>-16%</b>	<b>-4%</b>	<b>-11%</b>	<b>n. a.</b>

Sources:

Vehicle production: IHS Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey).

Tire-replacement business: LMC International Ltd.

Preliminary figures and own estimates.



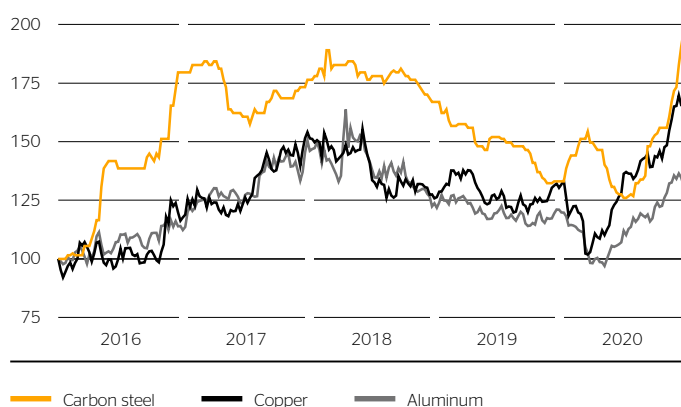
## Development of Raw Materials Markets

In the first half of the year under review, the temporary industrial plant closures in many countries as a result of the COVID-19 pandemic led to a decline in demand for raw materials. This initially resulted in falling raw material prices. Due to the global spread of the pandemic, many raw material producers were also forced to temporarily suspend their production either partially or completely. This temporary supply shortage, just as demand in industrialized nations was recovering, led to a sharp rise in raw material prices in the second half of 2020.

Carbon steel and stainless steel are input materials for many of the mechanical components such as stamped, turned, drawn and die-cast parts integrated by Continental into its products. Steel wire is used in particular in tire production as steel cord but also, for example, in conveyor belts and timing belts to increase tensile strength. Aluminum is used in particular for die-cast parts and stamped and bent components, while copper is used in particular in electric motors and mechatronic components. On a euro basis, prices for carbon steel fell by 2% on average in 2020. The annual average price of copper increased by around 3% on a US dollar basis in 2020, while that of aluminum fell by around 5% on a US dollar basis.

**Steel, copper and aluminum**

indexed to January 1, 2016



**Sources:**

Carbon steel: hot-rolled coil Northern Europe ex works, from Kallanish Commodities (€ per metric ton).

Copper and aluminum: rolling three-month contracts from the London Metal Exchange (US \$ per metric ton).

Precious metals such as gold, silver, platinum and palladium are used by Continental and by our suppliers to coat components. Prices for precious metals rose again in 2020. On average for the year, on a US dollar basis, the prices of gold and silver increased by 27% each and the price of palladium by as much as 43%. The price of platinum remained relatively stable, with an increase of 2%.

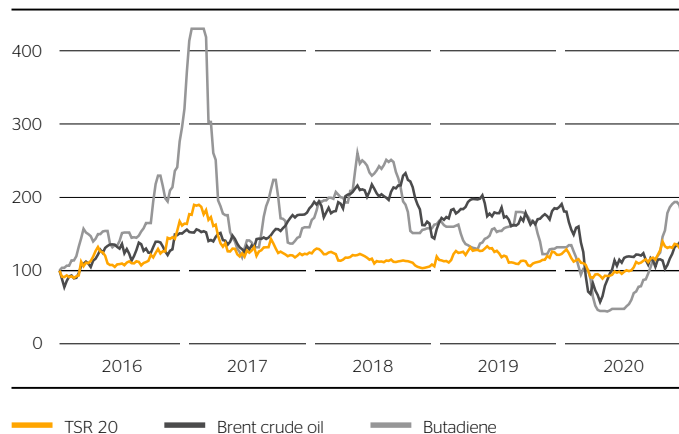
Continental uses various types of natural rubber and synthetic rubber for the production of tires and industrial rubber products. It also uses relatively large quantities of carbon black as a filler material and of steel cord and nylon cord as structural materials. Due to the

large quantities and direct purchasing of raw materials, their price development has a significant influence on the earnings of the Rubber Technologies group sector, particularly the Tires business area.

The price of crude oil – the most important basic building block for synthetic-rubber input materials such as butadiene and styrene as well as for carbon black and various other chemicals – fell sharply in the first few months of 2020 due to the decline in demand as a result of the pandemic. From May 2020, the listings recovered again, thanks to falling production levels as well as higher demand. The average price of Brent crude oil for the year decreased by around 34% year-on-year on a US dollar basis. As a result, the prices of various input materials for synthetic rubber fell year-on-year in the year under review. Butadiene and styrene, for example, decreased by 33% and 26% year-on-year on a US dollar basis.

**TSR 20, crude oil and butadiene**

indexed to January 1, 2016



**Sources:**

TSR 20: rolling one-month contracts from the Singapore Exchange (US \$ cents per kg).

Crude oil: European Brent spot price from Bloomberg (US \$ per barrel).

Butadiene: South Korea spot price (FOB) from PolymerUpdate.com (US \$ per metric ton).

Prices for natural rubber initially fell in the first few months of 2020, before recovering again as the year progressed. The primary reason for this was the rise in demand for tires in Asia, particularly in China. But in Europe and North America too, demand normalized in the second half of the year. The average price of natural rubber TSR 20 for the year was down 6% year-on-year on a US dollar basis. The average price of ribbed smoked sheets (RSS) for the year rose by 6% on a US dollar basis.

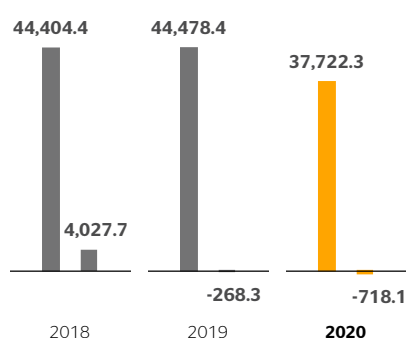
The stronger euro led to a decline in the average price of raw material imports to Europe by around 2% in the reporting year. Overall, the described price developments for raw materials led to cost savings in 2020, in particular in the Rubber Technologies group sector. However, there is generally a gap of several months between purchasing raw materials, their delivery and their use in production, depending on the product and contractual arrangement. As a result, the rise in spot prices in the second half of 2020 is expected to lead to increased costs for raw materials in 2021.

# Earnings, Financial and Net Assets Position

- > Sales down 15.2% at €37.7 billion
- > Organic sales down 12.7%
- > Basic earnings per share at -€4.81

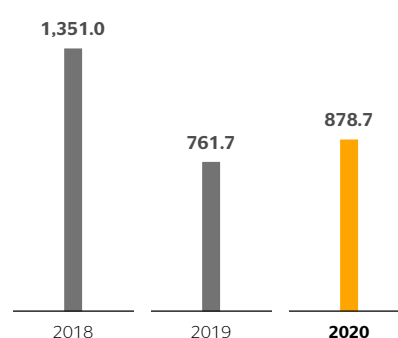
## Sales; EBIT

€ millions

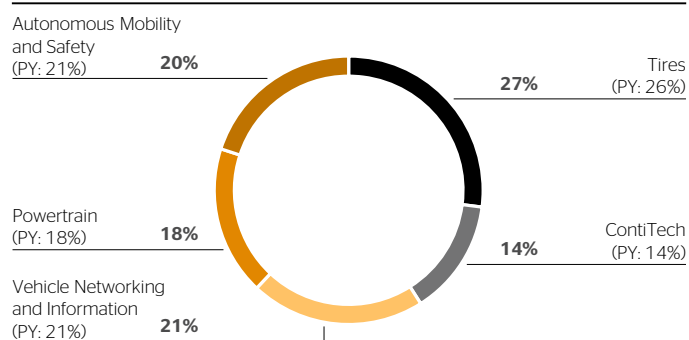


## Free cash flow

€ millions

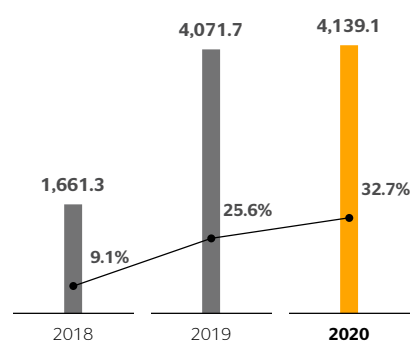


## Sales by business area



## Net indebtedness € millions

Gearing ratio %



IFRS 16, *Leases*, was adopted on and has been applied since January 1, 2019. It has been applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some of the figures presented are not comparable with fiscal 2018.

## Earnings Position

- > Sales down 15.2%
- > Sales down 12.7% before changes in the scope of consolidation and exchange-rate effects
- > Adjusted EBIT down 58.7%

Continental Group in € millions	2020	2019	Δ in %
Sales	37,722.3	44,478.4	-15.2
EBITDA	3,033.8	4,977.2	-39.0
in % of sales	8.0	11.2	
EBIT	-718.1	-268.3	-167.6
in % of sales	-1.9	-0.6	
Net income attributable to the shareholders of the parent	-961.9	-1,225.0	21.5
Basic earnings per share in €	-4.81	-6.13	21.5
Diluted earnings per share in €	-4.81	-6.13	21.5
Research and development expenses (net)	3,381.8	3,364.2	0.5
in % of sales	9.0	7.6	
Depreciation and amortization <sup>1</sup>	3,751.9	5,245.5	-28.5
thereof impairment <sup>2</sup>	876.8	2,509.9	-65.1
Operating assets as at December 31	20,471.0	23,991.0	-14.7
Operating assets (average)	22,536.6	26,178.5	-13.9
ROCE in %	-3.2	-1.0	
Capital expenditure <sup>3</sup>	2,232.2	3,308.6	-32.5
in % of sales	5.9	7.4	
Number of employees as at December 31 <sup>4</sup>	236,386	241,458	-2.1
Adjusted sales <sup>5</sup>	37,573.9	44,214.2	-15.0
Adjusted operating result (adjusted EBIT) <sup>6</sup>	1,332.7	3,225.5	-58.7
in % of adjusted sales	3.5	7.3	

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses. Expenses from derecognitions of brand values are likewise included.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

### Sales down 15.2%

#### Sales down 12.7% before changes in the scope of consolidation and exchange-rate effects

Consolidated sales decreased by €6,756.1 million or 15.2% year-on-year in 2020 to €37,722.3 million (PY: €44,478.4 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 12.7%. All three group sectors posted significantly lower sales due to the COVID-19 pandemic. Exchange-rate effects and, to a lesser extent, changes in the scope of consolidation likewise had a negative effect on the sales trend.

### Adjusted EBIT down 58.7%

Adjusted EBIT for the Continental Group declined by €1,892.8 million or 58.7% year-on-year to €1,332.7 million (PY: €3,225.5 million) in 2020, corresponding to 3.5% (PY: 7.3%) of adjusted sales.

The Continental Group's adjusted EBIT for the fourth quarter of 2020 decreased by €161.0 million or 18.6% compared with the same quarter of the previous year to €703.4 million (PY: €864.4 million), equivalent to 6.5% (PY: 7.9%) of adjusted sales.

The regional distribution of sales in 2020 was as follows:

Sales by region in %	2020	2019
Germany	18	19
Europe excluding Germany	30	30
North America	25	26
Asia	24	22
Other countries	3	3

### EBIT down 167.6%

EBIT was down by €449.8 million year-on-year in 2020 to -€718.1 million (PY: -€268.3 million), a decrease of 167.6%. The return on sales fell to -1.9% (PY: -0.6%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €183.6 million (PY: €182.5 million) in the year under review.

ROCE was -3.2% (PY: -1.0%).

### Special effects in 2020

The transformation of the Powertrain business area into an independent legal entity resulted in expenses totaling €102.8 million (Autonomous Mobility and Safety €15.3 million; Vehicle Networking and Information €16.3 million; Powertrain €66.2 million; holding €5.0 million).

The organizational realignment of the Automotive Technologies group sector resulted in expenses totaling €1.6 million (Autonomous Mobility and Safety €0.8 million; Vehicle Networking and Information €0.8 million).

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles was not expected to increase substantially compared to pre-crisis levels over the next five years until 2025. The expected impact of restructuring measures was also taken into account in this planning process. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €654.6 million in the Vehicle Networking and Information business area (September 30, 2020: €649.3 million).

Expenses from derecognitions of brand values totaled €85.7 million (Vehicle Networking and Information €71.2 million; ContiTech €14.5 million). In addition, expenses related to the impairment of intangible assets were incurred in the amount of €0.7 million (Autonomous Mobility and Safety €0.7 million; Powertrain €0.0 million).

Impairment and reversal of impairment losses on property, plant and equipment resulted in expense totaling €106.3 million (Autonomous Mobility and Safety €5.4 million; Vehicle Networking and Information €18.2 million; Tires €0.5 million; ContiTech €3.0 million; Powertrain €79.2 million; holding €0.0 million).

Severance payments resulted in a negative special effect totaling €90.7 million (Autonomous Mobility and Safety €21.4 million; Vehicle Networking and Information €20.0 million; Tires €17.7 million; ContiTech €17.5 million; Powertrain €13.8 million; holding €0.3 million).

In the Autonomous Mobility and Safety business area, restructuring expenses totaling €91.5 million were incurred for locations in Germany. These expenses arose for the most part at the locations in Karben, Nuremberg, Regensburg and Rheinböllen. In addition, there were restructuring expenses totaling €38.6 million for other locations in Europe; €5.4 million for the location in Culpeper, Virginia, USA; and €3.7 million for the location in Manila, Philippines. These restructuring expenses included impairment on property, plant and equipment in the amount of €3.4 million.

The reversal of restructuring provisions no longer required for the location in Schwalbach, Germany, and the location in Henderson, North Carolina, USA, also resulted in income of €3.9 million and €0.5 million, respectively, in the Autonomous Mobility and Safety business area.

In the Vehicle Networking and Information business area, restructuring expenses totaling €129.5 million were incurred for locations in Germany. These expenses arose for the most part at the locations in Babenhausen, Karben, Regensburg and Villingen-Schwenningen. In addition, there were restructuring expenses totaling €80.0 million for the location in Rubi, Spain; €15.5 million for the location in Nogales, Mexico; €4.2 million for the location in Manila, Philippines; €0.4 million for the location in Culpeper, Virginia, USA; and €0.3 million for the location in Frenstat, Czechia. These restructuring expenses included impairment on property, plant and equipment in the amount of €0.1 million.

In the Tires business area, there were restructuring expenses totaling €270.4 million for the locations in Aachen and Hanover-Stöcken, Germany; and for the retail business, €0.6 million in Germany and €21.8 million in France. In addition, there were restructuring expenses of €1.0 million for the location in Petaling Jaya, Malaysia, and €0.1 million for the location in Port Elizabeth, South Africa. These restructuring expenses included impairment on property, plant and equipment and intangible assets totaling €13.0 million.

Furthermore, restructuring for the location in Petaling Jaya, Malaysia, resulted in income of €1.7 million in the Tires business area, which is entirely attributable to a reversal of impairment losses on property, plant and equipment.

In the ContiTech business area, restructuring expenses totaling €17.7 million were incurred for locations in Germany. These expenses arose for the most part at the locations in Hanover, Oedelsheim and Stolzenau. In addition, there were restructuring expenses totaling €4.1 million for other locations in Europe; €9.0 million for the location in Mitchell, Canada; €7.7 million for the location in Jorf Lasfar, Morocco; and €5.3 million for the location in Yangsan-City, South Korea. These restructuring expenses included impairment on property, plant and equipment in the amount of €7.7 million.

The reversal of restructuring provisions no longer required for the location in Oppenweiler, Germany, and for locations in China also resulted in income of €7.0 million and €0.8 million, respectively, in the ContiTech business area. The business area also recorded income of €0.1 million from the reversal of impairment losses on property, plant and equipment.

In the Powertrain business area, restructuring expenses totaling €192.5 million were incurred for locations in Germany. These expenses arose for the most part at the locations in Karben, Regensburg and Schwalbach am Taunus. In addition, there were restructuring expenses totaling €15.9 million for other locations in Europe; €1.0 million for the location in Nogales, Mexico; €0.7 million for the location in Salto, Brazil; and €0.4 million for locations in China. These restructuring expenses included impairment on property, plant and equipment in the amount of €9.5 million.

Moreover, in the Powertrain business area, the reversal of restructuring provisions no longer required, the reversal of impairment losses on property, plant and equipment, and extraordinary income from the sale of property, plant and equipment resulted in income totaling €10.2 million for the locations in Nuremberg and Berlin, Germany; €9.7 million for the location in Sibiu, Romania; €1.7 million for the location in Singapore, Singapore; and €1.1 million for the location in Newport News, Virginia, USA. These income amounts included reversals of impairment losses on property, plant and equipment in the amount of €2.4 million.

Restructuring-related measures resulted in expense totaling €26.5 million (Autonomous Mobility and Safety €10.5 million; Vehicle Networking and Information €3.7 million; Tires €0.2 million; ContiTech €1.7 million; Powertrain €10.4 million).

In the Autonomous Mobility and Safety business area, an expense of €3.7 million resulted from an allowance recognized on the carrying amount of an equity-accounted investee.

In the Vehicle Networking and Information business area, the 50% shareholding in equity-accounted associate SAS Autosystemtechnik GmbH & Co. KG., Karlsruhe, Germany, was sold. This resulted in income totaling €157.0 million.

Income on the sale of off-balance-sheet intangible assets was also realized in the Vehicle Networking and Information business area in the amount of €4.5 million.

Also in the Vehicle Networking and Information business area, an expense totaling €49.9 million was incurred in connection with the preparations to repatriate the business from associate OSRAM CONTINENTAL GmbH, Munich, Germany.

The Tires business area recorded an expense of €0.2 million resulting from the disposal of companies and assets.

For the ContiTech business area, there was a loss of €2.5 million from the disposal of a company.

Furthermore, an expense in the amount of €37.5 million was recorded in the Powertrain business area due to an allowance recognized on the carrying amount of an associate.

A transfer of business to a previously founded equity-accounted investee resulted in income of €8.8 million for the Powertrain business area.

Total consolidated expense from special effects in 2020 amounted to €1,873.1 million. Autonomous Mobility and Safety accounted for €192.6 million of this, Vehicle Networking and Information for €903.1 million, Tires for €310.8 million, ContiTech for €75.2 million, Powertrain for €386.1 million, and the holding for €5.3 million.

### Special effects in 2019

The transformation of the Powertrain business area into an independent legal entity and the organizational realignment of the Automotive Technologies group sector resulted in expense totaling €47.4 million (Autonomous Mobility and Safety €3.0 million; Vehicle Networking and Information €3.0 million; Powertrain €30.9 million; holding €10.5 million).

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles was not expected to improve substantially in the coming years (2020-2024). Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €2,293.5 million. The Autonomous Mobility and Safety business area accounted for €719.8 million of this, the Vehicle Networking and Information business area for €1,347.9 million and the Powertrain business area for €223.5 million. There was also impairment of goodwill of €2.3 million in the ContiTech business area.

Overall, impairment on property, plant and equipment resulted in expense totaling €111.7 million (Autonomous Mobility and Safety €29.1 million; Vehicle Networking and Information €25.3 million; Tires €3.5 million; ContiTech €4.9 million; Powertrain €48.9 million).



In addition, restructuring expenses and the reversal of restructuring provisions that were no longer required resulted in a total negative special effect of €697.2 million (Autonomous Mobility and Safety €42.7 million; Vehicle Networking and Information €172.9 million; Tires €32.5 million; ContiTech €46.5 million; Powertrain €402.6 million). This included impairment on property, plant and equipment in the amount of €104.8 million (Autonomous Mobility and Safety €1.2 million; Tires €19.0 million; ContiTech €5.0 million; Powertrain €79.6 million). This additionally resulted in restructuring-related expenses of €3.3 million (Autonomous Mobility and Safety €1.5 million; ContiTech €0.8 million; Powertrain €1.0 million).

Moreover, closure of the location in Dearborn, Michigan, USA, resulted in an expense of €1.5 million in the Powertrain business area.

In the Vehicle Networking and Information business area, an expense of €1.9 million resulted from a subsequent purchase price adjustment to the acquisition of shares in associate OSRAM CONTINENTAL GmbH, Munich, Germany. The carrying amount for this associate was also impaired. This resulted in expense of €157.9 million in the Vehicle Networking and Information business area.

A business combination resulted in a gain of €2.2 million in the Tires business area.

Total consolidated expense from special effects in 2019 amounted to €3,312.2 million. Autonomous Mobility and Safety accounted for €796.1 million of this, Vehicle Networking and Information for €1,708.9 million, Tires for €33.8 million, ContiTech for €54.5 million, Powertrain for €708.4 million and the holding for €10.5 million.

## Procurement

Due to the COVID-19 pandemic, the purchasing volume decreased in 2020 to €24.4 billion, of which around €16.7 billion was attributable to production materials. Prices for production materials for Automotive Technologies and Powertrain Technologies were lower than in the previous year. The prices of key input materials and many raw materials for Rubber Technologies decreased in the first half of 2020 and reached their low point in the middle of the second quarter. As at the end of the year, prices had risen back to the previous year's level. Annual average prices for the raw materials used in the Tires business area were below the previous year's level, in particular because of significant fluctuations in demand on the procurement market. For the ContiTech business area, raw material prices also declined year-on-year.

## Reconciliation of EBIT to net income

€ millions	2020	2019	Δ in %
Autonomous Mobility and Safety	-97.7	-120.3	18.8
Vehicle Networking and Information	-1,342.5	-1,325.3	-1.3
Tires	1,012.3	1,651.6	-38.7
ContiTech	254.1	305.9	-16.9
Powertrain	-450.8	-662.1	31.9
Other/holding/consolidation	-93.5	-118.1	
<b>EBIT</b>	<b>-718.1</b>	<b>-268.3</b>	<b>-167.6</b>
Financial result	-212.0	-320.3	33.8
<b>Earnings before tax</b>	<b>-930.1</b>	<b>-588.6</b>	<b>-58.0</b>
Income tax expense	11.3	-582.4	101.9
<b>Net income</b>	<b>-918.8</b>	<b>-1,171.0</b>	<b>21.5</b>
Non-controlling interests	-43.1	-54.0	20.2
<b>Net income attributable to the shareholders of the parent</b>	<b>-961.9</b>	<b>-1,225.0</b>	<b>21.5</b>
Basic earnings per share in €	-4.81	-6.13	21.5
Diluted earnings per share in €	-4.81	-6.13	21.5

**Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2020**

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
<b>Sales</b>	<b>7,529.2</b>	<b>7,856.1</b>	<b>10,158.6</b>	<b>5,578.6</b>	<b>6,967.7</b>	<b>-367.9</b>	<b>37,722.3</b>
Changes in the scope of consolidation <sup>1</sup>	—	-13.8	-4.2	-130.4	—	—	-148.4
<b>Adjusted sales</b>	<b>7,529.2</b>	<b>7,842.3</b>	<b>10,154.4</b>	<b>5,448.2</b>	<b>6,967.7</b>	<b>-367.9</b>	<b>37,573.9</b>
<b>EBITDA</b>	<b>472.9</b>	<b>26.2</b>	<b>1,864.9</b>	<b>628.7</b>	<b>122.5</b>	<b>-81.4</b>	<b>3,033.8</b>
Depreciation and amortization <sup>2</sup>	-570.6	-1,368.7	-852.6	-374.6	-573.3	-12.1	-3,751.9
<b>EBIT</b>	<b>-97.7</b>	<b>-1,342.5</b>	<b>1,012.3</b>	<b>254.1</b>	<b>-450.8</b>	<b>-93.5</b>	<b>-718.1</b>
Amortization of intangible assets from purchase price allocation (PPA)	—	65.5	20.3	88.7	9.1	—	183.6
Changes in the scope of consolidation <sup>1</sup>	—	-0.8	0.7	-5.8	—	—	-5.9
Special effects							
Impairment on goodwill	—	654.6	—	—	—	—	654.6
Impairment <sup>3</sup>	6.1	89.4	0.5	17.5	79.2	0.0	192.7
Restructuring <sup>4</sup>	134.8	229.9	292.2	36.0	187.8	—	880.7
Restructuring-related expenses <sup>5</sup>	10.5	3.7	0.2	1.7	10.4	—	26.5
Severance payments <sup>5</sup>	21.4	20.0	17.7	17.5	13.8	0.3	90.7
Gains and losses from disposals of companies and business operations	0.0	-161.5	0.2	2.5	-8.8	—	-167.6
Other <sup>6</sup>	19.8	67.0	—	—	103.7	5.0	195.5
<b>Adjusted operating result (adjusted EBIT)</b>	<b>94.9</b>	<b>-374.7</b>	<b>1,344.1</b>	<b>412.2</b>	<b>-55.6</b>	<b>-88.2</b>	<b>1,332.7</b>

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.

2 Excluding impairment on financial investments.

3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments. It does include expenses from derecognitions of brand values of €71.2 million in the Vehicle Networking and Information business area and of €14.5 million in the ContiTech business area.

4 This includes impairment losses totaling €33.7 million (Autonomous Mobility and Safety €3.4 million; Vehicle Networking and Information €0.1 million; Tires €13.0 million; ContiTech €7.7 million; Powertrain €9.5 million) and reversals of impairment losses totaling €4.2 million (Tires €1.7 million; ContiTech €0.1 million; Powertrain €2.4 million).

5 Due to the Transformation 2019–2029 structural program, restructuring-related expenses and severance payments will be recognized as special effects to be adjusted from fiscal 2020.

6 The item "Other" mainly includes expenses of €102.8 million from the transformation of the Powertrain business area into an independent legal entity; expenses totaling €49.9 million in connection with preparations for the repatriation of the business from associate OSRAM CONTINENTAL GmbH, Munich, Germany; and an expense of €37.5 million due to an allowance recognized on the carrying amount of an associate.

## Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2019

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
<b>Sales</b>	<b>9,381.6</b>	<b>9,595.5</b>	<b>11,728.0</b>	<b>6,401.5</b>	<b>7,802.3</b>	<b>-430.5</b>	<b>44,478.4</b>
Changes in the scope of consolidation <sup>1</sup>	-254.8	-1.6	—	-7.8	—	—	-264.2
<b>Adjusted sales</b>	<b>9,126.8</b>	<b>9,593.9</b>	<b>11,728.0</b>	<b>6,393.7</b>	<b>7,802.3</b>	<b>-430.5</b>	<b>44,214.2</b>
<b>EBITDA</b>	<b>1,145.3</b>	<b>582.4</b>	<b>2,497.7</b>	<b>670.5</b>	<b>192.5</b>	<b>-111.2</b>	<b>4,977.2</b>
Depreciation and amortization <sup>2</sup>	-1,265.6	-1,907.7	-846.1	-364.6	-854.6	-6.9	-5,245.5
<b>EBIT</b>	<b>-120.3</b>	<b>-1,325.3</b>	<b>1,651.6</b>	<b>305.9</b>	<b>-662.1</b>	<b>-118.1</b>	<b>-268.3</b>
Amortization of intangible assets from purchase price allocation (PPA)	—	57.2	20.0	94.6	10.7	—	182.5
Changes in the scope of consolidation <sup>1</sup>	-2.9	1.6	—	0.4	—	—	-0.9
Special effects							
Impairment on goodwill	719.8	1,347.9	—	2.3	223.5	—	2,293.5
Impairment <sup>3</sup>	29.1	25.3	3.5	4.9	48.9	—	111.7
Restructuring <sup>4</sup>	42.7	172.9	32.5	46.5	402.6	—	697.2
Gains and losses from disposals of companies and business operations	—	—	—	0.0	—	—	0.0
Other <sup>5</sup>	4.5	162.8	-2.2	0.8	33.4	10.5	209.8
<b>Adjusted operating result (adjusted EBIT)</b>	<b>672.9</b>	<b>442.4</b>	<b>1,705.4</b>	<b>455.4</b>	<b>57.0</b>	<b>-107.6</b>	<b>3,225.5</b>

<sup>1</sup> Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.

<sup>2</sup> Excluding impairment on financial investments.

<sup>3</sup> Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.

<sup>4</sup> This includes impairment losses totaling €104.8 million (Autonomous Mobility and Safety €1.2 million; Tires €19.0 million; ContiTech €5.0 million; Powertrain €79.6 million).

<sup>5</sup> The item "Other" mainly includes an expense of €157.9 from an allowance recognized on the carrying amount of associate OSRAM CONTINENTAL GmbH, Munich, Germany, and expenses of €47.4 million from the transformation of the Powertrain business area into an independent legal entity and the organizational realignment of the Automotive Technologies group sector.

### Research and development

Research and development expenses (net) rose by €17.6 million or 0.5% year-on-year to €3,381.8 million (PY: €3,364.2 million), corresponding to 9.0% (PY: 7.6%) of sales.

In the Automotive Technologies and Powertrain Technologies group sectors, costs in connection with initial product development projects in the original-equipment business are capitalized. Costs are capitalized as at the time at which we are named as a supplier and have successfully achieved a specific pre-release stage. Capitalization ends with the approval for unlimited volume production. The costs of customer-specific applications, pre-production prototypes and testing for products already being sold do not qualify as development expenditure that may be recognized as an intangible asset. Capitalized development expenses are amortized on a straight-line basis over a useful life of three to seven years and recognized in the cost of sales. In the opinion of the Continental Group, the assumed useful life reflects the period for which an economic benefit is likely to be derived from the corresponding development projects. Of the development costs incurred in 2020, €137.6 million (PY: €164.5 million) in the Automotive Technologies group sector and €35.4 million (PY: €67.9 million) in the Powertrain Technologies group sector qualified for recognition as an asset.

The requirements for the capitalization of development activities were not met in the Tires and ContiTech business areas in the reporting year or the previous year.

This results in a capitalization ratio of 4.9% (PY: 6.5%) for the Continental Group.

### Depreciation and amortization

Depreciation and amortization decreased by €1,493.6 million to €3,751.9 million (PY: €5,245.5 million), equivalent to 9.9% of sales (PY: 11.8%). This included impairment totaling €876.8 million in 2020 (PY: €2,509.9 million).

### Financial result

The negative financial result improved by €108.3 million year-on-year to €212.0 million (PY: €320.3 million) in 2020. This is attributable primarily to the sum of the effects from currency translation and from changes in the fair value of derivative instruments, and other valuation effects.

Interest income decreased by €48.7 million year-on-year to €98.5 million (PY: €147.2 million) in 2020. Expected income from long-term employee benefits and from pension funds totaled €64.8 million in this period (PY: €80.7 million). This did not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €282.2 million in 2020 and was thus €35.1 million lower than the previous year's figure of €317.3 million. The interest expense from long-term employee benefits totaled €126.5 million (PY: €161.4 million) in this period. This did not include the interest expense from the defined benefit obligations of the pension contribution funds. At €155.7 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was largely unchanged from the prior-year figure of €155.9 million. Interest expense on lease liabilities accounted for €28.5 million of this (PY: €32.1 million).

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €50.0 million (PY: bonds issued by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, USA, resulted in expenses of €32.4 million). The increase resulted primarily from the issue of euro bonds with a total volume of €1,400.0 million in the second half of 2019 and with a total volume of €2,125.0 million in the second quarter of 2020. In addition to a floating-rate €200.0-million bond from Continental AG, the other bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, have a fixed interest rate of between 0.000% p.a. and 2.500% p.a. A counter-effect is attributable to the repayment of euro bonds. These were the €500.0-million bond from Continental Rubber of America, Corp., Wilmington, Delaware, USA, that matured on February 19, 2019, and the €600.0-million and €750.0-million euro bonds from Continental AG that matured on February 5, 2020, and September 9, 2020, respectively.

Effects from currency translation resulted in a negative contribution to earnings of €97.4 million (PY: €30.5 million) in the reporting year. This was countered by effects from changes in the fair value of derivative instruments, and other valuation effects, which resulted in income of €69.1 million (PY: expense of €119.7 million). Other valuation effects accounted for €8.5 million of this (PY: expense of €107.0 million). Whereas in the previous year expenses of €108.2 million arose from allowances for doubtful accounts on loans to associates as well as from the creation of a provision for loan commitments to these companies, income of €2.2 million re-

sulted from the reversal of these allowances in the reporting year. Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in 2020 were negatively impacted by €36.8 million (PY: €43.2 million).

#### Income tax expense

Income tax expense in 2020 amounted to tax income of €11.3 million (PY: tax expense of €582.4 million). The tax rate adjusted for the permanent effects of the goodwill impairment was 2.4%, compared to 55.8% in the previous year.

As in the previous year, foreign tax rate differences, incentives and tax holidays had positive effects in the year under review. The tax rate was negatively impacted by non-cash allowances on deferred tax assets totaling €232.1 million (PY: €117.4 million), of which €35.1 million (PY: €3.9 million) was for previous years. Furthermore, as in the previous year, the tax rate was negatively affected by non-deductible expenses and non-imputable foreign withholding taxes.

#### Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent improved by €263.1 million in 2020 to -€961.9 million (PY: -€1,225.0 million). Basic earnings per share amounted to -€4.81 (PY: -€6.13), the same amount as diluted earnings per share.

#### Employees

The number of employees in the Continental Group fell by 5,072 from 241,458 in 2019 to 236,386.

In the Automotive Technologies group sector, lower production volumes and efficiency improvements led to a reduction of 1,000 employees. The number of employees in the Rubber Technologies group sector declined by 2,358. This reduction is due to adjustments to production volumes, productivity increases and restructuring measures. The number of employees in the Powertrain Technologies group sector declined by 1,642. This decrease was due to the adjustment to demand-driven production, optimizations in production and restructuring measures.

Employees by region in %	2020	2019
Germany	25	25
Europe excluding Germany	32	32
North America	19	19
Asia	20	20
Other countries	4	4



## Financial Position

- > Free cash flow before acquisitions at €0.9 billion
- > Cash flow arising from investing activities at €1.8 billion
- > Net indebtedness at €4.1 billion

### Reconciliation of cash flow

EBIT declined by €449.8 million year-on-year to -€718.1 million (PY: -€268.3 million).

Interest payments increased by €11.5 million to €169.4 million (PY: €157.9 million). This was primarily due to interest payments on bonds.

Income tax payments rose by €19.5 million to €885.5 million (PY: €866.0 million).

The cash-effective increase in working capital led to a cash outflow of €579.2 million (PY: €256.0 million). This resulted from a decrease in operating liabilities of €925.0 million (PY: €544.7 million). This decline was offset by a reduction in operating receivables of €140.2 million (PY: €337.8 million) and a decrease in inventories of €205.6 million (PY: increase of €49.1 million).

Cash flow from operating activities fell by €1,700.4 million year-on-year to €2,714.0 million (PY: €4,414.4 million) in 2020, corresponding to 7.2% of sales (PY: 9.9%).

Cash flow arising from investing activities amounted to an outflow of €1,835.3 million (PY: €3,652.7 million). Capital expenditure on property, plant and equipment, and software was down €1,035.1 million from €2,977.5 million to €1,942.4 million before the capitalization of borrowing costs. The net amount from the acquisition and disposal of companies and business operations resulted in a total cash inflow of €233.2 million in 2020 (PY: cash outflow of €486.3 million). This cash inflow is primarily attributable to the sale of the 50% shareholding in SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany.

Free cash flow for fiscal 2020 amounted to €878.7 million (PY: €761.7 million). This corresponds to an increase of €117.0 million compared with the previous year.

### Capital expenditure (additions)

Capital expenditure for property, plant and equipment, and software amounted to €2,232.2 million in 2020 (PY: €3,308.6 million). All business areas contributed to the decline of €1,076.4 million. The capital expenditure ratio was 5.9% (PY: 7.4%).

### Financing and indebtedness

As at the end of 2020, gross indebtedness amounted to €7,334.4 million (PY: €7,619.0 million), down €284.6 million on the previous year's level.

Based on quarter-end values, 77.4% (PY: 66.5%) of gross indebtedness after hedging measures had fixed interest rates on average over the year.

The carrying amount of the bonds increased by €707.9 million from €2,793.8 million in the previous year to €3,501.7 million as at the end of fiscal 2020. This build-up is mainly attributable to three euro bond issues by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands. The Continental Group utilized the favorable market and interest rate environment in the second quarter of 2020 to place euro bonds totaling €2,125.0 million with investors in Germany and abroad under its Debt Issuance Programme (DIP). The issue price of the €750.0-million bond issued by Continental AG on May 27, 2020, amounted to 98.791%. This bond has a term of six years and three months and an interest rate of 2.500% p.a. The €750.0-million and €625.0-million bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, on May 27, 2020, and June 25, 2020, have a term of three years and six months and four years and three months, respectively. The issue price of the bonds with a fixed interest rate of 2.125% p.a. and 1.125% p.a. amounted to 99.559% and 99.589%. In addition, the €600.0-million and €750.0-million euro bonds from Continental AG that matured on February 5 and September 9 in fiscal 2020 were redeemed at a rate of 100.00%. The €600.0-million bond bore interest at a rate of 0.000% p.a. and had a term of three years and two months. The €750.0-million bond bore interest at a rate of 3.125% p.a. and had a term of seven years.

Bank loans and overdrafts amounted to €1,559.8 million (PY: €1,470.4 million) as at December 31, 2020, and were therefore up €89.4 million on the previous year's level.

The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4,000.0 million and has a term of five years. In November 2020, Continental exercised an option to extend the term by one year. The lending banks then extended this financing commitment until December 2025 at unchanged conditions. As in the previous year, the revolving loan had not been utilized as at December 31, 2020. In addition to the existing syndicated loan, a further syndicated loan in the amount of €3,000.0 million was agreed in May 2020. The new credit line is intended to strengthen Continental's financial flexibility in the wake of the COVID-19 pandemic and therefore has a short term of 364 days. This credit line can be used only by Continental AG and had likewise not been utilized as at December 31, 2020.

Other indebtedness decreased by €1,081.9 million to €2,272.9 million (PY: €3,354.8 million) as at the end of 2020. This decline is primarily due to lower use of commercial paper programs. Commercial paper issuances resulted in a carrying amount of €263.4 million (PY: €938.4 million). Lease liabilities decreased by €172.0 million year-on-year to €1,543.0 million (PY: €1,715.0 million). As at the end of 2020, the utilization of sale-of-receivables programs, at €296.0 million (PY: €468.6 million), was lower than the previous year. Three (PY: four) sale-of-receivables programs with a total financing volume of €400.0 million (PY: €665.0 million) were used within the Continental Group as at the end of 2020.

Cash and cash equivalents, derivative instruments and interest-bearing investments were down by €352.0 million at €3,195.3 million (PY: €3,547.3 million).

Net indebtedness increased by €67.4 million as compared to the end of 2019 to €4,139.1 million (PY: €4,071.7 million). The gearing ratio rose year-on-year to 32.7% (PY: 25.6%).

As at December 31, 2020, the Continental Group had liquidity reserves totaling €10,719.5 million (PY: €8,044.0 million), consisting of cash and cash equivalents of €2,938.7 million (PY: €3,341.8 million) and committed, unutilized credit lines of €7,780.8 million (PY: €4,702.2 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at December 31, 2020, unrestricted cash and cash equivalents totaled €2,639.8 million (PY: €3,114.3 million).

### Reconciliation of net indebtedness

€ millions	December 31, 2020	December 31, 2019
Long-term indebtedness	5,144.4	3,375.2
Short-term indebtedness	2,190.0	4,243.8
Long-term derivative instruments and interest-bearing investments	-142.6	-54.0
Short-term derivative instruments and interest-bearing investments	-114.0	-151.5
Cash and cash equivalents	-2,938.7	-3,341.8
<b>Net indebtedness</b>	<b>4,139.1</b>	<b>4,071.7</b>

### Reconciliation of change in net indebtedness

€ millions	2020	2019
<b>Net indebtedness at the beginning of the reporting period</b>	<b>4,071.7</b>	<b>3,391.4</b>
Cash flow arising from operating activities	2,714.0	4,414.4
Cash flow arising from investing activities	-1,835.3	-3,652.7
<b>Cash flow before financing activities (free cash flow)</b>	<b>878.7</b>	<b>761.7</b>
Dividends paid	-600.0	-950.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-52.7	-32.5
Non-cash changes	-74.5	-339.7
Other	-172.8	-93.7
Exchange-rate effects	-46.1	-26.1
<b>Change in net indebtedness</b>	<b>-67.4</b>	<b>-680.3</b>
<b>Net indebtedness at the end of the reporting period</b>	<b>4,139.1</b>	<b>4,071.7</b>

## Net Assets Position

- > Equity at €12.6 billion
- > Equity ratio at 31.9%
- > Gearing ratio at 32.7%

### Total assets

At €39,638.0 million (PY: €42,568.2 million), total assets as at December 31, 2020, were €2,930.2 million lower than on the same date in the previous year. Goodwill, at €4,361.6 million, was down by €751.9 million compared to the previous year's figure of €5,113.5 million. Other intangible assets fell by €344.9 million to €1,346.9 million (PY: €1,691.8 million). Property, plant and equipment decreased by €1,172.1 million to €13,760.6 million (PY: €14,932.7 million). Deferred tax assets were up €577.0 million at €2,751.4 million (PY: €2,174.4 million). Inventories fell by €456.2 million to €4,238.2 million (PY: €4,694.4 million), while trade accounts receivable declined by €358.4 million to €7,353.2 million (PY: €7,711.6 million). At €2,938.7 million, cash and cash equivalents were down €403.1 million from €3,341.8 million on the same date in the previous year.

### Non-current assets

Non-current assets fell by €1,606.6 million year-on-year to €23,117.9 million (PY: €24,724.5 million). In relation to the individual items of the statement of financial position, this is primarily due to the decline in property, plant and equipment of €1,172.1 million to €13,760.6 million (PY: €14,932.7 million), the reduction in goodwill of €751.9 million to €4,361.6 million (PY: €5,113.5 million) and the decline in other intangible assets of €344.9 million to €1,346.9 million (PY: €1,691.8 million). This decrease was offset by an increase in deferred tax assets of €577.0 million to €2,751.4 million (PY: €2,174.4 million).

### Current assets

Current assets fell by €1,323.6 million to €16,520.1 million (PY: €17,843.7 million). In the year under review, inventories declined by €456.2 million to €4,238.2 million (PY: €4,694.4 million), while trade accounts receivable fell by €358.4 million to €7,353.2 million (PY: €7,711.6 million). Cash and cash equivalents were lower by €403.1 million at €2,938.7 million (PY: €3,341.8 million).

### Equity

Total equity (including non-controlling interests) was €3,236.6 million lower than in the previous year at €12,639.1 million (PY: €15,875.7 million). Equity was reduced by the payment of the dividends in the amount of €600.0 million resolved by the Annual Shareholders' Meeting and the net income attributable to the shareholders of the parent in the amount of -€961.9 million. Other comprehensive income fell by €1,571.0 million to -€4,365.4 million (PY: -€2,794.4 million). The gearing ratio changed from 25.6% to 32.7%. The equity ratio fell to 31.9% (PY: 37.3%).

### Non-current liabilities

At €12,743.1 million, non-current liabilities were up €2,921.7 million from €9,821.4 million in the previous year. This rise was mainly attributable to the €1,769.2 million increase in long-term indebtedness to €5,144.4 million (PY: €3,375.2 million), which results primarily from the new issuance of three euro bonds in the second quarter with a total volume of €2,125.0 million. Long-term employee benefits rose by €703.6 million to €6,109.9 million (PY: €5,406.3 million). Long-term provisions for other risks and obligations were higher by €576.5 million at €1,242.6 million (PY: €666.1 million).

### Current liabilities

At €14,255.8 million, current liabilities were down €2,615.3 million from €16,871.1 million in the previous year. This decrease is primarily due to short-term indebtedness, which fell by €2,053.8 million to €2,190.0 million (PY: €4,243.8 million). This is mainly attributable to the proceeds from the issue of three euro bonds in the second quarter, which were used to repay short-term financial liabilities. Trade accounts payable fell by €1,177.9 million to €5,933.1 million (PY: €7,111.0 million). This decline was offset by an increase in short-term provisions for other risks and obligations of €463.8 million to €1,725.4 million (PY: €1,261.6 million).

### Operating assets

Operating assets decreased by €3,520.0 million year-on-year to €20,471.0 million (PY: €23,991.0 million) as at December 31, 2020.

Working capital was up €182.7 million at €5,695.9 million (PY: €5,513.2 million). This development was due to the €1,177.9 million decrease in operating liabilities to €5,933.1 million (PY: €7,111.0 million) and the €539.0 million decline in operating receivables to €7,390.8 million (PY: €7,929.8 million). Inventories were also down by €456.2 million at €4,238.2 million (PY: €4,694.4 million).

Non-current operating assets were lower by €2,398.1 million year-on-year at €20,047.0 million (PY: €22,445.1 million). Goodwill decreased by €751.9 million to €4,361.6 million (PY: €5,113.5 million). This change resulted primarily from impairment losses of €654.6 million. Exchange-rate effects of €94.8 million also had an impact, as did disposals of €2.5 million. Property, plant and equipment decreased by €1,172.1 million to €13,760.6 million (PY: €14,932.7 million). Other intangible assets fell by €344.9 million to €1,346.9 million (PY: €1,691.8 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €183.6 million (PY: €182.5 million) reduced the value of intangible assets.

In the Vehicle Networking and Information business area, the sale of the 50% shareholding in SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, resulted in a decrease in operating assets of €91.4 million.

As a result of an asset deal in the Tires business area, operating assets rose by €0.3 million.

In the ContiTech business area, the final purchase price allocation for the acquisition of Merlett Tecnoplastic S.p.A., Daverio, Italy, in 2019 resulted in an increase in operating assets of €2.5 million. In addition, the sale of a company reduced operating assets by €4.1 million.

A transfer of business under an asset deal in the Powertrain business area reduced operating assets by €1.7 million.

Other changes in the scope of consolidation did not result in any notable additions to or disposal of operating assets at corporate level.

Exchange-rate effects reduced the Continental Group's total operating assets by €1,069.7 million (PY: increase of €284.2 million).

Average operating assets fell by €3,641.9 million to €22,536.6 million as compared to the previous year (€26,178.5 million).

### Consolidated statement of financial position

Assets in € millions	December 31, 2020	December 31, 2019
Goodwill	4,361.6	5,113.5
Other intangible assets	1,346.9	1,691.8
Property, plant and equipment	13,760.6	14,932.7
Investments in equity-accounted investees	351.3	397.7
Long-term miscellaneous assets	3,297.5	2,588.8
<b>Non-current assets</b>	<b>23,117.9</b>	<b>24,724.5</b>
Inventories	4,238.2	4,694.4
Trade accounts receivable	7,353.2	7,711.6
Short-term miscellaneous assets	1,990.0	2,095.9
Cash and cash equivalents	2,938.7	3,341.8
<b>Current assets</b>	<b>16,520.1</b>	<b>17,843.7</b>
<b>Total assets</b>	<b>39,638.0</b>	<b>42,568.2</b>

Equity and liabilities in € millions	December 31, 2020	December 31, 2019
<b>Total equity</b>	<b>12,639.1</b>	<b>15,875.7</b>
<b>Non-current liabilities</b>	<b>12,743.1</b>	<b>9,821.4</b>
Trade accounts payable	5,933.1	7,111.0
Short-term other provisions and liabilities	8,322.7	9,760.1
<b>Current liabilities</b>	<b>14,255.8</b>	<b>16,871.1</b>
<b>Total equity and liabilities</b>	<b>39,638.0</b>	<b>42,568.2</b>
<b>Net indebtedness</b>	<b>4,139.1</b>	<b>4,071.7</b>
<b>Gearing ratio in %</b>	<b>32.7</b>	<b>25.6</b>

## Reconciliation to operating assets in 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
<b>Total assets</b>	<b>7,202.0</b>	<b>6,426.5</b>	<b>8,970.5</b>	<b>4,257.8</b>	<b>5,713.9</b>	<b>7,067.3</b>	<b>39,638.0</b>
Cash and cash equivalents	—	—	—	—	—	2,938.7	2,938.7
Short- and long-term derivative instruments, interest-bearing investments	—	—	—	—	—	256.6	256.6
Other financial assets	24.0	27.2	13.9	5.6	28.3	23.5	122.5
<b>Less financial assets</b>	<b>24.0</b>	<b>27.2</b>	<b>13.9</b>	<b>5.6</b>	<b>28.3</b>	<b>3,218.8</b>	<b>3,317.8</b>
<b>Less other non-operating assets</b>	<b>32.2</b>	<b>4.2</b>	<b>49.9</b>	<b>0.5</b>	<b>9.9</b>	<b>655.9</b>	<b>752.6</b>
Deferred tax assets	—	—	—	—	—	2,751.4	2,751.4
Income tax receivables	—	—	—	—	—	234.8	234.8
<b>Less income tax assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,986.2</b>	<b>2,986.2</b>
<b>Segment assets</b>	<b>7,145.8</b>	<b>6,395.1</b>	<b>8,906.7</b>	<b>4,251.7</b>	<b>5,675.7</b>	<b>206.4</b>	<b>32,581.4</b>
<b>Total liabilities and provisions</b>	<b>4,460.1</b>	<b>4,254.3</b>	<b>3,467.7</b>	<b>1,967.1</b>	<b>3,611.6</b>	<b>9,238.1</b>	<b>26,998.9</b>
Short- and long-term indebtedness	—	—	—	—	—	7,334.4	7,334.4
Interest payable and other financial liabilities	—	—	—	—	—	36.4	36.4
<b>Less financial liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7,370.8</b>	<b>7,370.8</b>
Deferred tax liabilities	—	—	—	—	—	168.6	168.6
Income tax payables	—	—	—	—	—	790.1	790.1
<b>Less income tax liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>958.7</b>	<b>958.7</b>
<b>Less other non-operating liabilities</b>	<b>1,714.4</b>	<b>1,294.7</b>	<b>963.3</b>	<b>768.9</b>	<b>931.8</b>	<b>885.9</b>	<b>6,559.0</b>
<b>Segment liabilities</b>	<b>2,745.7</b>	<b>2,959.6</b>	<b>2,504.4</b>	<b>1,198.2</b>	<b>2,679.8</b>	<b>22.7</b>	<b>12,110.4</b>
<b>Operating assets</b>	<b>4,400.1</b>	<b>3,435.5</b>	<b>6,402.3</b>	<b>3,053.5</b>	<b>2,995.9</b>	<b>183.7</b>	<b>20,471.0</b>



## Reconciliation to operating assets in 2019

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
<b>Total assets</b>	<b>7,355.0</b>	<b>7,471.0</b>	<b>10,077.9</b>	<b>4,784.0</b>	<b>6,026.6</b>	<b>6,853.7</b>	<b>42,568.2</b>
Cash and cash equivalents	—	—	—	—	—	3,341.8	3,341.8
Short- and long-term derivative instruments, interest-bearing investments	—	—	—	—	—	205.5	205.5
Other financial assets	9.6	23.1	17.6	7.6	13.1	18.7	89.7
<b>Less financial assets</b>	<b>9.6</b>	<b>23.1</b>	<b>17.6</b>	<b>7.6</b>	<b>13.1</b>	<b>3,566.0</b>	<b>3,637.0</b>
<b>Less other non-operating assets</b>	<b>-33.8</b>	<b>-73.7</b>	<b>-13.6</b>	<b>-0.4</b>	<b>-50.1</b>	<b>710.8</b>	<b>539.2</b>
Deferred tax assets	—	—	—	—	—	2,174.4	2,174.4
Income tax receivables	—	—	—	—	—	240.5	240.5
<b>Less income tax assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,414.9</b>	<b>2,414.9</b>
<b>Segment assets</b>	<b>7,379.2</b>	<b>7,521.6</b>	<b>10,073.9</b>	<b>4,776.8</b>	<b>6,063.6</b>	<b>162.0</b>	<b>35,977.1</b>
<b>Total liabilities and provisions</b>	<b>4,145.5</b>	<b>3,786.7</b>	<b>3,399.9</b>	<b>1,972.9</b>	<b>3,579.6</b>	<b>9,807.9</b>	<b>26,692.5</b>
Short- and long-term indebtedness	—	—	—	—	—	7,619.0	7,619.0
Interest payable and other financial liabilities	—	—	—	—	—	25.1	25.1
<b>Less financial liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7,644.1</b>	<b>7,644.1</b>
Deferred tax liabilities	—	—	—	—	—	305.4	305.4
Income tax payables	—	—	—	—	—	938.6	938.6
<b>Less income tax liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,244.0</b>	<b>1,244.0</b>
<b>Less other non-operating liabilities</b>	<b>1,483.1</b>	<b>1,022.3</b>	<b>881.2</b>	<b>687.4</b>	<b>863.3</b>	<b>881.0</b>	<b>5,818.3</b>
<b>Segment liabilities</b>	<b>2,662.4</b>	<b>2,764.4</b>	<b>2,518.7</b>	<b>1,285.5</b>	<b>2,716.3</b>	<b>38.8</b>	<b>11,986.1</b>
<b>Operating assets</b>	<b>4,716.8</b>	<b>4,757.2</b>	<b>7,555.2</b>	<b>3,491.3</b>	<b>3,347.3</b>	<b>123.2</b>	<b>23,991.0</b>

# Automotive Technologies

Automotive Technologies in € millions	2020	2019	Δ in %
Sales	15,316.9	18,904.7	-19.0
EBITDA	498.3	1,727.7	-71.2
in % of sales	3.3	9.1	
EBIT	-1,440.6	-1,445.6	0.3
in % of sales	-9.4	-7.6	
Research and development expenses (net)	2,293.6	2,237.9	2.5
in % of sales	15.0	11.8	
Depreciation and amortization <sup>1</sup>	1,938.9	3,173.3	-38.9
thereof impairment <sup>2</sup>	753.6	2,123.2	-64.5
Operating assets as at December 31	7,832.8	9,474.0	-17.3
Operating assets (average)	8,859.0	10,920.1	-18.9
ROCE in %	-16.3	-13.2	
Capital expenditure <sup>3</sup>	979.3	1,404.3	-30.3
in % of sales	6.4	7.4	
Number of employees as at December 31 <sup>4</sup>	95,551	96,551	-1.0
Adjusted sales <sup>5</sup>	15,303.1	18,648.3	-17.9
Adjusted operating result (adjusted EBIT) <sup>6</sup>	-280.2	1,115.3	-125.1
in % of adjusted sales	-1.8	6.0	

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses. Expenses from derecognitions of brand values are likewise included.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

The Automotive Technologies group sector comprises two business areas:

- > The **Autonomous Mobility and Safety** business area (20% of consolidated sales) develops, produces and integrates active and passive safety technologies and controls vehicle dynamics.
- > The **Vehicle Networking and Information** business area (21% of consolidated sales) develops and integrates components and end-to-end systems for connected mobility – architecture, hardware, software and services.

The seven business units in total generated 41% of consolidated sales in the reporting year.

Key raw materials for Automotive Technologies are steel, aluminum, plastics, copper and precious metals. One point of focus when it comes to purchasing materials and semi-finished products is electronics and electromechanical components, such as semiconductors. The COVID-19 pandemic caused strong demand fluctuations in the automotive supplier industry in the reporting year. Demand fell sharply in the spring of 2020. Some suppliers had to suspend production partially or completely. Demand has increased recently due to an unexpectedly rapid recovery of the automotive industry from the pandemic. This recovery has led to shortages and delivery problems since the end of 2020 in the semiconductor industry, which for some components was already being used to full capacity due to increased demand for consumer goods. Although semiconductor manufacturers are responding to the unexpectedly strong increase in demand by ramping up their production capacity, it will probably not be possible to eliminate the delivery bottlenecks until later in 2021 due to the lead times in the semiconductor industry.

## Development of the Autonomous Mobility and Safety Business Area

- > Sales down 19.7%
- > Sales down 15.8% before changes in the scope of consolidation and exchange-rate effects
- > Adjusted EBIT down 85.9%

### Sales volumes

In the Vehicle Dynamics business unit, the number of electronic brake systems sold in 2020 was markedly lower than the previous year's level. In the Hydraulic Brake Systems business unit, sales figures for brake boosters were down significantly year-on-year. Unit sales of brake calipers with integrated electric parking brakes decreased significantly year-on-year. In the Passive Safety and Sensors business unit, the sales volume of airbag control units decreased significantly year-on-year. Unit sales of advanced driver assistance systems were down compared to the previous year. The year-on-year decline in sales volumes in the business units was primarily attributable to the knock-on effects of measures to contain the COVID-19 pandemic.

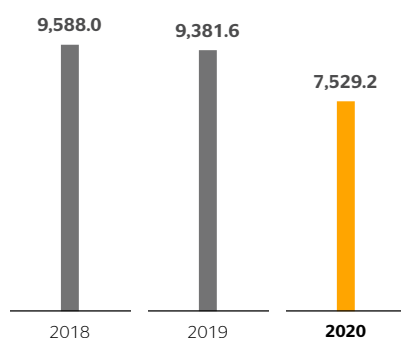
### Sales down 19.7%

#### Sales down 15.8% before changes in the scope of consolidation and exchange-rate effects

Sales of the Autonomous Mobility and Safety business area were down 19.7% year-on-year at €7,529.2 million (PY: €9,381.6 million) in 2020. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 15.8%.

### Sales

€ millions



### Adjusted EBIT down 85.9%

Adjusted EBIT for the Autonomous Mobility and Safety business area declined by €578.0 million or 85.9% year-on-year to €94.9 million (PY: €672.9 million) in 2020, corresponding to 1.3% (PY: 7.4%) of adjusted sales.

### EBIT up 18.8%

Compared to the same period of the previous year, the Autonomous Mobility and Safety business area reported an increase in EBIT of €22.6 million or 18.8% to -€97.7 million (PY: -€120.3 million) in 2020. The return on sales was therefore unchanged from the previous year at -1.3%.

For the Autonomous Mobility and Safety business area, total consolidated expense from special effects in 2020 amounted to €192.6 million (PY: €796.1 million). For further details, please see our comments beginning on page 67 regarding the special effects in 2020 and 2019.

The ROCE was -2.1% (PY: -2.3%).

### Procurement

The procurement market for the Autonomous Mobility and Safety business area was very volatile in 2020, and the price trend on the raw material markets also proved to be very heterogeneous. The first four months were marked by price reductions for industrial metals due to the COVID-19 pandemic. This decrease reached its low point at the end of April. In the following months, prices rose continuously due to demand. The price level at the end of the year was well above the level of the first quarter. The procurement situation eased into the second quarter, but starting from the third quarter above-average demand for materials caused longer delivery times and occasional delivery bottlenecks for steel products. Demand for electronic components within the business area rose due to the above-average business growth in the Advanced Driver Assistance Systems business unit.

### Research and development

Research and development expenses (net) fell by €39.8 million or 3.8% year-on-year to €1,008.9 million (PY: €1,048.7 million), corresponding to 13.4% (PY: 11.2%) of sales.

### Depreciation and amortization

Depreciation and amortization declined by €695.0 million compared to fiscal 2019 to €570.6 million (PY: €1,265.6 million) and amounted to 7.6% (PY: 13.5%) of sales. This included impairment totaling €9.5 million in 2020 (PY: €750.0 million).

### Operating assets

Operating assets in the Autonomous Mobility and Safety business area fell by €316.7 million year-on-year to €4,400.1 million (PY: €4,716.8 million) as at December 31, 2020.

Working capital was up €196.8 million at €702.6 million (PY: €505.8 million). Inventories increased by €6.0 million to €620.5 million (PY: €614.5 million). Operating receivables fell by €166.6 million to €1,447.6 million (PY: €1,614.2 million) as at the reporting date. Operating liabilities were down €357.4 million at €1,365.5 million (PY: €1,722.9 million).

<b>Autonomous Mobility and Safety in € millions</b>	<b>2020</b>	2019	<b>Δ in %</b>
Sales	7,529.2	9,381.6	-19.7
EBITDA	472.9	1,145.3	-58.7
in % of sales	6.3	12.2	
EBIT	-97.7	-120.3	18.8
in % of sales	-1.3	-1.3	
Research and development expenses (net)	1,008.9	1,048.7	-3.8
in % of sales	13.4	11.2	
Depreciation and amortization <sup>1</sup>	570.6	1,265.6	-54.9
thereof impairment <sup>2</sup>	9.5	750.0	-98.7
Operating assets as at December 31	4,400.1	4,716.8	-6.7
Operating assets (average)	4,658.8	5,159.9	-9.7
ROCE in %	-2.1	-2.3	
Capital expenditure <sup>3</sup>	498.7	720.6	-30.8
in % of sales	6.6	7.7	
Number of employees as at December 31 <sup>4</sup>	47,762	48,434	-1.4
Adjusted sales <sup>5</sup>	7,529.2	9,126.8	-17.5
Adjusted operating result (adjusted EBIT) <sup>6</sup>	94.9	672.9	-85.9
in % of adjusted sales	1.3	7.4	

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Non-current operating assets were down €167.0 million year-on-year at €4,865.2 million (PY: €5,032.2 million). Goodwill decreased by €18.8 million to €1,909.7 million (PY: €1,928.5 million). Property, plant and equipment fell by €160.6 million to €2,706.5 million (PY: €2,867.1 million) due to disposals. Other intangible assets climbed by €15.4 million to €118.1 million (PY: €102.7 million).

Exchange-rate effects reduced the total operating assets of the Autonomous Mobility and Safety business area by €148.7 million in the reporting year (PY: increase of €37.9 million).

Average operating assets in the Autonomous Mobility and Safety business area fell by €501.1 million to €4,658.8 million as compared to fiscal 2019 (€5,159.9 million).

### Capital expenditure (additions)

Additions to the Autonomous Mobility and Safety business area fell by €221.9 million year-on-year to €498.7 million (PY: €720.6 million). The capital expenditure ratio was 6.6% (PY: 7.7%).

In addition to the capital expenditure at German locations, production capacity was expanded at European best-cost locations, as well as in North America and Asia. In particular, production capacity was increased in the Vehicle Dynamics and Advanced Driver Assistance Systems business units. Important additions related to the creation of new production facilities for electronic brake systems.

### Employees

The number of employees in the Autonomous Mobility and Safety business area fell by 672 to 47,762 (PY: 48,434). This was due to adjustments to lower production volumes, efficiency increases and structural changes.

## Development of the Vehicle Networking and Information Business Area

- › Sales down 18.1%
- › Sales down 15.8% before changes in the scope of consolidation and exchange-rate effects
- › Adjusted EBIT down 184.7%

### Sales volumes

Global sales volumes in the Connected Car Networking business unit were below the previous year's level in 2020. In the Human Machine Interface and Commercial Vehicles and Services business units, sales figures were also lower than the previous year's level. The commercial-vehicles business recorded a greater decline than the replacement-parts and aftermarket business. The year-on-year decline in sales volumes in the business units was primarily attributable to the knock-on effects of measures to contain the COVID-19 pandemic.

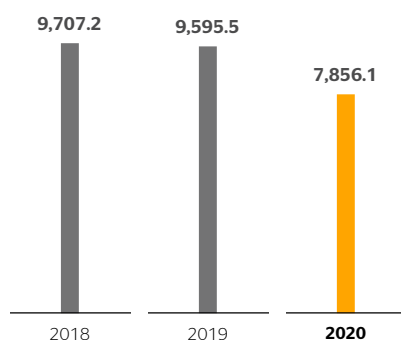
### Sales down 18.1%

#### Sales down 15.8% before changes in the scope of consolidation and exchange-rate effects

Sales of the Vehicle Networking and Information business area were down 18.1% year-on-year at €7,856.1 million (PY: €9,595.5 million) in 2020. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 15.8%.

### Sales

€ millions



### Adjusted EBIT down 184.7%

Adjusted EBIT for the Vehicle Networking and Information business area declined by €817.1 million or 184.7% year-on-year to -€374.7 million (PY: €442.4 million) in 2020, corresponding to -4.8% (PY: 4.6%) of adjusted sales.

### EBIT down 1.3%

Compared to the same period of the previous year, the Vehicle Networking and Information business area reported a decline in EBIT of €17.2 million or 1.3% to -€1,342.5 million (PY: -€1,325.3 million) in 2020. The return on sales fell to -17.1% (PY: -13.8%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €65.5 million (PY: €57.2 million).

For the Vehicle Networking and Information business area, total consolidated expense from special effects in 2020 amounted to €903.1 million (PY: €1,708.9 million). For further details, please see our comments beginning on page 67 regarding the special effects in 2020 and 2019.

The ROCE was -31.9% (PY: -23.0%).

### Procurement

The percentage share of electronic components and displays in the Vehicle Networking and Information business area continued to increase. Following the first wave of the COVID-19 pandemic, which led to significant declines in demand, the second half of 2020 was characterized by a strong upturn in demand in the electronics and display market. The first product launch of the innovative high-performance computer ICAS1 (InCar Application Server 1) was successfully supported by the components procurement function.

### Research and development

Research and development expenses (net) rose by €95.5 million or 8.0% year-on-year to €1,284.7 million (PY: €1,189.2 million), corresponding to 16.4% (PY: 12.4%) of sales.

### Depreciation and amortization

Depreciation and amortization fell by €539.0 million compared to fiscal 2019 to €1,368.7 million (PY: €1,907.7 million) and amounted to 17.4% (PY: 19.9%) of sales. This included impairment totaling €744.1 million in 2020 (PY: €1,373.2 million).

### Operating assets

Operating assets in the Vehicle Networking and Information business area fell by €1,321.7 million year-on-year to €3,435.5 million (PY: €4,757.2 million) as at December 31, 2020.

Working capital rose by €163.8 million to €850.3 million (PY: €686.5 million). Inventories decreased by €37.7 million to €829.9 million (PY: €867.6 million). Operating receivables fell by €22.4 million to €1,536.0 million (PY: €1,558.4 million) as at the reporting date. Operating liabilities were down €223.9 million at €1,515.6 million (PY: €1,739.5 million).

Non-current operating assets decreased by €982.0 million year-on-year to €3,866.5 million (PY: €4,848.5 million). Goodwill fell to €710.6 million (PY: €1,388.1 million), with €654.6 million of this decrease resulting from impairment of goodwill. At €2,330.2 million,

<b>Vehicle Networking and Information in € millions</b>	<b>2020</b>	2019	<b>Δ in %</b>
Sales	7,856.1	9,595.5	-18.1
EBITDA	26.2	582.4	-95.5
in % of sales	0.3	6.1	
EBIT	-1,342.5	-1,325.3	-1.3
in % of sales	-17.1	-13.8	
Research and development expenses (net)	1,284.7	1,189.2	8.0
in % of sales	16.4	12.4	
Depreciation and amortization <sup>1</sup>	1,368.7	1,907.7	-28.3
thereof impairment <sup>2</sup>	744.1	1,373.2	-45.8
Operating assets as at December 31	3,435.5	4,757.2	-27.8
Operating assets (average)	4,203.4	5,760.2	-27.0
ROCE in %	-31.9	-23.0	
Capital expenditure <sup>3</sup>	480.6	683.7	-29.7
in % of sales	6.1	7.1	
Number of employees as at December 31 <sup>4</sup>	47,789	48,117	-0.7
Adjusted sales <sup>5</sup>	7,842.3	9,593.9	-18.3
Adjusted operating result (adjusted EBIT) <sup>6</sup>	-374.7	442.4	-184.7
in % of adjusted sales	-4.8	4.6	

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses. Expenses from derecognitions of brand values are likewise included.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

property, plant and equipment were €61.7 million below the previous year's level of €2,391.9 million. Other intangible assets fell by €186.1 million to €637.1 million (PY: €823.2 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €65.5 million (PY: €57.2 million) reduced the value of intangible assets.

In the Vehicle Networking and Information business area, the sale of the 50% shareholding in SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, resulted in a decrease in operating assets of €91.4 million.

Exchange-rate effects reduced the total operating assets of the Vehicle Networking and Information business area by €160.7 million in the reporting year (PY: increase of €67.8 million).

Average operating assets in the Vehicle Networking and Information business area were lower by €1,556.8 million at €4,203.4 million compared to fiscal 2019 (€5,760.2 million).

### Capital expenditure (additions)

Additions to the Vehicle Networking and Information business area fell by €203.1 million year-on-year to €480.6 million (PY: €683.7 million).

The capital expenditure ratio amounted to 6.1% (PY: 7.1%). In addition to increasing production capacity in Europe, production facilities were also expanded in Asia and North America. Investments focused primarily on the expansion of production capacity for the Human Machine Interface and Connected Car Networking business units. Important additions related to the construction of the new plant in Aguascalientes, Mexico. In addition, production capacity for operation and display solutions was expanded.

### Employees

The number of employees in the Vehicle Networking and Information business area declined by 328 to 47,789 (PY: 48,117). Declining production volumes were partially offset by the establishment of new production sites and further build-up in research and development.



# Rubber Technologies

Rubber Technologies in € millions	2020	2019	Δ in %
Sales	15,639.5	18,012.9	-13.2
EBITDA	2,493.6	3,168.2	-21.3
in % of sales	15.9	17.6	
EBIT	1,266.4	1,957.5	-35.3
in % of sales	8.1	10.9	
Research and development expenses (net)	417.7	462.2	-9.6
in % of sales	2.7	2.6	
Depreciation and amortization <sup>1</sup>	1,227.2	1,210.7	1.4
thereof impairment <sup>2</sup>	36.9	34.8	6.0
Operating assets as at December 31	9,455.8	11,046.5	-14.4
Operating assets (average)	10,361.9	11,317.3	-8.4
ROCE in %	12.2	17.3	
Capital expenditure <sup>3</sup>	715.0	1,187.9	-39.8
in % of sales	4.6	6.6	
Number of employees as at December 31 <sup>4</sup>	100,327	102,685	-2.3
Adjusted sales <sup>5</sup>	15,504.9	18,005.1	-13.9
Adjusted operating result (adjusted EBIT) <sup>6</sup>	1,756.3	2,160.8	-18.7
in % of adjusted sales	11.3	12.0	

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses. Expenses from derecognitions of brand values are likewise included.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

The Rubber Technologies group sector comprises two business areas:

- › With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the **Tires** business area (27% of consolidated sales) stands for innovative top performance in tire technology. Services for dealers and fleet management as well as digital tire monitoring and management systems are further areas of focus. The aim is to contribute to safe, economical and sustainable mobility.
- › The **ContiTech** business area (14% of consolidated sales) focuses on smart and sustainable solutions beyond rubber and develops digital and intelligent solutions in future-oriented sectors. In doing so, ContiTech draws on its long-standing knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services.

In the year under review, the 13 business units in total generated 41% of consolidated sales.

Rubber Technologies benefited from significantly lower prices for crude oil and natural rubber in the first half of 2020. In the markets for chemicals, textiles and steel, the COVID-19 pandemic also led to price reductions. The market for butadiene, an input material for synthetic rubber, also developed accordingly. In the second half of the year, key input materials experienced substantial price increases due to rising demand.

## Development of the Tires Business Area

- › Sales down 13.4%
- › Sales down 10.7% before changes in the scope of consolidation and exchange-rate effects
- › Adjusted EBIT down 21.2%

### Sales volumes

As a result of the COVID-19 pandemic, sales figures for passenger and light truck tires in 2020 were significantly below the previous year's level in the original-equipment business. Sales figures for passenger and light truck tires in the tire-replacement business and in the commercial-vehicle tire business were also below the level of the previous year.

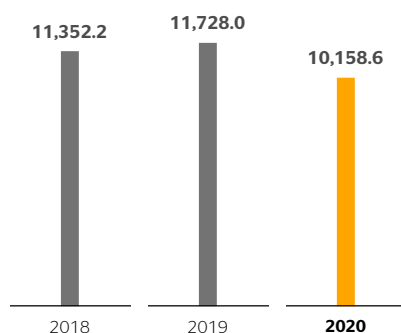
### Sales down 13.4%

#### Sales down 10.7% before changes in the scope of consolidation and exchange-rate effects

Sales of the Tires business area were down 13.4% year-on-year at €10,158.6 million (PY: €11,728.0 million) in 2020. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 10.7%.

### Sales

€ millions



### Adjusted EBIT down 21.2%

Adjusted EBIT for the Tires business area declined by €361.3 million or 21.2% year-on-year to €1,344.1 million (PY: €1,705.4 million) in 2020, corresponding to 13.2% (PY: 14.5%) of adjusted sales.

### EBIT down 38.7%

Compared to the same period of the previous year, the Tires business area reported a decline in EBIT of €639.3 million or 38.7% to €1,012.3 million (PY: €1,651.6 million) in 2020. The return on sales fell to 10.0% (PY: 14.1%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €20.3 million (PY: €20.0 million).

For the Tires business area, total consolidated expense from special effects in 2020 amounted to €310.8 million (PY: €33.8 million). For further details, please see our comments beginning on page 67 regarding the special effects in 2020 and 2019.

The ROCE was 14.3% (PY: 21.2%).

### Procurement

Prices for key raw materials declined when the COVID-19 pandemic began. In particular, the prices of raw materials and input materials such as natural rubber, butadiene and crude oil reached their low point in the second quarter. The reduction in the oil price caused prices for other oil-based input materials such as carbon black to fall. In the second half of 2020, prices for natural rubber, oil and butadiene rose substantially. The annual average price level on the markets for chemicals, textiles and steel declined as the year progressed.

### Research and development

Research and development expenses (net) fell by €31.4 million or 10.5% year-on-year to €268.0 million (PY: €299.4 million), corresponding, as in the previous year, to 2.6% of sales.

### Depreciation and amortization

Depreciation and amortization rose by €6.5 million compared to fiscal 2019 to €852.6 million (PY: €846.1 million) and amounted to 8.4% (PY: 7.2%) of sales. This included impairment totaling €11.8 million in 2020 (PY: €22.5 million).

### Operating assets

Operating assets in the Tires business area decreased by €1,152.9 million year-on-year to €6,402.3 million (PY: €7,555.2 million) as at December 31, 2020.

Working capital was down €245.0 million at €2,417.6 million (PY: €2,662.6 million). Inventories decreased by €230.2 million to €1,563.2 million (PY: €1,793.4 million). Operating receivables fell by €285.1 million to €1,940.8 million (PY: €2,225.9 million) as at the reporting date. Operating liabilities were down €270.3 million to €1,086.4 million (PY: €1,356.7 million).

Non-current operating assets were down €640.9 million year-on-year at €5,236.3 million (PY: €5,877.2 million). Goodwill decreased by €4.0 million to €405.7 million (PY: €409.7 million). This reduction resulted from exchange-rate effects amounting to €4.0 million. Property, plant and equipment fell by €579.5 million to €4,608.1 million (PY: €5,187.6 million). Other intangible assets were lower by €32.6 million at €84.2 million (PY: €116.8 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €20.3 million (PY: €20.0 million) reduced the value of intangible assets.

As a result of an asset deal in the Tires business area, operating assets rose by €0.3 million.

<b>Tires in € millions</b>	<b>2020</b>	2019	Δ in %
Sales	10,158.6	11,728.0	-13.4
EBITDA	1,864.9	2,497.7	-25.3
in % of sales	18.4	21.3	
EBIT	1,012.3	1,651.6	-38.7
in % of sales	10.0	14.1	
Research and development expenses (net)	268.0	299.4	-10.5
in % of sales	2.6	2.6	
Depreciation and amortization <sup>1</sup>	852.6	846.1	0.8
thereof impairment <sup>2</sup>	11.8	22.5	-47.6
Operating assets as at December 31	6,402.3	7,555.2	-15.3
Operating assets (average)	7,080.7	7,797.5	-9.2
ROCE in %	14.3	21.2	
Capital expenditure <sup>3</sup>	535.5	926.2	-42.2
in % of sales	5.3	7.9	
Number of employees as at December 31 <sup>4</sup>	56,864	56,884	0.0
Adjusted sales <sup>5</sup>	10,154.4	11,728.0	-13.4
Adjusted operating result (adjusted EBIT) <sup>6</sup>	1,344.1	1,705.4	-21.2
in % of adjusted sales	13.2	14.5	

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Exchange-rate effects reduced the total operating assets of the Tires business area by €458.9 million in the reporting year (PY: increase of €120.5 million).

Average operating assets in the Tires business area fell by €716.8 million to €7,080.7 million as compared to fiscal 2019 (€7,797.5 million).

### Capital expenditure (additions)

Additions to the Tires business area decreased by €390.7 million year-on-year to €535.5 million (PY: €926.2 million). The capital expenditure ratio was 5.3% (PY: 7.9%).

Production capacity was expanded and established in Europe, North America and Asia. There were major additions relating to the new plant buildings in Clinton, Mississippi, USA, and Rayong, Thailand. Quality assurance and cost-cutting measures were implemented as well.

### Employees

The number of employees in the Tires business area declined by 20 to 56,864 (PY: 56,884).

## Development of the ContiTech Business Area

- > Sales down 12.9%
- > Sales down 11.9% before changes in the scope of consolidation and exchange-rate effects
- > Adjusted EBIT down 9.5%

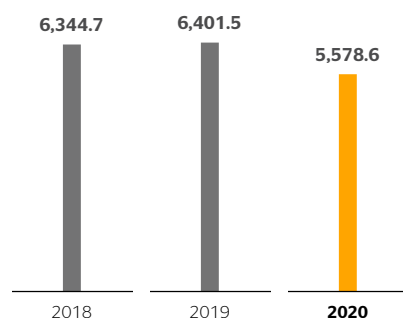
### Sales down 12.9%

#### Sales down 11.9% before changes in the scope of consolidation and exchange-rate effects

Sales of the ContiTech business area were down 12.9% year-on-year at €5,578.6 million (PY: €6,401.5 million) in 2020. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 11.9%. Sales were lower than the previous year's level as a result of the volatile market environment caused by the COVID-19 pandemic. The sales decline was more pronounced in the automotive sector than in the industrial sector. Regionally, business in China has recovered significantly since the second quarter and closed the full year slightly above the previous year's level. Europe and North America were significantly lower than in the previous year.

### Sales

€ millions



### Adjusted EBIT down 9.5%

Adjusted EBIT for the ContiTech business area declined by €43.2 million or 9.5% year-on-year to €412.2 million (PY: €455.4 million) in 2020, corresponding to 7.6% (PY: 7.1%) of adjusted sales.

### EBIT down 16.9%

Compared to the same period of the previous year, the ContiTech business area reported a decline in EBIT of €51.8 million or 16.9% to €254.1 million (PY: €305.9 million) in 2020. The return on sales fell to 4.6% (PY: 4.8%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €88.7 million (PY: €94.6 million).

For the ContiTech business area, total consolidated expense from special effects in 2020 amounted to €75.2 million (PY: €54.5 million). For further details, please see our comments beginning on page 67 regarding the special effects in 2020 and 2019.

The ROCE was 7.7% (PY: 8.7%).

### Procurement

The ContiTech business area experienced decreasing prices for many raw materials as a result of demand fluctuations on the commodity markets due to the pandemic. In particular, prices for oil-based raw materials fell sharply year-on-year. Overall, average annual material prices decreased compared with the previous year.

### Research and development

Research and development expenses (net) declined by €13.1 million or 8.0% year-on-year to €149.7 million (PY: €162.8 million), corresponding to 2.7% (PY: 2.5%) of sales.

### Depreciation and amortization

Depreciation and amortization rose by €10.0 million compared to fiscal 2019 to €374.6 million (PY: €364.6 million) and amounted to 6.7% (PY: 5.7%) of sales. This included impairment totaling €25.1 million in 2020 (PY: €12.3 million).

### Operating assets

Operating assets in the ContiTech business area decreased by €437.8 million year-on-year to €3,053.5 million (PY: €3,491.3 million) as at December 31, 2020.

Working capital was down €77.8 million at €1,014.5 million (PY: €1,092.3 million). Inventories decreased by €108.5 million to €678.0 million (PY: €786.5 million). Operating receivables fell by €82.8 million to €1,006.7 million (PY: €1,089.5 million) as at the reporting date. Operating liabilities were down €113.5 million at €670.2 million (PY: €783.7 million).

Non-current operating assets were down €340.2 million at €2,410.6 million (PY: €2,750.8 million). Goodwill decreased by €31.0 million to €550.3 million (PY: €581.3 million), with €28.5 million of this decrease resulting from exchange-rate effects. At €1,467.9 million, property, plant and equipment were €185.6 million below the previous year's level of €1,653.5 million. Other intangible assets fell by €126.5 million to €341.6 million (PY: €468.1 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €88.7 million (PY: €94.6 million) reduced the value of intangible assets.

In the ContiTech business area, the final purchase price allocation for the acquisition of Merlett Tecnoplastic S.p.A., Davigio, Italy, in 2019 resulted in an increase in operating assets of €2.5 million. In addition, the sale of a company reduced operating assets by €4.1 million.

ContiTech in € millions	2020	2019	Δ in %
Sales	5,578.6	6,401.5	-12.9
EBITDA	628.7	670.5	-6.2
in % of sales	11.3	10.5	
EBIT	254.1	305.9	-16.9
in % of sales	4.6	4.8	
Research and development expenses (net)	149.7	162.8	-8.0
in % of sales	2.7	2.5	
Depreciation and amortization <sup>1</sup>	374.6	364.6	2.7
thereof impairment <sup>2</sup>	25.1	12.3	104.1
Operating assets as at December 31	3,053.5	3,491.3	-12.5
Operating assets (average)	3,281.2	3,519.8	-6.8
ROCE in %	7.7	8.7	
Capital expenditure <sup>3</sup>	179.6	261.7	-31.4
in % of sales	3.2	4.1	
Number of employees as at December 31 <sup>4</sup>	43,463	45,801	-5.1
Adjusted sales <sup>5</sup>	5,448.2	6,393.7	-14.8
Adjusted operating result (adjusted EBIT) <sup>6</sup>	412.2	455.4	-9.5
in % of adjusted sales	7.6	7.1	

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses. Expenses from derecognitions of brand values are likewise included.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Exchange-rate effects reduced the total operating assets of the ContiTech business area by €178.8 million in the reporting year (PY: increase of €32.5 million).

Average operating assets in the ContiTech business area fell by €238.6 million to €3,281.2 million as compared to fiscal 2019 (€3,519.8 million).

#### Capital expenditure (additions)

Additions to the ContiTech business area were lower by €82.1 million year-on-year at €179.6 million (PY: €261.7 million). The capital expenditure ratio was 3.2% (PY: 4.1%).

There were major additions relating to the expansion of production capacity in selected growth markets for the Mobile Fluid Systems, Surface Solutions and Conveying Solutions business units. In Pune, India, an investment was made in the establishment of an additional production site for the Surface Solutions business unit. In addition, investments were made in all business units to rationalize existing production processes.

#### Employees

The number of employees in the ContiTech business area fell by 2,338 to 43,463 (PY: 45,801). This decline was due primarily to the adjustment to lower production volumes, process improvements and productivity increases.

# Powertrain Technologies

Powertrain Technologies in € millions	2020	2019	Δ in %
Sales	6,967.7	7,802.3	-10.7
EBITDA	122.5	192.5	-36.4
in % of sales	1.8	2.5	
EBIT	-450.8	-662.1	31.9
in % of sales	-6.5	-8.5	
Research and development expenses (net)	670.5	664.1	1.0
in % of sales	9.6	8.5	
Depreciation and amortization <sup>1</sup>	573.3	854.6	-32.9
thereof impairment <sup>2</sup>	86.3	351.9	-75.5
Operating assets as at December 31	2,995.9	3,347.3	-10.5
Operating assets (average)	3,191.5	3,906.3	-18.3
ROCE in %	-14.1	-16.9	
Capital expenditure <sup>3</sup>	466.0	657.7	-29.1
in % of sales	6.7	8.4	
Number of employees as at December 31 <sup>4</sup>	40,102	41,744	-3.9
Adjusted sales <sup>5</sup>	6,967.7	7,802.3	-10.7
Adjusted operating result (adjusted EBIT) <sup>6</sup>	-55.6	57.0	-197.5
in % of adjusted sales	-0.8	0.7	

<sup>1</sup> Excluding impairment on financial investments.

<sup>2</sup> Impairment also includes necessary reversal of impairment losses.

<sup>3</sup> Capital expenditure on property, plant and equipment, and software.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

The Powertrain Technologies group sector comprises one business area:

- › The **Powertrain** business area brings together the full spectrum of Continental's expertise in drivetrain technology. Powertrain's aim is to develop innovative, efficient electrification technologies for all types of vehicle.

The three business units in total generated 18% of consolidated sales in the year under review.

Key raw materials for Power Technologies are steel, aluminum, plastics, copper and precious metals. One point of focus when it comes to purchasing materials and semi-finished products is electronics and electromechanical components, such as semiconductors. The COVID-19 pandemic caused strong demand fluctuations in the automotive supplier industry in the reporting year, and since the end of 2020 to shortages and delivery problems in the semiconductor industry. For more information, see "Procurement."



## Development of the Powertrain Business Area

- > Sales down 10.7%
- > Sales down 8.7% before changes in the scope of consolidation and exchange-rate effects
- > Adjusted EBIT down 197.5%

### Sales volumes

In the Electronic Controls business unit, sales volumes of transmission control units, engine control units, turbochargers, pumps and injectors decreased year-on-year in 2020. In the Electrification Technology business unit, sales figures for power electronics and electric motors were up year-on-year, while sales volumes of power stabilization products, 48-volt drive systems and battery systems fell year-on-year. In the Sensing and Actuation business unit, sales figures for catalytic converters were up year-on-year, while those for SCR systems, fuel delivery modules and mechatronic sensors for combustion engines were down year-on-year. The varying development of sales volumes in the individual business units was due to the negative effects of the COVID-19 pandemic.

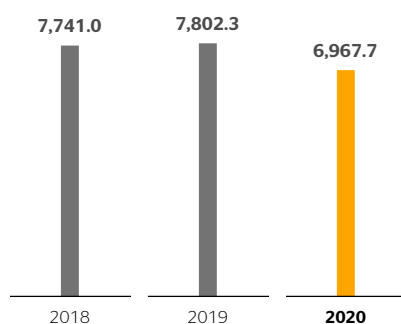
### Sales down 10.7%

#### Sales down 8.7% before changes in the scope of consolidation and exchange-rate effects

Sales of the Powertrain business area were down 10.7% year-on-year at €6,967.7 million (PY: €7,802.3 million) in 2020. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 8.7%.

### Sales

€ millions



### Adjusted EBIT down 197.5%

Adjusted EBIT for the Powertrain business area declined by €112.6 million or 197.5% year-on-year to -€55.6 million (PY: €57.0 million) in 2020, corresponding to -0.8% (PY: 0.7%) of adjusted sales.

### EBIT up 31.9%

Compared to the same period of the previous year, the Powertrain business area reported an increase in EBIT of €211.3 million or 31.9% to -€450.8 million (PY: -€662.1 million) in 2020. The return on sales rose to -6.5% (PY: -8.5%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €9.1 million (PY: €10.7 million).

For the Powertrain business area, total consolidated expense from special effects in 2020 amounted to €386.1 million (PY: €708.4 million). For further details, please see our comments beginning on page 67 regarding the special effects in 2020 and 2019.

The ROCE was -14.1% (PY: -16.9%).

### Procurement

In the raw materials sector, price developments painted an extremely mixed picture. While the prices for long steel products remained relatively stable in 2020, the prices for copper and recycled aluminum (secondary aluminum) rose due to limited availability and reached a multi-year high in the fourth quarter. The same was true for gold and silver. In particular, extensive purchases from the investment sector led to sharp price rises in the second and third quarters. Prices for palladium, which is primarily used in catalytic converters, also rose noticeably over the course of the year and were significantly higher on average than in the previous year.

Demand has increased recently due to an unexpectedly rapid recovery of the automotive industry from the COVID-19 pandemic. This recovery has led to shortages and delivery problems since the end of 2020 in the semiconductor industry, which for some components was already being used to full capacity due to increased demand for consumer goods. Although semiconductor manufacturers are responding to the unexpectedly strong increase in demand by ramping up their production capacity, it will probably not be possible to eliminate the delivery bottlenecks until later in 2021 due to the lead times in the semiconductor industry. The procurement cooperation with the Schaeffler Group was again successfully continued.

### Research and development

Research and development expenses (net) rose by €6.4 million or 1.0% year-on-year to €670.5 million (PY: €664.1 million), corresponding to 9.6% (PY: 8.5%) of sales.

### Depreciation and amortization

Depreciation and amortization fell by €281.3 million compared to fiscal 2019 to €573.3 million (PY: €854.6 million) and amounted to 8.2% (PY: 11.0%) of sales. This included impairment totaling €86.3 million in 2020 (PY: €351.9 million).

### Operating assets

Operating assets in the Powertrain business area decreased by €351.4 million year-on-year to €2,995.9 million (PY: €3,347.3 million) as at December 31, 2020.

Working capital was up €134.1 million at €753.8 million (PY: €619.7 million). Inventories decreased by €85.7 million to €546.7 million (PY: €632.4 million). Operating receivables rose by €17.7 million to €1,459.2 million (PY: €1,441.5 million) as at the reporting date. Operating liabilities were down €202.1 million at €1,252.1 million (PY: €1,454.2 million).

Non-current operating assets were down €318.3 million year-on-year at €3,517.4 million (PY: €3,835.7 million). Goodwill fell to €785.2 million (PY: €805.7 million). This decline was due to exchange-rate effects totaling €20.5 million. At €2,507.0 million, property, plant and equipment were €236.3 million below the previous year's level of €2,743.3 million. Other intangible assets fell by €13.8 million to €166.0 million (PY: €179.8 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €9.1 million (PY: €10.7 million) reduced the value of intangible assets.

A transfer of business under an asset deal in the Powertrain business area reduced operating assets by €1.7 million.

Exchange-rate effects reduced the total operating assets of the Powertrain business area by €124.4 million in the reporting year (PY: increase of €25.9 million).

Average operating assets in the Powertrain business area fell by €714.8 million to €3,191.5 million as compared to fiscal 2019 (€3,906.3 million).

### Capital expenditure (additions)

Additions to the Powertrain business area decreased by €191.7 million year-on-year to €466.0 million (PY: €657.7 million). The capital expenditure ratio was 6.7% (PY: 8.4%).

The capital expenditure in the Powertrain business area was primarily attributable to production equipment for the manufacture of new products and the implementation of new technologies. Production capacity was increased in particular in China, Germany, Hungary, the USA and Czechia. An investment was also made in Debrecen, Hungary, in the construction of a new plant.

### Employees

The number of employees in the Powertrain business area fell by 1,642 compared with the previous year to 40,102 (PY: 41,744). This decrease was due to the adjustment to demand-driven production, optimizations in production and restructuring measures.

# Continental AG – Short Version in Accordance with *HGB*

In addition to the reporting on the Continental Group as a whole, the performance of the parent company is presented separately here.

Unlike the consolidated financial statements, the annual financial statements of Continental AG are prepared in accordance with German commercial law (the German Commercial Code, *Handelsgesetzbuch* – *HGB*) and the German Stock Corporation Act (*Aktien-gesetz* – *AktG*). The management report of Continental AG has been combined with the consolidated report of the Continental Group in accordance with Section 315 (5) *HGB*, as the parent company's future risks and opportunities and its expected development are inextricably linked to that of the Continental Group as a whole. In addition, the following presentation of the parent company's business performance, including its results, net assets and financial position, provides a basis for understanding the Executive Board's proposal for the distribution of retained earnings.

Continental AG acts solely as a management and holding company for the Continental Group.

Total assets increased by €1,182.1 million year-on-year to €24,609.1 million (PY: €23,427.0 million). On the assets side, the change is due primarily to the €1,311.9 million increase in receivables from affiliated companies, the €190.1 million increase in financial investments and the €67.4 million increase in property, plant and equipment. By contrast, cash and cash equivalents were down €391.5 million at €560.6 million (PY: €952.1 million).

Investments rose by €190.1 million year-on-year to €15,672.0 million (PY: €15,481.9 million) and now account for 63.7% of total assets (PY: 66.1%). The increase resulted primarily from further contributions to subsidiaries of €250.0 million in connection with the planned spin-off and subsequent listing of Vitesco Technologies. This was countered by disposals totaling €64.6 million from sales of subsidiaries within the Continental Group.

Property, plant and equipment increased by €67.4 million year-on-year to €142.4 million (PY: €75.0 million). The increase resulted primarily from the capitalized assets under construction for the construction of the new headquarters in Hanover.

Net assets and financial position of Continental AG	December 31, 2020	December 31, 2019
<b>Assets in € millions</b>		
Intangible assets	18.4	27.7
Property, plant and equipment	142.4	75.0
Investments	15,672.0	15,481.9
<b>Non-current assets</b>	<b>15,832.8</b>	<b>15,584.6</b>
Receivables and other assets	8,139.1	6,822.5
Cash and cash equivalents	560.6	952.1
<b>Current assets</b>	<b>8,699.7</b>	<b>7,774.6</b>
<b>Prepaid expenses and deferred charges</b>	<b>76.6</b>	<b>67.8</b>
<b>Total assets</b>	<b>24,609.1</b>	<b>23,427.0</b>
<b>Shareholders' equity and liabilities in € millions</b>		
Subscribed capital	512.0	512.0
Capital reserves	4,179.1	4,179.1
Revenue reserves	54.7	54.7
Accumulated profits brought forward from the previous year	5,256.0	808.5
Net income	782.9	5,047.5
<b>Shareholders' equity</b>	<b>10,784.7</b>	<b>10,601.8</b>
<b>Provisions</b>	<b>890.8</b>	<b>952.9</b>
<b>Liabilities</b>	<b>12,933.5</b>	<b>11,871.5</b>
<b>Deferred income</b>	<b>0.1</b>	<b>0.8</b>
<b>Total equity and liabilities</b>	<b>24,609.1</b>	<b>23,427.0</b>
Gearing ratio in %	39.4	39.4
Equity ratio in %	43.8	45.3

At €76.6 million (PY: €67.8 million), prepaid expenses and deferred charges were up €8.8 million. The increase resulted primarily from the revolving credit line additionally negotiated in fiscal 2020 with a total volume of €3,000.0 million, as well as expenses in connection with the placement of a euro bond with a nominal volume of €750.0 million.

On the equity and liabilities side, the change is primarily due to the €1,969.2 million increase in liabilities to affiliated companies as well as the €478.9 million increase in bank loans and overdrafts. By contrast, bonds fell by €1,324.5 million year-on-year.

The €3,732.2 million decline in bonds year-on-year to €2,407.7 million is primarily due to the repayment of the €600.0-million and €750.0-million euro bonds maturing in February and September 2020, respectively. Commercial paper issuances likewise resulted in a decline of €673.5 million to €250.0 million (PY: €923.5 million). By contrast, a euro bond with a nominal volume of €750.0 million was issued in May 2020.

Bank loans and overdrafts increased by €478.9 million to €1,220.6 million (PY: €741.7 million). This increase resulted primarily from short-term liabilities.

Liabilities to affiliated companies rose by €1,969.2 million year-on-year to €9,260.8 million (PY: €7,291.6 million). This rise was primarily attributable to the provision of loans and overnight deposits made available to Continental AG by its subsidiaries.

Provisions fell by €62.1 million year-on-year to €890.8 million (PY: €952.9 million), due to the €78.2 million decline in tax provisions to €597.3 million (PY: €675.5 million) and the €4.4 million decline in other provisions to €40.6 million (PY: €45.0 million). By contrast, pension provisions rose by €20.5 million year-on-year to €252.9 million (PY: €232.4 million).

Total equity rose from €10,601.8 million in the previous year to €10,784.7 million. The decrease as a result of the dividend payment for fiscal 2019 in the amount of €600.0 million was more than offset by the net income of €782.9 million generated in fiscal 2020. The equity ratio fell from 45.3% to 43.8% as a result of the increase in total assets.

Sales fell by €21.8 million to €277.6 million (PY: €299.4 million), primarily due to the decrease in sales from corporate services.

Net investment income fell by €4,147.9 million year-on-year to €1,146.1 million (PY: €5,294.0 million). As in the previous year, it mainly consisted of profit and loss transfers from the subsidiaries.

The income from profit transfers resulted particularly from Continental Caoutchouc-Export-GmbH, Hanover, in the amount of €1,256.1 million, which, through the transfer of profits from CAS-One Holdinggesellschaft mbH, Hanover, received a special dividend from CGH Holding B.V., Maastricht, Netherlands, of €1,450.0 million (PY: €5,100.0 million) as well as from Formpolster GmbH, Hanover, in the amount of €132.7 million. By contrast, expenses from the transfer of losses from UMG Beteiligungsgesellschaft, Hanover, resulted in expense of €110.8 million, and from Continental Automotive GmbH, Hanover, in expense of €227.9 million.

The negative net interest result increased by €53.5 million year-on-year to €85.3 million in fiscal 2020 (PY: €31.8 million). Interest expenses increased by €24.8 million to €105.7 million (PY: €80.9 million). €9.9 million of this was interest and similar expenses from affiliated companies. The issue of euro bonds with a total volume of €1,100.0 million in September 2019 and a nominal volume of €750.0 million in May 2020 also led to a rise in interest expenses. A counter-effect is attributable to the repayment of the €600.0-million and €750.0-million euro bonds maturing in February 2020 and September 2020, respectively.

Interest income fell by €28.7 million year-on-year to €20.4 million (PY: €49.1 million). €7.3 million of this was interest and similar income from affiliated companies, and €21.4 million interest and similar income from other companies.

The tax expense of €74.6 million (PY: €59.2 million) resulted primarily from income tax expenses for fiscal 2020 as well as from non-imputable foreign withholding taxes.

After taking income tax expense into account, Continental AG posted net income for the year of €782.9 million (PY: €5,047.5 million). The after-tax return on equity was 7.3% (PY: 47.6%).

Taking into account the accumulated profits brought forward from the previous year of €5,256.0 million, retained earnings amounted to €6,038.9 million. The Supervisory Board and Executive Board will propose a suspension of the dividend for fiscal 2020 to the Annual Shareholders' Meeting. Retained earnings are to be carried forward to new account.

We expect further income from profit and loss transfers and investment income from the subsidiaries within the scope of the holding activities of Continental AG in fiscal 2021. Furthermore, Continental AG will continue to provide a financing function for its subsidiaries.

<b>Earnings position of Continental AG in € millions</b>	<b>2020</b>	2019
Sales	277.6	299.4
Cost of sales	-267.3	-287.6
<b>Gross margin on sales</b>	<b>10.3</b>	<b>11.8</b>
General administrative expenses	-176.9	-177.2
Other operating income	51.3	67.5
Other operating expenses	-98.8	-73.4
Net investment income	1,146.1	5,294.0
Income from other securities and long-term loans	11.0	16.2
Amortization of investments and of securities under current assets	-0.2	-0.4
Net interest result	-85.3	-31.8
<b>Result from activities</b>	<b>857.5</b>	<b>5,106.7</b>
Income tax expense	-74.6	-59.2
<b>Net income</b>	<b>782.9</b>	<b>5,047.5</b>
Accumulated profits brought forward from the previous year	5,256.0	808.5
<b>Retained earnings</b>	<b>6,038.9</b>	<b>5,856.0</b>

# Other Information

## Dependent Company Report

### Final declaration from the Executive Board's report on relations with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (*Aktiengesetz – AktG*)

In fiscal 2020, Continental AG was a dependent company of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, as defined under Section 312 *AktG*. In line with Section 312 (1) *AktG*, the Executive Board of Continental AG has prepared a report on relations with affiliated companies, which contains the following final declaration:

"We declare that the company received an appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies from January 1 to December 31, 2020, under the circumstances known to us at the time the transactions were made or the measures taken or not taken. To the extent the company suffered any detriment thereby, the company was granted the right to an appropriate compensation before the end of the 2020 fiscal year. The company did not suffer any detriment because of taking or refraining from measures."

## Additional Disclosures and Notes Pursuant to Section 289a and Section 315a *HGB*

### 1. Composition of subscribed capital

As of the end of the reporting period, the subscribed capital of the company amounted to €512,015,316.48 and is divided into 200,005,983 no-par-value shares. These shares are, without exception, common shares; different classes of shares have not been issued and have not been provided for in the Articles of Incorporation. Each share bears voting and dividend rights from the time it is issued. Each share entitles the holder to one vote at a Shareholders' Meeting (Article 20 (1) of the Articles of Incorporation). There are no shares with privileges.

### 2. Shareholdings exceeding 10% of voting rights

For details of the equity interests exceeding 10% of the voting rights (reported level of equity interest), please refer to the notice in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) under Note 41 to the consolidated financial statements.

### 3. Bearers of shares with privileges

There are no shares with privileges granting control.

### 4. Type of voting right control for employee shareholdings

The company is not aware of any employees with shareholdings not directly exercising control of their voting rights.

### 5. Provisions for the appointment and dismissal of members of the Executive Board and for the amendment of the Articles of Incorporation

- a) In accordance with the Articles of Incorporation, the Executive Board consists of at least two members; beyond this the number of members of the Executive Board is determined by the Supervisory Board. Members of the Executive Board are appointed and dismissed in accordance with Section 84 of the German Stock Corporation Act (*Aktiengesetz – AktG*) in conjunction with Section 31 of the German Co-determination Act

(*Mitbestimmungsgesetz – MitbestG*). In line with this, the Supervisory Board is responsible for the appointment and dismissal of members of the Executive Board. It passes decisions with a majority of two-thirds of its members. If this majority is not reached in the event of an appointment, the so-called Mediation Committee must submit a nomination to the Supervisory Board for the appointment within one month of voting. Other nominations can also be submitted to the Supervisory Board in addition to the Mediation Committee's nomination. A simple majority of the votes is sufficient when voting on these nominations submitted to the Supervisory Board. In the event that voting results in a tie, a new vote takes place in which the chairman of the Supervisory Board has the casting vote in accordance with Section 31 (4) *MitbestG*.

- b) Amendments to the Articles of Incorporation are made by the Shareholders' Meeting. In Article 20 (3) of the Articles of Incorporation, the Shareholders' Meeting has exercised the option granted in Section 179 (1) Sentence 2 *AktG* to confer on the Supervisory Board the power to make amendments affecting only the wording of the Articles of Incorporation.

In accordance with Article 20 (2) of the Articles of Incorporation, resolutions of the Shareholders' Meeting to amend the Articles of Incorporation are usually adopted by a simple majority and, insofar as a capital majority is required, by a simple majority of the capital represented unless otherwise stipulated by mandatory law or particular provisions of the Articles of Incorporation. The law prescribes a mandatory majority of three-quarters of the share capital represented when resolutions are made, for example, for amendments to the Articles of Incorporation involving substantial capital measures, such as resolutions concerning the creation of authorized or contingent capital.



## 6. Authorizations of the Executive Board, particularly with regard to its options for issuing or withdrawing shares

- a) The Executive Board can issue new shares only on the basis of resolutions by the Shareholders' Meeting. As at the end of the reporting period, the Executive Board had not been authorized to issue new shares in connection with a capital increase (authorized capital) or to issue convertible bonds, warrant-linked bonds, or other financial instruments that could entitle the bearers to subscribe to new shares.
- b) The Executive Board may only buy back shares under the conditions codified in Section 71 *AktG*. The Shareholders' Meeting has not authorized the Executive Board to acquire treasury shares in line with Section 71 (1) No. 8 *AktG*.

## 7. Material agreements of the company subject to a change of control following a takeover bid and their consequences

The following material agreements are subject to a change of control at Continental AG:

- a) The agreement concluded on December 3, 2019, for a syndicated revolving credit facility of €4.0 billion grants each creditor the right to terminate the agreement prematurely and to demand repayment of the loans granted by it if one person or several persons acting in concert acquire control of Continental AG and subsequent negotiations concerning a continuation of the loan do not lead to an agreement. The term "control" is defined as the holding of more than 50% of the voting rights or if Continental AG concludes a domination agreement as defined under Section 291 *AktG* with Continental AG as the company dominated. The agreement concluded in May 2020 for a further syndicated credit facility with a term of 364 days and a credit facility of €3.0 billion contains the same regulation.
- b) The bonds issued by Continental AG in September 2019 at a nominal amount of €500 million and €600 million and the bonds issued by Continental AG in October 2019 at a nominal amount of €100 million and €200 million, as well as both of the bonds issued in May 2020 by Continental AG and a subsidiary of Continental AG, Conti-Gummi Finance B.V., at €750 million each and the bond issued by Conti-Gummi Finance B.V. in June 2020 at €625 million, entitle each bondholder to demand that the respective issuer redeem or acquire the bonds held by the bondholder at a price established in the bond conditions in the event of a change of control at Continental AG. The bond conditions define a change of control as the sale of all or substantially all of the company's assets to third parties that are not affiliated with the company, or as one person or several persons acting in concert, pursuant to Section 2 (5) of the German Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*), holding more than 50% of the voting rights in Continental AG by means of acquisition or as a result of a merger or other form of combination with the participation of Continental AG.

If a change of control occurs as described in the agreements above and a contractual partner or bondholder exercises its respective rights, it is possible that required follow-up financing may not be approved under the existing conditions, which could therefore lead to higher financing costs.

- c) In 1996, Compagnie Financière Michelin SCmA, Granges-Paccot, Switzerland, and Continental AG founded MC Projects B.V., Maastricht, Netherlands, with each owning 50%. Michelin contributed the rights to the Uniroyal brand for Europe to the company. MC Projects B.V. licenses these rights to Continental. According to the agreements, this license can be terminated without notice if a major competitor in the tire business acquires more than 50% of the voting rights of Continental. In this case, Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company of Continental Barum s.r.o., Otrokovice, Czechia, to 51%. In the case of such a change of control and the exercise of these rights, there could be losses in sales of the Tires business area and a reduction in the production capacity available to this business area.

## 8. Compensation agreements of the company with members of the Executive Board or employees in the event of a takeover bid

No compensation agreements have been concluded between the company and the members of the Executive Board or employees providing in the event of a takeover bid.

## Remuneration of the Executive Board

The total remuneration of the members of the Executive Board comprises a number of remuneration components. These include a remuneration component that is unrelated to performance, including specific additional benefits and entitlement to a company pension, and a variable component that is based on performance, consisting of a short-term remuneration component and long-term remuneration components. Further details including individual remuneration are specified in the remuneration report contained in the corporate governance report starting on page 23. The remuneration report is a part of the management report.

# Corporate Governance Declaration Pursuant to Section 289f *HGB*

The corporate governance declaration pursuant to Section 289f of the German Commercial Code (*Handelsgesetzbuch – HGB*) is available to our shareholders in the Company/Corporate Governance section of Continental's website [📄](#).

# Report on Risks and Opportunities

## The overall situation is analyzed and managed corporate-wide using the risk and opportunity management system.

The management of Continental is geared toward permanently increasing the value of each individual business unit. We evaluate risks and opportunities responsibly and on an ongoing basis in order to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Continental is exposed to a number of different risks, in particular due to the transformation in the mobility industry, that could impair business and, in extreme cases, threaten the company's existence. At the same time, this transformation also presents opportunities that we intend to consistently seize, as described in the Strategy of the Continental Group section. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. We consider growth in value in terms of the Continental Value Contribution (CVC) system described in the Corporate Management section.

## Risk and Opportunity Management and Internal Control System

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness, efficiency and propriety of accounting and compliance with the relevant legal and sub-legislative regulations, Continental has created a governance system that encompasses all relevant business processes. The governance system comprises the internal control system, the risk management system and the compliance management system, which is described in detail in the corporate governance declaration on page 16. The risk management system in turn also includes the early risk identification system in accordance with Section 91 (2) of the German Stock Corporation Act (*Aktiengesetz – AktG*).

The Executive Board is responsible for the governance system, which includes all subsidiaries. The Supervisory Board and its Audit Committee monitor its effectiveness.

Pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (*Handelsgesetzbuch – HGB*), the main characteristics of the internal control and risk management system with respect to the accounting process must be described. All parts of the risk management system and internal control system that could have a material effect on the annual and consolidated financial statements must be included in the reporting.

Key elements of the corporate-wide control systems are the clear allocation of responsibilities and controls inherent in the system when preparing the financial statements. The two-person rule and separation of functions are fundamental principles of this organization. In addition, Continental's management ensures accounting that complies with the requirements of law via guidelines on the preparation of financial statements and on accounting, access authorizations for IT systems and regulations on the involvement of internal and external specialists.

The effectiveness of the financial reporting internal control system (Financial Reporting ICS) is evaluated in major areas by testing the effectiveness of the reporting units on a quarterly basis. If any weaknesses are identified, the Continental Group's management initiates the necessary measures.

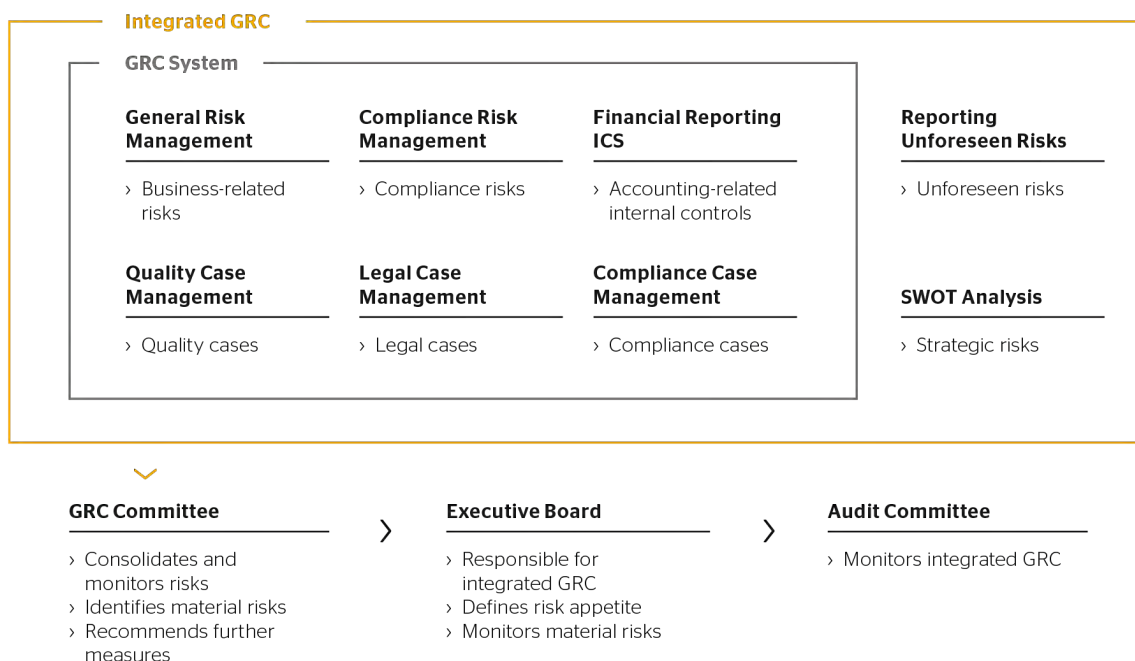
As part of our opportunity management activities, we assess market and economic analyses and changes in legal requirements (e.g. with regard to fuel consumption and emission standards as well as safety regulations). In addition, we deal with the corresponding effects on the automotive sector and other relevant markets, our production factors and the composition and further development of our product portfolio.

### Governance, risk and compliance (GRC)

In the GRC policy adopted by the Executive Board, Continental defines the general conditions for integrated GRC as a key element of the risk management system, which regulates the identification, assessment, reporting and documentation of risks. In addition, this also further increases corporate-wide risk awareness and establishes the framework for a uniform risk culture. The GRC Committee ensures that this policy is adhered to and implemented.

The GRC system incorporates all components of risk reporting and the examination of the effectiveness of the Financial Reporting ICS. Risks are identified, assessed and reported at the organizational level that is also responsible for managing the identified risks. A multi-stage assessment process is used to involve also the higher-level organizational units. The GRC system thus includes all reporting levels, from the company level to the top corporate level.

## Risk reporting



At the corporate level, the responsibilities of the GRC Committee – chaired by the Executive Board member responsible for Finance, Controlling, Compliance, Law and IT – include identifying material risks for the Continental Group. The GRC Committee regularly informs the Executive Board and the Audit Committee of the Supervisory Board of the material risks, any weaknesses in the control system and measures taken. Moreover, the auditor is required to report to the Audit Committee of the Supervisory Board regarding any material weaknesses in the Financial Reporting ICS which they identified as part of their audit activities.

### Risk assessment and reporting

A period under consideration of one year is always applied when evaluating risks and opportunities. The risks and their effects are assessed primarily according to quantitative criteria and assigned to different categories in line with the net principle, i.e. after risk mitigation measures. If a risk cannot be assessed quantitatively, then it is assessed qualitatively based on the potential negative effects its occurrence would have on achieving corporate goals and based on other qualitative criteria such as the impact on Continental's reputation.

Material individual risks for the Continental Group are identified from all the reported risks based on the probability of occurrence and the amount of damage that would be caused in the period under consideration.

The individual risks that Continental has classified as material and the aggregated risks that have been assigned to risk categories are all described in the report on risks and opportunities, provided the potential negative EBIT effect of an individual risk or the sum of risks included in a category exceeds €100 million in the period under consideration or there is a significant negative impact on the corporate goals.

Local management can utilize various instruments for risk assessment, such as predefined risk categories (e.g. exchange-rate risks, product-liability risks, legal risks) and assessment criteria, centrally developed function-specific questionnaires as well as the Financial Reporting ICS's process and control descriptions. The key controls in business processes (purchase to pay, order to cash, asset management, HR, IT authorizations and the financial statement closing process) are thus tested with respect to their effectiveness.

All major subsidiaries carry out a semiannual assessment of business-related risks and an annual assessment of compliance risks in the GRC system's IT-aided risk management application. Any quality, legal and compliance cases that have actually occurred are also taken into account when assessing these risks. The quarterly Financial Reporting ICS completes regular GRC reporting.

Furthermore, the GRC Committee identifies and assesses strategic risks, for example as part of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). Any new material risks arising unexpectedly between regular reporting dates have to be reported immediately and considered by the GRC Committee. This also includes risks identified in the audits by corporate functions.

In addition to the risk analyses carried out by the reporting units as part of integrated GRC, audits are also performed by the Group Audit department. Furthermore, the central controlling function analyzes the key figures provided as part of this reporting process at corporate and business-area level in order to assess the effects of potential risks.

Continental has set up the Compliance & Anti-Corruption Hotline to give employees and third parties outside the Continental Group the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, but also accounting

manipulations, can be reported anonymously, where permissible by law, via the hotline. Tips received by the hotline are examined, pursued and dealt with fully by the Group Audit and Compliance departments, as required, with the assistance of other departments.

### Risk management

The responsible management initiates suitable countermeasures that are also documented in the GRC system for each risk identified and assessed as material. The GRC Committee monitors and consolidates the identified risks and suitable countermeasures at the corporate level. It regularly reports to the Executive Board and recommends further measures if needed. The Executive Board discusses and resolves the measures, and reports to the Supervisory Board's Audit Committee. The responsible bodies continually monitor the development of all identified risks and the progress of actions initiated. Group Audit regularly audits the risk management process, thereby continually monitoring its effectiveness and further development.

## Material Risks

The order of the risk categories and individual risks presented within the four risk groups reflects the current assessment of the relative risk exposure for Continental and thus provides an indication of the current significance of these risks. If no quantitative information on the amount of damage is provided, the assessment is carried out on the basis of qualitative criteria. Unless the emphasis is placed on a specific business area, the risks apply to all business areas.

### Financial Risks

#### Continental is exposed to risks in connection with its financing agreements and the syndicated loans.

Continental is subject to risks in connection with its financing agreements. Risks arise from the bonds that Continental AG and Conti-Gummi-Finance B.V., Maastricht, Netherlands, have issued as part of the Debt Issuance Programme (DIP). These financing agreements contain covenants that could limit Continental's capacity to take action as well as change-of-control provisions.

In order to finance its current business activities as well as its investments and payment obligations, Continental concluded a syndicated loan agreement in December 2019, recently updated in November 2020, from which risks may arise. Under the terms of the syndicated loan agreement, the lenders have the right to demand repayment of the loan in the event of a change of control at Continental AG.

The requirements for and consequences of a change in control in accordance with the terms of the bonds or the syndicated loan agreement are described in detail in the Additional Disclosures and Notes Pursuant to Section 289a and Section 315a HGB section on pages 96 and 97. The loans and bonds cited here could also immediately become due and payable if other financing agreements of more than €75.0 million are not repaid on time or are prematurely called for repayment.

The committed volume of the syndicated loan consists of a revolving tranche of €4.0 billion (due in December 2025). This had not been utilized as at the end of fiscal 2020. In addition to the existing syndicated loan, a further syndicated loan in the amount of €3.0 billion was agreed in May 2020. The new credit line is intended to strengthen Continental's financial flexibility in the wake of the COVID-19 pandemic and therefore has a short term of 364 days. This credit line can only be used by Continental AG and had not been utilized as at December 31, 2020. The loan agreement is based on the agreement for the existing syndicated loan of €4.0 billion.

#### Continental is exposed to risks associated with changes in currency exchange rates and hedging.

Continental operates worldwide and is therefore exposed to financial risks that arise from changes in exchange rates. This could result in losses if assets denominated in currencies with a falling exchange rate lose value and/or liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in exchange rates could intensify or reduce fluctuations in the prices of raw materials in euros, as Continental sources a considerable portion of its raw materials in foreign currency. As a result of these factors, fluctuations in exchange rates can influence Continental's earnings situation.

External and internal transactions involving the delivery of products and services to third parties and companies of the Continental Group can result in cash inflows and outflows that are denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group (transaction risk). To the extent that cash outflows of the respective subsidiary of the Continental Group in any one foreign currency are not offset by cash flows resulting from operational business in the same currency, the remaining net exchange-rate risk is hedged against on a case-by-case basis using the appropriate derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months.

Moreover, Continental is exposed to exchange-rate risks arising from external and internal loan agreements that result in cash inflows and outflows denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group. These exchange-rate risks are in general hedged against by using appropriate derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. Any hedging transactions executed in the form of derivative instruments can result in losses. In addition, a number of Continental's consolidated companies report their results in currencies other than the euro, which requires Continental to convert the relevant items into euros when preparing Continental's consolidated financial statements (translation risk). Translation risks are generally not hedged.

In order to quantify the possible effects of transaction-related exchange-rate risks from financial instruments on the earnings position of the Continental Group, transaction currencies with a significant exchange-rate risk within the next 12 months are identified based on current net exposure. If the exchange rates of these currencies all develop disadvantageously for Continental at the same time, then the hypothetical negative effect on the Continental Group's earnings position, calculated based on a 10% change in the current closing rate, would amount to between €400 million and €500 million.

#### **Continental is exposed to default risks in connection with cash and cash equivalents, derivative instruments and interest-bearing investments.**

In order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, Continental generally uses banks that it has classified as core banks on the basis of defined criteria. As a general rule, these banks should have at least one investment-grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the core banks – and of other banks with which investments are made, loans are granted or derivative instruments are traded in derogation from the core bank principle for operational or regulatory reasons – is continuously monitored. Not only the credit ratings but also in particular the premiums for insuring against credit default risks (credit default swaps, CDSs) are

monitored, provided this information is available. In addition, Continental sets investment limits for each bank and trading limits for derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. Within the internally defined risk groups, cash and cash equivalents, interest-bearing investments and positive (net) fair values of derivative instruments held at banks assigned to a higher risk group range from €100 million to €200 million.

## **Risks Related to the Markets in Which Continental Operates**

### **Continental could be exposed to material risks in connection with a global financial and economic crisis.**

Continental generates a large percentage (69%) of its sales from automobile manufacturers (original equipment manufacturers, OEMs). The remainder of Continental's sales is generated from the replacement or industrial markets, mainly in the replacement markets for passenger-car and truck tires, and to a lesser extent in the non-automotive end markets of the other business areas.

The automotive markets in Europe and North America in particular are currently developing much more weakly than in the past, while also displaying increasing volatility and uncertainty. If this prolonged market weakness continues or is intensified by a general economic downturn, it would likely further adversely affect Continental's sales and earnings.

In the year under review, Continental's five largest OEM customers (Daimler, Fiat-Chrysler, Ford, Renault-Nissan-Mitsubishi and VW) generated approximately 37% of sales. If one or more of Continental's OEM customers is lost or terminates a supply contract prematurely, the original investments made by Continental to provide such products or outstanding claims against such customers could be wholly or partially lost.

Moreover, Continental generated 48% of its 2020 total sales in Europe and 18% in Germany alone. By comparison, 25% of Continental's total sales in 2020 were generated in North America, 24% in Asia, and 3% in other countries. Therefore, in the event of an economic downturn in Europe, particularly in Germany, for example, Continental's business and earnings situation could be affected more extensively than that of its competitors. Furthermore, the automotive and tire markets in Europe and North America are largely saturated. To minimize this dependence, Continental is striving to improve the regional sales balance, particularly by generating more sales in emerging markets and especially in Asia.

Based on a scenario analysis that assumes market stagnation in 2021, and taking into account restructuring measures required as a result, we anticipate a decline of around 2 percentage points in the adjusted EBIT margin.



### **Continental could be severely affected by the consequences of the COVID-19 pandemic over a longer period.**

Due to the ongoing COVID-19 pandemic and the associated measures to tackle this worldwide, as well as the significant restrictions on production both at the Continental Group and at its customers and suppliers, there is a risk of significant and long-term negative effects on the Continental Group's sales and procurement markets. This would have a considerable negative impact on the availability of raw materials and components as well as Continental's sales volumes both in the OEM business and in the industrial and replacement business. The duration of the general economic downturn as well as its effects on global supply chains and Continental's various business units will largely depend on the success of containment measures as well as the effectiveness of corresponding relief packages and fiscal stimulus measures. While Continental has already introduced measures aimed, for example, at improving its cost structure and ensuring supply chains, there is generally a risk of considerable and long-term negative effects on Continental's earnings, financial and net assets position.

### **Continental operates in a cyclical industry.**

Global production of vehicles and, as a result, sales to OEMs (from whom Continental currently generates 69% of its sales) are subjected to major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income and household consumer spending and preferences, which can be affected by a number of factors, including fuel costs as well as the availability and cost of consumer financing. As the volume of automotive production fluctuates, the demand for Continental's products also fluctuates, as OEMs generally do not commit to purchasing minimum quantities from their suppliers or to fixed prices. It is difficult to predict future developments in the markets Continental serves, which also makes it harder to estimate the requirements for production capacity. As Continental's business is characterized by high fixed costs, it is thus exposed to the risk that fixed costs are not fully covered in the event of falling demand and the resulting underutilization of its facilities (particularly in Automotive Technologies and Powertrain Technologies). Conversely, should the markets in which Continental operates once again grow faster than anticipated, there could be insufficient capacity to meet customer demand. To reduce the impact of the potential risk resulting from this dependence on the automotive industry, Continental is strengthening its replacement business and industrial business, including by means of acquisitions.

### **Continental is exposed to risks associated with the market trends and developments that may greatly affect the demand for Continental's products and systems.**

Continental currently generates 69% of its sales from OEMs, mainly in Automotive Technologies and Powertrain Technologies. Global production of vehicles and, as a result, business with OEM custom-

ers are currently subject to a number of market trends and technological developments that may greatly affect the mix of products and systems sold by Continental to OEMs.

- Due to increasingly stringent consumption and emission standards throughout the industrial world, including the EU and Asia, car manufacturers are increasingly being forced to develop environmentally compatible technologies aimed at lowering fuel consumption as well as CO<sub>2</sub> and particulate emissions. Since emission standards in Europe and other countries will consist of increasingly stringent reduction targets in the future, the number of hybrid vehicles and all-electric vehicles is expected to increase significantly over the next few years. Demand for products and systems for combustion engines is likely to fall as a result.
- The trend toward more electronic and digitalized products may negatively affect demand for established analog/mechanical products and systems.

As a result of the market trends and technological developments described previously, the vehicle mix sold by Continental's customers, as well as the vehicle equipment, has changed considerably in the last few years and may also continue to change in the future. Continental is reacting to this development with a balanced and innovative product portfolio.

### **Continental is exposed to risks associated with additional or higher tariffs.**

Due to the trend toward protectionism and the increase in trade conflicts around the world, Continental sees itself at risk from additional or higher tariffs on automobiles and on the products, components and raw materials it supplies or purchases. These tariffs could cause demand for Continental's products to drop and costs to increase, which would have an adverse effect on Continental's business and earnings situation.

### **Continental is exposed to fluctuations in the prices of raw materials and electronic components.**

For the business areas of Automotive Technologies and Powertrain Technologies, higher prices for raw materials and electronic components in particular can result in cost increases. The business areas of Rubber Technologies mainly depend on the development of oil, natural rubber and synthetic rubber prices. The prices for these raw materials and components are exposed to sometimes considerable fluctuations worldwide. At present, Continental does not actively hedge against the risk of rising prices of electronic components or raw materials by using derivative instruments. If the company is not able to compensate for the increased costs or to pass them on to customers, the price increases could reduce Continental's earnings by €100 million to €200 million.

## Risks Related to Continental's Business Operations

### Continental is exposed to risks in connection with its pension commitments.

Continental provides defined benefit pension plans in Germany, the USA, the UK and certain other countries. As at December 31, 2020, the pension obligations amounted to €8,647.8 million. These existing obligations are financed predominantly through externally invested pension plan assets. In 2006, Continental established legally independent trust funds under contractual trust arrangements (CTAs) for the funding of pension obligations of certain subsidiaries in Germany. In 2007, Continental assumed additional CTAs in connection with the acquisition of Siemens VDO. As at December 31, 2020, Continental's net pension obligations (defined benefit obligations less the fair value of plan assets) amounted to €5,444.6 million.

Continental's externally invested plan assets are funded by externally managed funds and insurance companies. While Continental generally prescribes the investment strategies applied by these funds and takes this into account when selecting external fund managers, it does not have any influence over their individual investment decisions. The assets are invested in different asset classes, including equity, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested plan assets are subject to fluctuations in the capital markets that are beyond Continental's influence. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in Continental's net pension obligations.

Any such increase in Continental's net pension obligations could adversely affect Continental's financial condition due to an increased additional outflow of funds to finance the pension obligations. Also, Continental is exposed to risks associated with longevity and interest-rate changes in connection with its pension commitments, as an interest-rate decrease could have an adverse effect on Continental's liabilities under these pension plans. Furthermore, certain US-based subsidiaries of Continental have entered into obligations to make contributions to healthcare costs of former employees and retirees. Accordingly, Continental is exposed to the potential risk that these costs may increase in the future.

If the discount rates used to calculate net pension obligations were to decrease by 0.5 percentage points at the end of the year, all other things being equal, this would lead to a rise in net pension obligations of €900 million to €1.0 billion, which would not be reduced by taking measures to minimize risk. However, this would not affect EBIT.

### Continental is exposed to warranty and product liability claims.

Continental is constantly subject to product liability claims and proceedings alleging violations of due care, violation of warranty obligations or material defects, and claims arising from breaches of contract due to recalls or government proceedings. Any such lawsuits, proceedings and other claims could result in increased costs for Continental. Moreover, defective products could result in loss of sales and loss of customer and market acceptance. Such risks are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Additionally, any defect in one of Continental's products (in particular tires and other safety-related products) could also have a considerable adverse effect on the company's reputation and market perception. This could in turn have a negative impact on Continental's sales and income. Moreover, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims. In addition, Continental has long been subject to continuing efforts by its customers to change contract terms and conditions concerning the contribution to warranty and recall cost. Furthermore, Continental manufactures many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered by Continental do not meet the requirements stipulated by its OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Under certain circumstances, this could lead to losses of sales and earnings. Furthermore, Continental's OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time. Moreover, failure to fulfill quality requirements could have an adverse effect on the market acceptance of Continental's other products and its market reputation in various market segments.

The quantifiable risks from warranty and product liability claims as at December 31, 2020, taking into account provisions, amounted to between €200 million and €300 million.

### Continental depends on a limited number of key suppliers for certain products.

Continental is subject to the potential risk of unavailability of certain raw materials and production materials. Although Continental's general policy is to source input products from a number of different suppliers, single sourcing cannot always be avoided and, consequently, Continental is dependent on certain suppliers in Rubber Technologies as well as with respect to certain products manufactured by Automotive Technologies and Powertrain Technologies. Since Continental's procurement logistics are mostly organized on a just-in-time or just-in-sequence basis, supply delays, cancellations, strikes, insufficient quantities or inadequate quality can lead to

interruptions in production and, therefore, have a negative impact on Continental's business operations in these areas. Continental tries to limit these risks by endeavoring to select suppliers carefully and monitor them regularly. However, if one of Continental's suppliers is unable to meet its delivery obligations for any reason (e.g. insolvency, destruction of production plants as a result of natural disasters, refusal to perform following a change in control, or the far-reaching effects of the COVID-19 pandemic), Continental may be unable to source input products from other suppliers on short notice at the required volume. Such developments and events can therefore cause delays in the delivery or completion of Continental products or projects and could result in Continental having to purchase products or services from third parties at higher costs or even to financially support its own suppliers. Furthermore, in many cases OEM customers have approval rights with respect to the suppliers used by Continental, which could make it impossible for Continental to source input products from other suppliers upon short notice if the relevant OEM customer has not already approved other suppliers at an earlier point in time and which could lead to order cancellations. Claims for damages on a considerable scale could also not be ruled out. Furthermore, Continental's reputation among OEM customers could suffer, with the possible consequence that they select a different supplier.

Due to the current shortages and supply problems in the semiconductor industry, Automotive Technologies and Powertrain Technologies in particular are currently exposed to the risk of increased supply chain costs of €100 million to €200 million.

#### **Continental is exposed to information-technology risks.**

With regard to its business and production processes, its products and its internal and external communication, Continental is highly dependent on centralized and standardized information-technology systems and networks. These systems and networks as well as the products themselves are potentially exposed to the risk of various forms of cybercrime as well as damage and disruption that can have a wide range of other causes. In hacker attacks, third parties could attempt to gain unauthorized access to confidential information and data that is stored, processed or communicated in the systems and networks. In addition, data, products and systems could be blocked, damaged, controlled or destroyed as a result of becoming infected with viruses or malware.

Although Continental has taken appropriate precautions to manage the risks associated with system and network disruptions and corresponding attacks, a prolonged outage in a computer center or telecommunication network or a comparable incident could result

in systems or networks becoming unexpectedly unavailable over an extended period. The measures taken to minimize such risks include technical and organizational precautions such as duplicated data storage and contingency plans, as well as suitable training measures that are continuously expanded, particularly to raise awareness of the growing threat from cybercrime.

Should the precautions taken prove insufficient to adequately protect the systems, networks, products and information, Continental could suffer considerable damage and disadvantages as a result of outages or the knowledge and use of its information by third parties.

#### **Continental could be adversely affected by property loss and business interruption.**

Fire, natural hazards, terrorism, power failures or other disturbances at Continental's production facilities or within Continental's supply chain – with customers and with suppliers – can result in severe damage and loss. Such far-reaching negative consequences can also arise from political unrest or instability. The risks arising from business interruption, loss of production, or the financing of facilities are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or damage individuals, third-party property or the environment, which could, among other things, lead to considerable financial costs for Continental.

#### **Continental is exposed to risks in connection with its interest in MC Projects B.V.**

Continental and Compagnie Financière Michelin SCmA, Granges-Paccot, Switzerland (Michelin), each hold a 50% stake in MC Projects B.V., Maastricht, Netherlands, a company to which Michelin contributed the rights to the Uniroyal brand for Europe as well as for certain countries outside Europe. In turn, MC Projects B.V. licensed to Continental certain rights to use the Uniroyal brand on or in connection with tires in Europe and elsewhere. Under the terms of the agreement concluded in this connection, both the agreement and the Uniroyal license can be terminated if a major competitor in the tire business acquires more than 50% of the voting rights of Continental AG or of its tire business. Furthermore, in this case Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company Continental Barum s.r.o., Otrokovice, Czechia – one of Continental's largest tire plants in Europe – to 51%. These events could have an adverse effect on the business and earnings position of Continental's Tires business area.

## Legal and Environmental Risks

### **Continental could be threatened with fines and claims for damages for alleged or actual unlawful behavior.**

In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €1.9 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.7 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €24 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US \$4.0 million (approximately €3.3 million). In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US \$5.0 million (around €4.1 million) were concluded in the USA in 2018 and CAN \$0.6 million (around €0.4 million) in Canada in 2020. The risk of investigations by other antitrust authorities into this matter and further claims for damages by further alleged victims remain unaffected by the fines imposed.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany;

and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Continental has set aside provisions that cover this fine. Continental cannot rule out the possibility that customers will claim for damages with reference to the commission's decision. At this point in time, it is not possible to say whether such claims will be submitted and, if they are, how much the damages will be – irrespective of whether or not the claims are justified. As a result, it cannot be ruled out that the resulting expenses will exceed the provisions that have been set aside for this purpose. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures so as not to adversely affect the company's interests.

The public prosecutor's office in Hanover searched locations of Continental AG and certain subsidiaries as part of investigations in connection with the use of illegal defeat devices in VW diesel engines. Continental is cooperating fully with the Hanover public prosecutor's office. There is a risk that fines will be imposed on these companies as a result of the allegations. The amount of such fines is unknown from the current perspective, but could be significant. Also in view of the full cooperation of Continental, no further disclosures can be made with regard to the ongoing investigations, so as not to adversely affect the company's interests.

### **There is a risk that Continental could infringe on the industrial property rights of third parties.**

There is a risk that Continental could infringe on the industrial property rights of third parties, since its competitors, suppliers and customers also submit a large number of inventions for industrial property protection. It is not always possible to determine with certainty whether there are effective and enforceable third-party industrial property rights to certain processes, methods or applications. Therefore, third parties could assert claims (including illegitimate ones) of alleged infringements of industrial property rights against Continental. As a result, Continental could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries, or be forced to make changes to manufacturing processes and/or products. In addition, Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers. In addition, Continental is subject to efforts by its customers to change contract terms and conditions concerning the participation in disputes regarding alleged infringements of intellectual property rights.

**Continental is exposed to risks from legal disputes.**

Companies from the Continental Group are involved in a number of legal and arbitration proceedings and could become involved in other such proceedings in the future. These proceedings could involve substantial claims for damages or payments, particularly in the USA. For more information on legal disputes, see Note 36 of the notes to the consolidated financial statements.

**Continental could be unsuccessful in adequately protecting its intellectual property and technical expertise.**

Continental's products and services are highly dependent upon its technological know-how and the scope and limitations of its proprietary rights therein. Continental has obtained or applied for a large number of patents and other industrial property rights that are of considerable importance to its business. The process of obtaining patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide Continental with meaningful protection or commercial advantage. In addition, although there is a presumption that patents are valid, this does not necessarily mean that the patent concerned is effective or that possible patent claims can be enforced to the degree necessary or desired.

A major part of Continental's know-how and trade secrets is not patented or cannot be protected through industrial property rights. Consequently, there is a risk that certain parts of Continental's know-how and trade secrets could be transferred to collaboration partners, customers and suppliers, including Continental's machinery suppliers or plant vendors. This poses a risk that competitors

will copy Continental's know-how without incurring any expenses of their own. Moreover, Continental has concluded a number of license, cross-license, collaboration and development agreements with its customers, competitors and other third parties under which Continental is granted rights to industrial property and/or know-how of such third parties. It is possible that license agreements could be terminated under certain circumstances in the event of the licensing partner's insolvency or bankruptcy and/or in the event of a change of control in either party, leaving Continental with reduced access to intellectual property rights to commercialize its own technologies.

**Continental could become subject to additional burdensome environmental or safety regulations, and new regulations could adversely affect demand for the company's products and services.**

As a corporation that operates worldwide, Continental must observe a large number of different regulatory systems in numerous countries that change frequently and are continuously evolving and becoming more stringent, particularly with respect to the environment, chemicals and hazardous materials, as well as health regulations. This also applies to air, water and soil pollution regulations and to waste legislation, all of which have recently become more stringent through new laws, particularly in the EU and the USA. Moreover, Continental's sites and operations necessitate various permits and the requirements specified therein must be complied with. In the past, adjusting to new requirements has necessitated significant investments and Continental assumes that further significant investments in this regard will be required in the future.

## Material Opportunities

Unless the emphasis is placed on a specific business area, the opportunities apply to all business areas.

**There are opportunities for Continental if the economy performs better than anticipated.**

If the economy in our major sales regions develops better than we have anticipated, we expect that demand for vehicles, replacement tires and industrial products will also develop better than we have anticipated. Due to the increased demand for Continental's products among vehicle manufacturers and industrial clients and in the replacement business that would be expected as a consequence, our sales could rise more significantly than expected and there could be positive effects with regard to fixed cost coverage.

**There are opportunities for Continental if the sales markets develop better than anticipated.**

If demand for automobiles and replacement tires develops better than we have anticipated, this would have positive effects on Continental's sales and earnings. Particular importance is attached to the European market due to the high share of sales Continental generates in this region (48%).

**There are opportunities for Continental if prices fall on the raw materials markets relevant to us.**

Continental's earnings situation is affected to a significant extent by the cost of raw materials, electronic components and energy. For Automotive Technologies and Powertrain Technologies, this particularly relates to the cost of electronic components as well as metals and plastics. The earnings situation of the business areas in the Rubber Technologies group sector is significantly impacted by the cost of oil and of natural and synthetic rubber. If prices for natural and synthetic rubber in particular decline, this could have a positive impact on Continental's earnings, provided sales prices for rubber products remain stable.

**The trend toward automated and autonomous driving presents Continental with opportunities.**

The trend from assisted driving to automated and autonomous driving is set to continue. Several OEMs expect to be able to provide new models with partially automated functions over the next few years. A key requirement for partially automated driving is that vehicles be equipped with sensors. Today, between two and seven sensors for assisted driving are installed per vehicle, depending on the model. Even for partially automated driving, considerably more

and also higher-quality radar, camera and LiDAR sensors are required, depending on the scope of the functionality. Since Continental is one of the leading providers of advanced driver assistance systems, the increasing volume of sensors and electronic control units could result in considerable sales and earnings opportunities.

**The digitalization of vehicles and the data generated as a result presents Continental with opportunities.**

The massive amounts of data generated by driver assistance systems and driver information systems as well as the immediate processing thereof in vehicles require a changeover of the vehicle architecture to the most cutting-edge high-performance computers. This – together with the new software solutions required for this purpose – results in substantial growth potential for Continental with positive effects on its future sales and attainable margins. In addition, the increasing digitalization of our products gives us the opportunity to offer our customers software-based services as well as the product itself, and to open up new markets for mobility services (smart mobility).

**The tire business presents Continental with opportunities.**

Continental intends to further increase its market share in the growth markets of Asia and North America in particular. In the passenger-car tire segment, the global business with tires for electric mobility and ultra-high performance tires is to be systematically expanded further. The truck and bus tire business is to be further developed in all regions through the Conti360° fleet services. Continental's specialty tire business, which includes not only two-wheel and racing tires but also tires for a variety of industrial applications, is expected to grow further as well. Smart, digital tire solutions and ambitious sustainability goals will also make a significant contribution to market success and differentiation in the future. In the area of service-based digital solutions, the Tires business area of Continental aims to become the leading supplier worldwide by 2030. If Continental succeeds in increasing its market share in high-growth segments and in digital solutions and services even more than planned, this is likely to have positive effects on its sales and earnings.

**Digitalization in the industrial business presents Continental with opportunities.**

The growth potential results primarily from the increasing demand for digital and intelligent solutions in the industrial business. To this end, the ContiTech business area will draw on its long-standing and detailed knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. If these new products become established more quickly than planned, this would create corresponding sales and earnings opportunities for Continental.

**There are opportunities for Continental from changes in the legal framework.**

Legal regulations with the aim of further improving traffic safety provide an opportunity for a rise in demand for Continental's products. Based on our broad product portfolio for active vehicle safety, we have developed more advanced safety systems over the past years. Further volume growth is expected as a result of more stringent requirements in various regional safety tests, since an increasing number of safety systems have been recognized as having achieved the very highest level of safety. In addition, more and more legal requirements in individual countries are being expanded to include active safety systems.

The further tightening of the regulatory provisions on fuel consumption and emission standards for motor vehicles could trigger higher demand for Continental's products in the Powertrain business area. With our comprehensive portfolio, we already provide solutions that facilitate compliance with these changes in the legal framework. Our portfolio includes in particular systems and components for hybrid and electric drives as well as tires with optimized rolling resistance and tires for hybrid and electric vehicles. Rising installation rates for these products due to increased regulatory provisions would have a positive influence on our sales and earnings.



# Statement on Overall Risk and Opportunities Situation

In the opinion of the Executive Board, the overall risk situation of the Continental Group has not changed significantly in the past fiscal year, but has become more volatile.

How long the COVID-19 pandemic and the consequences thereof will continue to have an effect on the automotive industry and the macroeconomic situation remains to be seen.

However, despite the changes in individual risks, the analysis in the corporate-wide risk management system for the year under review did not reveal any risks that, individually or collectively, pose a threat to the company or the Continental Group as a going concern. In the opinion of the Executive Board, there are also no discernible risks to the Continental Group as a going concern in the foreseeable future.

Considering the material opportunities, the overall risk assessment for the Continental Group presents a reasonable risk and opportunities situation to which our risk-containment measures and our corporate strategy have been aligned accordingly.

# Report on Expected Developments

## Future General Conditions

### Forecast of Macroeconomic Development

In its World Economic Outlook Update (WEO Update) of January 2021, the International Monetary Fund (IMF) anticipates growth of 5.5% for the global economy in 2021. The IMF expects the economy to normalize in all regions as a result of the vaccinations against the coronavirus that are being rolled out in many countries. The economic stimulus programs in certain major economies will also contribute toward this recovery.

Most notably, the IMF forecasts high growth rates in gross domestic product (GDP) of 11.5% in India and 8.1% in China. The IMF also expects growth to increase in many other emerging and developing economies in 2021. For example, it anticipates that Brazil and Russia will grow by 3.6% and 3.0%, respectively.

For the eurozone, the IMF expects GDP to rise 4.2% in 2021, with GDP for the German economy expected to grow by 3.5%. For the UK, it anticipates that GDP will rise by 4.5%.

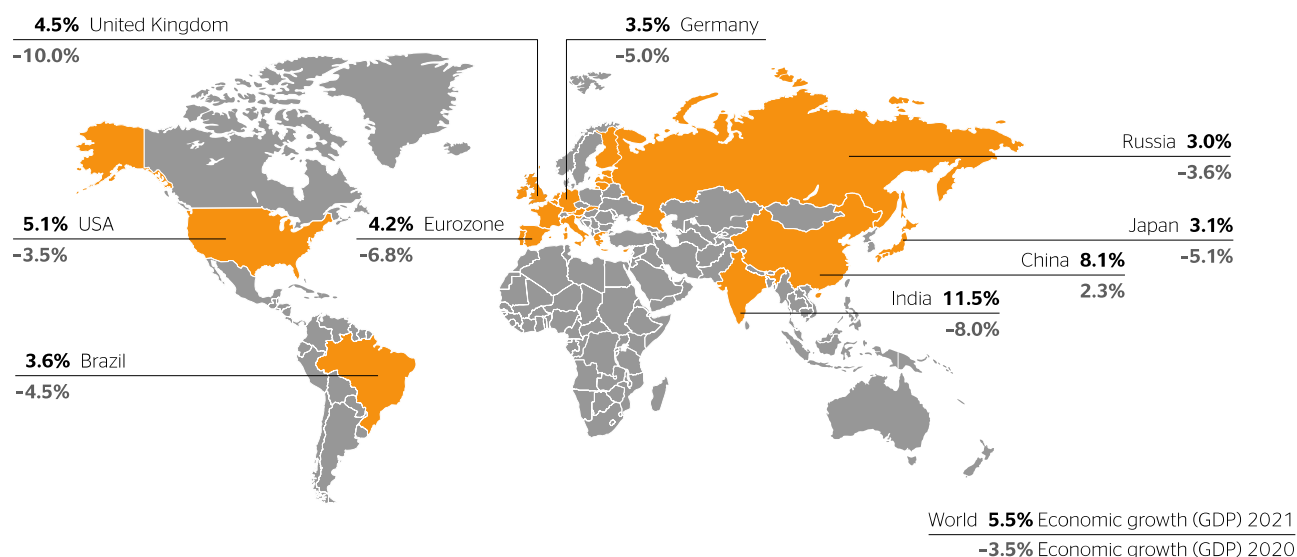
For the USA, the IMF predicts GDP growth of 5.1% for 2021. The IMF expects the effects of the US economic stimulus programs to be positive.

For Japan, the IMF likewise expects positive effects as a result of the fiscal policy measures announced by the Japanese government. For 2021, it forecasts growth of 3.1%.

Key opportunities for the global economy identified by the IMF in its WEO Update – in addition to greater fiscal support – include in particular further progress in the production and distribution of vaccines against the coronavirus and the effectiveness of treatments. As a result, expectations of a quicker end to the pandemic are likely to increase, with confidence among businesses and households also likely to improve. According to the IMF, this could lead to a higher level of spending, higher investments and a noticeable recovery with regard to employment figures.

The IMF sees key risks in a delayed containment of the COVID-19 pandemic due to the spread of virus mutations or progress that is slower than anticipated with regard to medical interventions. Hopes of a relatively quick end to the pandemic could be dampened as a result, and confidence among traders weakened. Early withdrawal of state support could also lead to a rise in company insolvencies and heightened social unrest.

### Year-on-year economic growth (GDP) in 2021 (for selected countries and the world)



Sources: IMF – World Economic Outlook Update January 2021, Eurostat, statistical offices of the respective countries, Bloomberg.

## Forecast for Key Customer Sectors and Sales Regions

### Forecast for production of passenger cars and light commercial vehicles

We currently expect the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons to normalize and increase by 9% to 12% year-on-year in 2021. This estimate takes into account the currently expected impact of the ongoing COVID-19 pandemic on production volumes in 2021. The current shortage of semiconductors due to our suppliers working at full capacity will limit growth in the first quarter of 2021 in particular. But for subsequent quarters too, impairments are to be expected. Compared with the very weak volumes in the previous year, however, growth in production is likely to be very strong in the first half of 2021. In the second half of the year, meanwhile, volumes are likely to return to the previous year's levels based on current estimates.

In Europe, we expect an 11% to 14% rise in the production of passenger cars and light commercial vehicles in 2021. Volumes of electrified cars are likely to see another substantial increase as a result of the more stringent CO<sub>2</sub> emissions standards in the EU and government incentives.

In North America, we currently expect production volumes for cars and light commercial vehicles of around 4 million units per quarter for 2021. This rise compared with the very weak prior-year figure should be 20% to 23% as a result.

In China, we expect growth in production volumes for cars and light commercial vehicles of 2% to 5% in 2021.

### Forecast for production of medium and heavy commercial vehicles

According to our estimates, the global production of commercial vehicles weighing more than 6 metric tons will fall by 7% to 11% year-on-year in 2021.

We expect production in the USA and Europe to recover as a result of an increase in order intake. We therefore forecast a rise in production in North America of 26% to 30%, and a rise in Europe of 8% to 12%.

For China – after the strong growth in 2020 – we expect significantly lower demand in 2021 and a 28% to 32% decline in production volumes.

### Forecast for replacement-tire markets for passenger cars and light commercial vehicles

In 2021, we currently expect demand for replacement tires for cars and light commercial vehicles weighing less than 6 metric tons to continue to normalize. We expect global sales volumes for 2021 to rise by 6% to 8%.

For Europe and China, we currently expect volumes to be 6% to 8% higher than the previous year's figures in both cases. In North America, we expect demand to be 4% to 6% higher than the previous year's figures.

### Forecast for replacement-tire markets for medium and heavy commercial vehicles

For 2021, we currently expect a year-on-year rise in demand for replacement tires for medium and heavy commercial vehicles of 4% to 6% in Europe and North America.

## Forecast changes to vehicle production and sales volumes in the tire-replacement business in 2021 (compared to 2020)

	Vehicle production		Replacement sales of tires	
	of passenger cars and light commercial vehicles	of medium and heavy commercial vehicles	for passenger cars and light commercial vehicles	for medium and heavy commercial vehicles
Europe	11% to 14%	8% to 12%	6% to 8%	4% to 6%
North America	20% to 23%	26% to 30%	4% to 6%	4% to 6%
China	2% to 5%	-28% to -32%	6% to 8%	n. a.
<b>Worldwide</b>	<b>9% to 12%</b>	<b>-7% to -11%</b>	<b>6% to 8%</b>	<b>n. a.</b>

Source: own estimates.

# Outlook for the Continental Group

## Forecast process

Each year, Continental forecasts the key performance indicators for the Continental Group for the new fiscal year. These include sales and the adjusted EBIT margin for the Continental Group as well as for the Automotive business areas (Autonomous Mobility and Safety, Vehicle Networking and Information, and Powertrain) and Rubber business areas (Tires and ContiTech). In addition, we provide information on the assessment of important factors influencing EBIT. These include the expected negative or positive effect of the estimated development of raw materials prices for the current year, the expected development of special effects and the amount of amortization from purchase price allocations. We thus allow the Continental Group's expected EBIT to be estimated.

Furthermore, we give an assessment of the development of interest income and expenses as well as the tax rate for the Continental Group, which in turn allows the Continental Group's expected net income to be estimated. We also publish a forecast of the capital expenditures planned for the current year and the free cash flow before acquisitions and certain exceptional effects, if any, such as the effects of transforming the Powertrain business area into an independent legal entity. Our forecast is based on our expectations regarding the most important production and sales markets in the new fiscal year.

We publish our forecast as part of our annual financial press conference and the publication of our annual report. It is continually reviewed over the course of the fiscal year. Possible changes to the forecast are described at the latest in the report for the respective quarter.

## Comparison of the past fiscal year against forecast

Our forecast for fiscal 2020, which we published in March 2020, was based on the expectation that the global production of passenger cars and light commercial vehicles would decline for a third successive year. We expected global automotive production to decrease by around 2% to 5% year-on-year in 2020. For the global production of medium and heavy commercial vehicles, we expected a decline of between 10% and 15% for 2020 as a result of the reduced order intake. These estimates took into account the expected impact of the COVID-19 pandemic on production volumes in the first quarter of 2020. Our market forecast did not include further disruptions to production and the supply chain as well as demand as a result of the continuing spread of the COVID-19 pandemic, due to the fact that such disruptions could not be gauged.

Based on the production assumptions at the time, we expected our Automotive business areas to realize sales of around €25.5 billion to €26.5 billion for fiscal 2020 – net of changes in the scope of consolidation and assuming constant exchange rates – and an adjusted EBIT margin of around 3% to 4%.

We expected our Rubber business areas to achieve sales of around €17 billion to €18 billion – assuming constant exchange rates – and an adjusted EBIT margin of around 10% to 11% in fiscal 2020. In addition to the aforementioned production assumptions for the

vehicle manufacturer business, the basis for this was our forecasts for the development of replacement-tire markets at the time. We expected a decline of 0% to 2% in global demand for replacement tires for both passenger cars and light commercial vehicles as well as medium and heavy commercial vehicles in 2020. We also anticipated a further weakening of the industrial business, which would affect our ContiTech business area. For our Tires and ContiTech business areas, we anticipated higher fixed costs, depreciation and amortization in 2020. We expected the intense competitive pressure, particularly in the European market, to continue amid rising wage costs. From our perspective at the time, raw material prices were likely to remain roughly unchanged in fiscal 2020 compared with the previous year.

We expected the Continental Group to achieve total sales – assuming constant exchange rates – in the range of around €42.5 billion to €44.5 billion and an adjusted EBIT margin of around 5.5% to 6.5% in fiscal 2020. For 2020, taking into account expenses relating to the Transformation 2019–2029 structural program, among other factors, we expected negative special effects to total around €600 million. Amortization from purchase price allocations was again expected to total approximately €200 million and affect mainly the ContiTech and Vehicle Networking and Information business areas. In 2020, we expected the negative financial result to be in the region of €200 million before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects. The tax rate was expected to be around 27% in 2020. The capital expenditure ratio was expected to be around 7.5% of sales in fiscal 2020. In 2020, we were planning on free cash flow of approximately €0.7 billion to €1.1 billion, before acquisitions and before the effects of transforming the Powertrain business area into an independent legal entity.

On April 1, 2020, we announced that the ongoing COVID-19 pandemic, the resulting restrictions imposed by governments and authorities as well as production stops and other measures taken by customers and suppliers in response to the pandemic had led to significant adjustments and interruptions in key areas of the Continental Group. Due to the uncertainty regarding the duration of restrictions and given the difficulty in estimating the further consequences for production, supply chains and demand, the Executive Board of Continental AG decided to withdraw the outlook for fiscal 2020 contained in the 2019 annual report.

In the financial report for Q1 2020, we explained on May 7, 2020, that it had become more difficult to reassess the forecast for fiscal 2020 due to the ongoing COVID-19 pandemic, and that this could not be done with the usual level of detail and degree of accuracy. The effects of the containment measures, in particular the plant closures, were expected to have a negative impact on the Continental Group's sales volumes, sales and earnings compared to the previous year. For 2020 as a whole, we expected the Continental Group's sales volumes and sales to fall short of prior-year levels. In addition, we anticipated a year-on-year decline in adjusted EBIT in fiscal 2020. The decline in earnings was also expected to lead to a decrease in free cash flow in 2020 compared to the previous year.

In the half-year financial report, we confirmed on August 5, 2020, that the Continental Group's expected sales volumes and sales would fall short of prior-year levels for 2020 as a whole. In addition, we anticipated a noticeable year-on-year decline in adjusted EBIT in fiscal 2020. The decline in earnings was also expected to lead to a considerable decrease in free cash flow in 2020 compared to the previous year.

We published a new, detailed outlook for fiscal 2020 in the financial report as at September 30, 2020, on November 11, 2020. This outlook was prepared on the basis of the production assumptions mentioned in the economic report at the time and, in particular, under the expectation of no further significant effects related to the pandemic. Under these assumptions, we expected the Continental Group to achieve sales of around €37.5 billion and an adjusted EBIT margin of around 3% for fiscal 2020.

Sales in the Automotive business areas were expected to be around €22.0 billion in total, and the adjusted EBIT margin around -1.5%. Sales in the Rubber business areas were expected to be around €15.5 billion, and the adjusted EBIT margin around 10.5%.

Special effects could not be estimated in detail at the time, mainly due to the ongoing restructuring measures. However, we anticipated that they would have a noticeable impact on the reported EBIT and the net income attributable to the shareholders of the parent. The capital expenditure ratio was expected to be around 6.3% of sales. In addition, a positive free cash flow before acquisi-

tions and before the effects of transforming the Powertrain business area into an independent legal entity was expected, although this would be significantly lower than in the previous year.

On December 16, 2020, we announced an increase in the adjusted EBIT margin for our Rubber business areas to more than 11.0% as part of our Capital Market Days. This change also led to an increase in the adjusted EBIT margin for the Continental Group to around 3.5%. We also quantified the negative special effects at more than €1.6 billion, the capital expenditure ratio at around 6.0% of sales, and free cash flow before acquisitions and before the effects of transforming the Powertrain business area into an independent legal entity at more than €0.5 billion.

Continental achieved consolidated sales of €37.7 billion and a consolidated adjusted EBIT margin of 3.5% in fiscal 2020. The Automotive business areas generated sales of €22.1 billion and an adjusted EBIT margin of -1.5%. The Rubber business areas generated sales of €15.6 billion and an adjusted EBIT margin of 11.3%.

Negative special effects for fiscal 2020 amounted to €1.9 billion.

The negative financial result before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects amounted to €183.7 million in the reporting year, which was below our forecast of around €200 million from March 2020.

## Comparison of fiscal 2020 against forecast

	Continental Group					Automotive business areas		Rubber business areas	
	Sales (€ billions)	Adjusted EBIT margin	Negative special effects (€ billions)	Investments (in % of sales)	Free cash flow <sup>1</sup> (€ billions)	Sales (€ billions)	Adjusted EBIT margin	Sales (€ billions)	Adjusted EBIT margin
Annual financial press conference on March 5, 2020	- 42.5-44.5 <sup>2</sup>	- 5.5-6.5%	- 0.6	- 7.5%	- 0.7-1.1	- 25.5-26.5 <sup>2</sup>	- 3-4%	- 17-18 <sup>2</sup>	- 10-11%
Forecast adjustment on April 1, 2020	—	—	—	—	—	—	—	—	—
Q1 2020 financial report as at May 7, 2020	< prior year	< prior year	—	—	< prior year	—	—	—	—
H1 2020 financial report as at August 5, 2020	< prior year	noticeably < prior year	—	—	significantly. < prior year	—	—	—	—
9M 2020 financial report as at November 11, 2020 <sup>3</sup>	- 37.5	- 3%	noticeable impact	- 6.3%	> 0, signif. < prior year	- 22.0	- -1.5%	- 15.5	- 10.5%
Forecast adjustment on December 16, 2020	- 37.5 <sup>4</sup>	- 3.5%	> 1.6	- 6.0%	> 0.5	- 22.0 <sup>4</sup>	- -1.5%	- 15.5 <sup>4</sup>	> 11.0%
<b>2020 annual report</b>	<b>37.7<sup>4</sup></b>	<b>3.5%</b>	<b>1.9</b>	<b>5.9%</b>	<b>1.1</b>	<b>22.1<sup>4</sup></b>	<b>-1.5%</b>	<b>15.6<sup>4</sup></b>	<b>11.3%</b>

<sup>1</sup> Before acquisitions and the effects of transforming the Powertrain business area into an independent legal entity.

<sup>2</sup> Assuming exchange rates remain constant year-on-year. These estimates also took into account only the expected impact of the COVID-19 pandemic on production volumes in the first quarter of 2020. Further disruptions could not be gauged.

<sup>3</sup> Prepared on the basis of the production assumptions mentioned in the economic report at the time and, in particular, under the expectation of no further significant effects related to the pandemic.

<sup>4</sup> Reported sales including exchange-rate effects. The negative exchange-rate effect on the Continental Group's sales amounted to €1.0 billion in 2020, roughly half of which was attributable to the Automotive business areas and half to the Rubber business areas.

Income tax expense in 2020 amounted to tax income of €11.3 million. The tax rate adjusted for the permanent effects of the goodwill impairment was 2.4%.

The capital expenditure ratio fell to 5.9% in 2020. Free cash flow before acquisitions and before the effects of transforming the Powertrain business area into an independent legal entity amounted to €1.1 billion in 2020.

### Order situation

The order situation in our Automotive business areas – Autonomous Mobility and Safety, Vehicle Networking and Information, and Powertrain – was considerably weaker in 2020 due to the effects of the COVID-19 pandemic. Altogether, the three business areas acquired orders for a total value of roughly €27 billion for the entire duration of the deliveries. These lifetime sales are based primarily on assumptions regarding production volumes of the respective vehicle or engine platforms, the agreed cost reductions and the development of key raw materials prices.

The replacement-tire business accounts for a large portion of the Tires business area's sales, which is why it is not possible to calculate a reliable figure for order volumes. The same applies to the ContiTech business area, which has six business units operating in various markets and industrial sectors, each in turn with their own relevant factors. Consolidating the order figures from the various business units of the ContiTech business area would thus be meaningful only to a limited extent.

### Outlook for fiscal 2021

As mentioned on page 111 of the report on expected developments, we expect a noticeable recovery in the production of passenger cars and commercial vehicles in 2021, both in our core markets and globally. To a lesser extent, this also applies to the replacement-tire markets and the industrial business.

This outlook takes into account the current expected impact of the ongoing COVID-19 pandemic on production volumes in 2021. The current shortage of semiconductors due to our suppliers working at full capacity will limit growth in the first quarter of 2021 in particular. At the same time, increased costs will be incurred in the supply chains. In the second half of the year, we expect the delivery situation to return to normal. The planned spin-off and subsequent listing of Vitesco Technologies during the second half of 2021 has not been taken into account in the disclosures.

Based on all of the above assumptions as well as on the exchange rates at the beginning of the fiscal year, we expect the following key financial figures for fiscal 2021.

We expect our Automotive business areas – Autonomous Mobility and Safety, Vehicle Networking and Information, and Powertrain – to achieve sales of around €24.0 billion to €25.0 billion. We expect the adjusted EBIT margin to be in the range of around 1% to 2%. This includes increased supply chain costs as well as additional research and development expenses in the Autonomous Mobility and Safety business area.

We expect our Rubber business areas – Tires and ContiTech – to achieve sales of around €16.5 billion to €17.5 billion and an adjusted EBIT margin of around 11.5% to 12.5%. This includes the expected negative impact of higher raw material costs.

We expect the Continental Group to achieve total sales in the range of around €40.5 billion to €42.5 billion and an adjusted EBIT margin of around 5% to 6%.

For 2021, taking into account expenses relating to the Transformation 2019–2029 structural program, among other factors, we expect negative special effects to total around €600 million.

As in the previous year, amortization from purchase price allocations will again be expected to total just under €200 million and affect mainly the ContiTech and Vehicle Networking and Information business areas.

In 2021, we expect the negative financial result to be in the region of €220 million before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects. The tax rate is expected to be around 27% in 2021.

The capital expenditure ratio is expected to be around 7% of sales in fiscal 2021.

In 2021, we are planning on free cash flow of approximately €0.9 billion to €1.3 billion, before acquisitions and before the effects of transforming the Powertrain business area into an independent legal entity.



# Consolidated Financial Statements

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# Statement of the Executive Board

The Executive Board of Continental AG is responsible for the preparation, completeness and integrity of the consolidated financial statements and the management report for Continental AG and the Continental Group, as well as for the other information provided in the annual report. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and include any necessary and appropriate estimates. The management report for Continental AG and the Continental Group contains an analysis of the earnings, financial and net assets position of the Continental Group, as well as further information provided in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch - HGB*).

An effective internal management and control system is employed to ensure that the information used for the preparation of the consolidated financial statements, including the management report for Continental AG and the Continental Group, as well as for internal reporting, is reliable. This includes standardized guidelines at the corporate level for accounting and risk management in accordance with Section 91 (2) of the German Stock Corporation Act (*Aktien-gesetz - AktG*) and an integrated financial control system as part of the Continental Group's value-oriented management, plus audits by Group Audit. The Executive Board is thus in a position to identify significant risks at an early stage and to take countermeasures.

KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover, Germany, was engaged as the auditor for fiscal 2020 by the Annual Shareholders' Meeting of Continental AG. The audit mandate was issued by the Audit Committee of the Supervisory Board. KPMG audited the consolidated financial statements prepared in accordance with IFRS and the management report for Continental AG and the Continental Group. The auditor will issue the independent auditor's report.

The consolidated financial statements, the management report for Continental AG and the Continental Group, the auditor's report and the risk management system in accordance with Section 91 (2) *AktG* are discussed in detail by the Audit Committee of the Supervisory Board together with the auditor. These documents relating to the annual financial statements and these reports will then be discussed with the entire Supervisory Board, also in the presence of the auditor, at the meeting of the Supervisory Board held to approve the financial statements.

Hanover, February 19, 2021

The Executive Board

# Independent Auditor's Report

To Continental Aktiengesellschaft, Hanover

## Report on the Audit of the Consolidated Financial Statements and the Consolidated Management Report

### Opinions

We have audited the consolidated financial statements of Continental Aktiengesellschaft, Hanover, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report on the Company and the Group (hereinafter: the "group management report") of Continental Aktiengesellschaft for the financial year from January 1 to December 31, 2020.

In accordance with German statutory provisions, we did not audit the content of the elements of the group management report set out in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- > the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e(1) *HGB* (*Handelsgesetzbuch*: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and
- > the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the elements of the group management report specified in the "Other information" section.

Pursuant to Section 322(3) sentence 1 *HGB*, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

### Basis for the opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 *HGB* and the EU Audit Regulation (No. 537/2014; hereinafter the "EU-AR"), taking into account the generally accepted standards for

the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the consolidated companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Furthermore, we declare pursuant to Article 10(2) f) EU-AR that we have not carried out any prohibited non-audit services referred to in Article 5(1) EU-AR. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

### Key audit matters in the audit of the consolidated financial statements

Key audit matters are such matters that, in our professional judgement, were the most significant in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were taken into account in connection with our audit of the consolidated financial statements as a whole and in forming our audit opinion; we do not provide a separate audit opinion on these matters.

### Recoverability of the carrying amount of goodwill

Please refer to Section 2 in the notes to the consolidated financial statements for information on the accounting policies applied and the assumptions used. Information on the amount of the goodwill can be found in Section 14 in the notes to the consolidated financial statements.

### RISK FOR THE FINANCIAL STATEMENTS

The goodwill amounts to €4,362 million as at December 31, 2020, and, at 11% of the total assets, constitutes a significant proportion of the assets.

Goodwill is tested annually at the level of the cash-generating units, without this requiring a specific reason. If impairment triggers arise in the course of the year, an ad hoc impairment test is additionally performed during the year. For this purpose, the carrying amount is compared with the recoverable amount of the relevant cash-generating unit. If the carrying amount exceeds the recoverable amount, an impairment loss has to be recognized. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the cash-generating unit. The reporting date for the mandatory impairment test which has to be carried out every year is November 30, 2020. Ad hoc impairment tests are additionally carried out by Continental AG.

The goodwill impairment test is complex and based on a number of discretionary assumptions. These include the expected business and earnings development of the cash-generating units segment for the next five and nine years, the long-term growth rates that are assumed and the discount rate that is used.

In the course of the annual planning process, the Company did not expect global production of passenger cars and light commercial

vehicles to increase significantly in the next five years up to 2025 in comparison with pre-crisis levels. The expected effects of restructuring measures were additionally taken into account in this planning process. The reduction in the expected future cash inflows led in the course of the ad hoc impairment test as at September 30, 2020, to impairments of the goodwill totaling €649 million (€655 million as at December 31, 2020, due to currency effects).

No additional impairment loss was identified during the annual impairment test as at November 30, 2020. The results of the sensitivity analyses conducted by the Company showed that a reasonably possible change both in the discount rate, the sustainable growth rate in the perpetual annuity and in sales does not require any additional impairments.

There is a risk for the consolidated financial statements that the impairment recognized in the financial statements has not been recognized in the appropriate amount. There is also a risk that the disclosures in the notes to the financial statements relating to the subsequent measurement of the goodwill are not appropriate and complete.

#### OUR AUDIT APPROACH

With the support of our valuation specialists, we assessed, among other things, the appropriateness of the key assumptions as well as of the Company's valuation model. To this end, we discussed the expected business and earnings development as well as the assumed long-term growth rates with those responsible for the planning. Furthermore, we checked the plausibility of the annual planning and the long-term planning drawn up by the Executive Board and approved by and taken note of by the Supervisory Board. We additionally assessed the consistency of the assumptions with external market forecasts.

We furthermore satisfied ourselves of the Company's planning accuracy by comparing plans from earlier financial years with the results actually realized and analyzing any deviations. As even minor changes to the discount rate can have a significant impact on the results of the impairment test, we compared the assumptions and data underlying the discount rate, the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

In order to ensure that the valuation model used was mathematically accurate, we verified the Company's calculations on the basis of elements selected from a risk perspective.

In order to take the existing forecast uncertainty and the early reporting date for the impairment test into account, we investigated the impact of possible changes in the revenue, the discount rate and the EBIT margin on the recoverable amount (sensitivity analysis) by calculating alternative scenarios and comparing them with the values stated by the Company. The risk-based focus of our analyses here was the five cash-generating units for which we carried out detailed analyses.

Finally, we assessed whether the disclosures in the notes regarding the impairment of goodwill were appropriate and complete.

#### OUR CONCLUSIONS

The valuation model underlying the impairment test of the goodwill is appropriate and consistent with the applicable measurement principles.

The Company's assumptions and data underlying the measurement are within acceptable ranges and are balanced on the whole.

The related disclosures in the notes are appropriate and complete.

#### Recoverability of the carrying amount of deferred tax assets

Please refer to Sections 2 and 20 in the notes to the consolidated financial statements for information on the accounting policies applied and the assumptions used.

#### RISK FOR THE FINANCIAL STATEMENTS

Deferred tax assets of €2,751 million, of which €580 million result from loss and interest carryforwards, are reported in the consolidated financial statements of Continental AG as at December 31, 2020.

For the recognition of the deferred tax assets, Continental estimates to what extent the existing deferred tax assets can be used in the subsequent reporting periods. A requirement for realizing these claims is that sufficient taxable income is generated in the future. If there are reasonable doubts about whether the deferred tax assets that have been identified can be used in the future, deferred tax assets are not recognized and deferred tax assets that have already been created are impaired.

The measurement of the deferred tax assets depends to a large extent on management's assessment and assumptions relating to the operational performance of the country units and the Group's tax planning and is therefore subject to significant uncertainty. Furthermore, any realization depends on the respective tax environment.

In the course of the annual planning process, Continental did not expect global production of passenger cars and light commercial vehicles to increase significantly in the next five years up to 2025 in comparison with pre-crisis levels. This has a negative impact on the future business and earning prospects. Based on Continental's assessment, it can be assumed that the existing deferred tax assets can be used despite the way in which the market has developed, with the result that it remains possible to capitalize the deferred tax assets.

There is a risk for the consolidated financial statements that Continental AG's assessment is not reasonable and that the deferred tax assets that are recognized cannot be recovered.

#### OUR AUDIT APPROACH

We obtained the support of our tax specialists in the audit in order to assess the tax issues. To begin with, we subjected the temporary differences between the IFRS carrying amounts and the carrying amounts of the respective tax accounts for the Group companies in question to a critical analysis. Furthermore, we reconciled the loss carryforwards with the tax assessment notices and the tax calcula-

tions for the current financial year for Group companies and groups of companies consolidated for tax purposes selected on a risk-oriented basis, and we also assessed off-balance sheet corrections.

We evaluated the impairment of the deferred tax assets on the basis of the internal company forecasts of future taxable income drawn up for the Group companies and subjected the underlying assumptions to a critical assessment. In this connection, we reconciled in particular the planning of the future taxable income with the planning drawn up by management and reviewed the consistency of the underlying data. We furthermore satisfied ourselves of the Group companies' planning accuracy by comparing plans from earlier financial years with the results that were actually realized later and analyzing any deviations.

We had Continental AG's assessment of the financial performance of Group companies with an existing history of losses explained to us. If deferred tax assets are recognized at these companies, we satisfied ourselves that the measures to improve results have been implemented and also analyzed the causes of the improvement in earnings and evaluated the sustainability of the taxable profits.

#### OUR CONCLUSIONS

The assumptions underlying the measurement of the deferred tax assets are appropriate overall.

#### Recognition and measurement of the restructuring provisions

Please refer to Sections 2 and 29 in the notes to the consolidated financial statements for information on the accounting policies applied and the assumptions used.

#### RISK FOR THE FINANCIAL STATEMENTS

Restructuring provisions totaling €1,351 million are recognized in the consolidated financial statements of Continental AG as at December 31, 2020.

If the general and specific recognition criteria of the relevant provisions are met, appropriate provisions must be created for restructuring measures. The measurement of the restructuring provisions, the amounts of which are significant, depends to a large extent on the assessments and assumptions made by the Company's management especially with regard to the design of the redundancy plans, the amount of the severance payments, the laying off of employees and costs for abandoning sites.

The risks for the consolidated financial statements are that the criteria for the recognition of restructuring provisions are not met or that these provisions are not measured correctly.

#### OUR AUDIT APPROACH

To begin with, we assessed in the course of our audit whether each of the recognition criteria was fulfilled as at December 31, 2020. In this connection, we assessed in particular whether there was a detailed, formal restructuring plan, whether the essential elements of the restructuring measures had been communicated to the employees affected and whether the implementation of the restructuring measures had begun.

We subsequently had the assumptions used as the basis for the measurement of the restructuring provisions explained to us. We assessed the consistency of the assumptions with the detailed, formal restructuring plans. We furthermore compared the assumptions with restructuring measures conducted in the past and subjected contracts and agreements already entered into by the reporting date to a critical analysis.

#### OUR CONCLUSIONS

Management's assumptions are appropriate.

#### Other information

The management and the Supervisory Board are responsible for the other information. The other information includes the following elements of the management report, the content of which has not been audited:

- > the combined non-financial Group statement that is contained in the "Sustainability and Combined Non-Financial Statement" section in the management report; and
- > the group corporate governance statement, which is referred to in the same section of the group management report.

The other information additionally includes the other parts of the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content or our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other above-mentioned information and, in so doing, to consider whether the other information

- > is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- > otherwise appears to be materially misstated.

In accordance with our engagement, we conducted a separate business audit of the combined non-financial Group statement. In relation to the nature, scope and results of this business audit, please refer to our unqualified audit opinion of March 2, 2021.

#### Responsibilities of management and the Supervisory Board for the consolidated financial statements and the group management report

The management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e(1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition,



management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

#### **Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU-AR and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- › Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- › Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- › Evaluate the appropriateness of the accounting policies used by management and the reasonableness of the estimates made by management and related disclosures.
- › Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- › Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e(1) HGB.
- › Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- › Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.
- › Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in



particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We issue a statement to those responsible for monitoring to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From the matters that we have discussed with those responsible for monitoring, we determine which matters were most important during the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the independent auditor's report, unless laws or other legal provisions preclude their public disclosure.

## Other Statutory and Legal Requirements

### **Report on the audit of the electronic reproduction of the consolidated financial statements and of the group management report created for disclosure purposes in accordance with Section 317(3b) HGB**

In accordance with Section 317(3b) HGB, we conducted an audit to obtain reasonable assurance on whether the electronic reproductions of the consolidated financial statements and of the group management report contained in the file "continental\_187287.zip" (SHA256-Hashvalue: ff1d6b6632b3219cdb263c093d69c9246504a461f8e06b2b9535e54af227f97c) that are created for disclosure purposes (also referred to hereinafter as the "ESEF documents"), and which can be retrieved from the protected client portal for the issuers, satisfy the requirements of Section 328(1) HGB relating to the electronic reporting format ("ESEF format") in all material respects. In compliance with the German legal requirements, this audit covers only the conversion of the information in the consolidated financial statements and the group management report into the ESEF format and therefore neither the information contained in these reproductions nor other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and of the group management report contained in the above-mentioned file and created for disclosure purposes meet the requirements of Section 328(1) HGB relating to the electronic reporting format in all material respects. Beyond this opinion and our opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial

year from January 1 to December 31, 2020, contained in the preceding "Report on the audit of the consolidated financial statements and the group management report," we do not issue any opinion whatsoever on the information contained in these reproductions or on the other information contained in the above-mentioned file.

We conducted our audit of the reproductions of the consolidated financial statements and of the group management report contained in the above-mentioned file in accordance with Section 317(3b) HGB and the draft IDW auditing standard: Audit of the electronic reproductions of annual financial statements and management reports created for disclosure purposes in accordance with Section 317(3b) HGB (IDW EPS 410). Our responsibility based on this standard is described in more detail below. Our audit practice has applied the requirements for quality assurance systems set out in the IDW quality assurance standard: Requirements for quality assurance in auditing practice (IDW QS 1).

The management of the Company is responsible for drawing up the ESEF documents with the electronic reproductions of the consolidated financial statements and of the group management report pursuant to Section 328(1) sentence 4 no. 1 HGB and for marking up the consolidated financial statements pursuant to Section 328(1) sentence 4 no. 2 HGB.

In addition, management of the Company is responsible for such internal control as they have determined necessary to enable the creation of the ESEF documents that are free from material violations, whether due to fraud or error, of the requirements of Section 328(1) HGB relating to the electronic reporting format.

The management of the Company is furthermore responsible for submitting to the operator of the German Federal Gazette the ESEF documents together with the auditor's report and the accompanying audited consolidated financial statements and the audited group management report as well as other documents to be disclosed.

The Supervisory Board is responsible for overseeing the creation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether due to fraud or error, of the requirements of Section 328(1) HGB. We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- › identify and assess the risks of material breaches of the requirements of Section 328(1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- › obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls;

- > assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, as amended as at the balance sheet date, relating to the technical specification for this file;
- > assess whether the ESEF documents enable the audited consolidated financial statements and the audited group management report to be reproduced in XHTML with the same contents;
- > assess whether the mark-up of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction to be made.

#### Other disclosures in accordance with Article 10 EU-AR

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on July 14, 2020. We were engaged by the Audit Committee on November 8, 2020. We have been the auditor of the consolidated financial statements of Continental Aktiengesellschaft without interruption for more than 30 years.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-AR (audit report).

In addition to auditing the financial statements for the Company and the companies it controls, we performed the following services, which have not been included in the consolidated financial statements or in the group management report:

In addition to the audit of the consolidated and annual financial statements as well as the review of the interim financial statements of Continental Aktiengesellschaft, we audited various consolidated and annual financial statements and conducted reviews of interim financial statements at subsidiaries. Project-related IT audits, audits of various IT systems and IT processes as well as migration tests were performed. Furthermore, we performed other assurance services, such as issuing a comfort letter, conducting legal or contractual audits, including the audits pursuant to the *Erneuerbare-Energien-Gesetz (EEG)* – German Renewable Energy Sources Act), EMIR audits pursuant to Section 20 of the *Wertpapierhandelsgesetz (WpHG)* – German Securities Trading Act), the audit of the combined non-financial group statement, the audit of transfer prices as well as audits of the use of funds. We have issued assurances on compliance with terms and conditions of contract. Furthermore, workshops on tax issues have been held. Tax advisory services that we have performed additionally include support services in the preparation of tax returns and during tax audits as well as advice on individual items for income tax and value added tax purposes as well as project-related support in the implementation of a tax compliance management system.

#### Responsible auditor

The auditor responsible for the audit is Andreas Modder.

Hanover, March 2, 2021

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Dr. Tonne  
*Wirtschaftsprüfer*  
(German Public Auditor)

Modder  
*Wirtschaftsprüfer*  
(German Public Auditor)

# Consolidated Statement of Income

€ millions	See Note	2020	2019
<b>Sales</b>	6	<b>37,722.3</b>	<b>44,478.4</b>
Cost of sales		-29,133.6	-33,893.4
<b>Gross margin on sales</b>		<b>8,588.7</b>	<b>10,585.0</b>
Research and development expenses	7	-4,330.6	-4,471.8
Selling and logistics expenses		-2,417.3	-2,718.9
Administrative expenses		-1,156.9	-1,110.2
Other income	8	1,711.2	1,774.6
Other expenses	8	-3,045.3	-4,203.2
Income from equity-accounted investees	10	-68.5	-124.3
Other income from investments	10	0.6	0.5
<b>EBIT</b>		<b>-718.1</b>	<b>-268.3</b>
Interest income	11	98.5	147.2
Interest expense	11	-282.2	-317.3
Effects from currency translation	11	-97.4	-30.5
Effects from changes in the fair value of derivative instruments, and other valuation effects	11	69.1	-119.7
<b>Financial result</b>	11	<b>-212.0</b>	<b>-320.3</b>
<b>Earnings before tax</b>		<b>-930.1</b>	<b>-588.6</b>
Income tax expense	12	11.3	-582.4
<b>Net income</b>		<b>-918.8</b>	<b>-1,171.0</b>
Non-controlling interests		-43.1	-54.0
Net income attributable to the shareholders of the parent		-961.9	-1,225.0
<b>Basic earnings per share in €</b>	38	<b>-4.81</b>	<b>-6.13</b>
<b>Diluted earnings per share in €</b>	38	<b>-4.81</b>	<b>-6.13</b>

# Consolidated Statement of Comprehensive Income

€ millions	2020	2019
<b>Net income</b>	<b>-918.8</b>	<b>-1,171.0</b>
<b>Reclassification within equity not affecting net income</b>	<b>–</b>	<b>–</b>
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement of defined benefit plans <sup>1</sup>	-490.5	-808.8
Fair value adjustments <sup>1</sup>	-523.6	-797.6
Reclassification from disposals of pension obligations	–	–
Investment in equity-accounted investees <sup>2</sup>	0.0	0.0
Currency translation <sup>1</sup>	33.1	-11.2
Other investments	-9.0	-3.6
Fair value adjustments <sup>1</sup>	-6.1	–
Investment in equity-accounted investees <sup>2</sup>	-2.9	-3.6
Tax on other comprehensive income	43.4	236.9
<b>Items that may be reclassified subsequently to profit or loss</b>		
Currency translation <sup>1</sup>	-1,048.9	287.4
Difference from currency translation <sup>1</sup>	-1,051.7	279.4
Reclassification adjustments to profit and loss	0.7	0.0
Investment in equity-accounted investees <sup>2</sup>	2.1	8.0
Cash flow hedges	–	-0.9
Fair value adjustments	–	-8.5
Reclassification adjustments to profit and loss	–	7.6
Tax on other comprehensive income	-1.7	0.5
<b>Other comprehensive income</b>	<b>-1,506.7</b>	<b>-288.5</b>
<b>Comprehensive income</b>	<b>-2,425.5</b>	<b>-1,459.5</b>
Attributable to non-controlling interests	7.3	-63.8
Attributable to the shareholders of the parent	-2,418.2	-1,523.3

<sup>1</sup> Including non-controlling interests.

<sup>2</sup> Including taxes.

# Consolidated Statement of Financial Position

## Assets

€ millions	See Note	December 31, 2020	December 31, 2019
Goodwill	14	4,361.6	5,113.5
Other intangible assets	14	1,346.9	1,691.8
Property, plant and equipment	15, 16	13,760.6	14,932.7
Investment property	17	12.2	11.7
Investments in equity-accounted investees	18	351.3	397.7
Other investments	19	123.4	197.6
Deferred tax assets	20	2,751.4	2,174.4
Defined benefit assets	28	82.7	7.8
Long-term contract assets	6	–	0.1
Long-term derivative instruments and interest-bearing investments	32	142.6	54.0
Long-term other financial assets	21	161.0	114.6
Long-term other assets	22	24.2	28.6
<b>Non-current assets</b>		<b>23,117.9</b>	<b>24,724.5</b>
Inventories	23	4,238.2	4,694.4
Trade accounts receivable	24	7,353.2	7,711.6
Short-term contract assets	6	119.1	89.1
Short-term other financial assets	21	146.8	118.5
Short-term other assets	22	1,352.5	1,406.7
Income tax receivables		234.8	240.5
Short-term derivative instruments and interest-bearing investments	32	114.0	151.5
Cash and cash equivalents	25	2,938.7	3,341.8
Assets held for sale	26	22.8	89.6
<b>Current assets</b>		<b>16,520.1</b>	<b>17,843.7</b>
<b>Total assets</b>		<b>39,638.0</b>	<b>42,568.2</b>

## Equity and liabilities

€ millions	See Note	December 31, 2020	December 31, 2019
Subscribed capital		512.0	512.0
Capital reserves		4,155.6	4,155.6
Retained earnings		11,960.2	13,522.1
Other comprehensive income		-4,365.4	-2,794.4
<b>Equity attributable to the shareholders of the parent</b>		<b>12,262.4</b>	<b>15,395.3</b>
Non-controlling interests		376.7	480.4
<b>Total equity</b>	27	<b>12,639.1</b>	<b>15,875.7</b>
Long-term employee benefits	28	6,109.9	5,406.3
Deferred tax liabilities	20	168.6	305.4
Long-term provisions for other risks and obligations	29	1,242.6	666.1
Long-term indebtedness	31	5,144.4	3,375.2
Long-term other financial liabilities	33	6.7	31.7
Long-term contract liabilities	6	7.0	16.7
Long-term other liabilities	35	63.9	20.0
<b>Non-current liabilities</b>		<b>12,743.1</b>	<b>9,821.4</b>
Short-term employee benefits	28	1,236.5	1,368.7
Trade accounts payable	34	5,933.1	7,111.0
Short-term contract liabilities	6	291.0	234.9
Income tax payables	30	790.1	938.6
Short-term provisions for other risks and obligations	29	1,725.4	1,261.6
Short-term indebtedness	31	2,190.0	4,243.8
Short-term other financial liabilities	33	1,287.9	1,046.3
Short-term other liabilities	35	801.8	666.2
<b>Current liabilities</b>		<b>14,255.8</b>	<b>16,871.1</b>
<b>Total equity and liabilities</b>		<b>39,638.0</b>	<b>42,568.2</b>



# Consolidated Statement of Cash Flows

€ millions	See Note	2020	2019
<b>Net income</b>		<b>-918.8</b>	<b>-1,171.0</b>
Income tax expense	12	-11.3	582.4
Financial result	11	212.0	320.3
<b>EBIT</b>		<b>-718.1</b>	<b>-268.3</b>
Interest paid		-169.4	-157.9
Interest received		32.8	75.0
Income tax paid	12, 30	-885.5	-866.0
Dividends received		31.3	67.3
Depreciation, amortization, impairment and reversal of impairment losses	8, 14, 15, 16	3,751.9	5,245.5
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	10, 18	22.9	123.8
Gains/losses from the disposal of assets, companies and business operations		-187.7	-15.5
Changes in			
inventories	23	205.6	-49.1
trade accounts receivable	24	140.2	337.8
trade accounts payable	34	-925.0	-544.7
employee benefits and other provisions	28, 29	1,121.5	658.3
other assets and liabilities		293.5	-191.8
<b>Cash flow arising from operating activities</b>		<b>2,714.0</b>	<b>4,414.4</b>
Cash flow from the disposal of assets	14, 15	57.6	53.9
Capital expenditure on property, plant and equipment, and software	14, 15	-1,942.4	-2,977.5
Capital expenditure on intangible assets from development projects and miscellaneous	14	-183.7	-242.8
Cash flow from the disposal of companies and business operations	5	304.3	1.3
Acquisition of companies and business operations	5	-71.1	-487.6
<b>Cash flow arising from investing activities</b>		<b>-1,835.3</b>	<b>-3,652.7</b>
<b>Cash flow before financing activities (free cash flow)</b>		<b>878.7</b>	<b>761.7</b>
Net cash change in short-term indebtedness	31	-2,557.7	-1,049.5
Cash change in long-term indebtedness	31	2,160.7	1,907.5
Other cash changes		81.9	-24.9
Successive purchases	5	-172.8	-71.0
Dividends paid		-600.0	-950.0
Dividends paid to and cash changes from equity transactions with non-controlling interests		-52.7	-32.5
Cash and cash equivalents arising from the first-time consolidation of subsidiaries		–	0.4
<b>Cash flow arising from financing activities</b>		<b>-1,140.6</b>	<b>-220.0</b>
<b>Change in cash and cash equivalents</b>		<b>-261.9</b>	<b>541.7</b>
Cash and cash equivalents as at January 1		3,341.8	2,761.4
Effect of exchange-rate changes on cash and cash equivalents		-141.2	38.7
<b>Cash and cash equivalents as at December 31</b>	25	<b>2,938.7</b>	<b>3,341.8</b>

# Consolidated Statement of Changes in Equity

€ millions	Subscribed capital <sup>1</sup>	Capital reserves	Retained earnings	Successive purchases <sup>2</sup>	Difference from			Subtotal	Non-controlling interests	Total
					remeasurement of defined benefit plans <sup>3</sup>	currency translation <sup>4</sup>	financial instruments <sup>5</sup>			
<b>As at January 1, 2019</b>	<b>512.0</b>	<b>4,155.6</b>	<b>15,697.2</b>	<b>-205.6</b>	<b>-1,795.5</b>	<b>-510.0</b>	<b>-3.3</b>	<b>17,850.4</b>	<b>482.9</b>	<b>18,333.3</b>
Net income	—	—	-1,225.0	—	—	—	—	-1,225.0	54.0	<b>-1,171.0</b>
Comprehensive income	—	—	-0.1	—	-570.9	276.9	-4.2	-298.3	9.8	<b>-288.5</b>
<b>Net profit for the period</b>	<b>—</b>	<b>—</b>	<b>-1,225.1</b>	<b>—</b>	<b>-570.9</b>	<b>276.9</b>	<b>-4.2</b>	<b>-1,523.3</b>	<b>63.8</b>	<b>-1,459.5</b>
Dividends paid	—	—	-950.0	—	—	—	—	-950.0	-35.7	<b>-985.7</b>
Successive purchases	—	—	—	18.0	—	—	—	18.0	-33.3	<b>-15.3</b>
Other changes <sup>6</sup>	—	—	—	0.2	—	—	—	0.2	2.7	<b>2.9</b>
<b>As at December 31, 2019</b>	<b>512.0</b>	<b>4,155.6</b>	<b>13,522.1</b>	<b>-187.4</b>	<b>-2,366.4</b>	<b>-233.1</b>	<b>-7.5</b>	<b>15,395.3</b>	<b>480.4</b>	<b>15,875.7</b>
Net income	—	—	-961.9	—	—	—	—	-961.9	43.1	<b>-918.8</b>
Comprehensive income	—	—	0.0	—	-450.6	-999.6	-6.1	-1,456.3	-50.4	<b>-1,506.7</b>
<b>Net profit for the period</b>	<b>—</b>	<b>—</b>	<b>-961.9</b>	<b>—</b>	<b>-450.6</b>	<b>-999.6</b>	<b>-6.1</b>	<b>-2,418.2</b>	<b>-7.3</b>	<b>-2,425.5</b>
Dividends paid/resolved	—	—	-600.0	—	—	—	—	-600.0	-62.9	<b>-662.9</b>
Successive purchases	—	—	—	-114.8	—	—	—	-114.8	-33.5	<b>-148.3</b>
Other changes <sup>6</sup>	—	—	—	0.1	—	—	—	0.1	0.0	<b>0.1</b>
<b>As at December 31, 2020</b>	<b>512.0</b>	<b>4,155.6</b>	<b>11,960.2</b>	<b>-302.1</b>	<b>-2,817.0</b>	<b>-1,232.7</b>	<b>-13.6</b>	<b>12,262.4</b>	<b>376.7</b>	<b>12,639.1</b>

1 Divided into 200,005,983 shares outstanding.

2 Includes an amount of -€114.8 million (PY: €18.0 million) from successive purchases of shares in fully consolidated companies and an amount of €0.1 million (PY: €0.2 million) relating to effects from the first-time consolidation of previously non-consolidated subsidiaries.

3 Includes shareholder's portion of €0.0 million (PY: €0.0 million) in non-realized gains and losses from pension obligations of equity-accounted investees.

4 Includes shareholder's portion of €2.1 million (PY: €8.0 million) in the currency translation of equity-accounted investees.

5 The change in the difference arising from financial instruments, including deferred taxes, was due to other investments of -€6.1 million (PY: -€3.6 million) as well as the expiry of cash flow hedges for interest and currency hedging of -€0.6 million in the previous year.

6 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

# Notes to the Consolidated Financial Statements

## 1. Segment Reporting

### Notes to segment reporting

In accordance with the provisions of IFRS 8, *Operating Segments*, Continental AG's segment reporting is based on the management approach with regard to segment identification, under which information regularly provided to the chief operating decision-maker for decision-making purposes is considered decisive.

Given the affinity of certain products, these have been combined as segments. This can mainly be seen in product requirements, market trends, customer groups and distribution channels.

The activities of the Continental Group are divided into the following segments:

**Autonomous Mobility and Safety (until December 31, 2019: primarily the Chassis & Safety division)** develops, produces and integrates active and passive safety technologies and controls vehicle dynamics.

**Vehicle Networking and Information (until December 31, 2019: primarily the Interior division)** develops and integrates components and end-to-end systems for connected mobility – architecture, hardware, software and services.

With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, **Tires** stands for innovative top performance in tire technology. Services for dealers and fleet management as well as digital tire monitoring and management systems are further areas of focus. The aim is to contribute to safe, economical and sustainable mobility.

**ContiTech** focuses on smart and sustainable solutions beyond rubber and develops digital and intelligent solutions in future-oriented sectors. In doing so, ContiTech draws on its long-standing knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services.

**Powertrain** brings together the full spectrum of Continental's expertise in drivetrain technology. Powertrain's aim is to develop innovative, efficient electrification technologies for all types of vehicle.

### Other/holding/consolidation

This comprises centrally managed subsidiaries and affiliates, such as holding, financing and insurance companies, as well as the holding function of Continental AG and certain effects of consolidation. It also contains the effects on earnings of uncertain risks, particularly those in connection with contractual and similar claims or obligations representing, among other things, risks from investments that cannot currently be assigned to the individual operating units.

Internal control and reporting within the Continental Group are based on International Financial Reporting Standards (IFRS) as described in Note 2. The Continental Group measures the performance of its segments on the basis of their adjusted operating result (adjusted EBIT). Their performance is expressed as the return on sales (adjusted EBIT divided by adjusted sales) and as the return on capital employed (ROCE), which represents EBIT as a percentage of average operating assets. Intersegment sales and other proceeds are determined at arm's length prices. For administrative services performed by centrally operated companies or by the Continental Group's management, costs are calculated on an arm's length basis in line with utilization. Where direct allocation is not possible, costs are assigned according to the services performed.

The segment assets comprise the operating assets of the assets side of the statement of financial position as at the end of the reporting period. The segment liabilities show the operating asset parts on the liabilities side of the statement of financial position.

Capital expenditure relates to additions to property, plant and equipment, and software, as well as additions to capitalized right-of-use assets in line with IFRS 16, *Leases*, and additions to capitalized borrowing costs in line with IAS 23, *Borrowing Costs*. Depreciation and amortization include the scheduled diminution of and the impairment on intangible assets, property, plant and equipment, and investment properties as well as the impairment on goodwill. This figure does not include impairment on financial investments.

Non-cash expenses/income mainly include the changes in pension provisions – except for contributions to or withdrawals from the associated funds – and the profit or loss from impairment and reversal of impairment losses on the value of equity-accounted investees.

In the segment information broken down by country and region, sales are allocated on the basis of the domicile of the respective customers; in contrast, capital expenditure and segment assets are allocated on the basis of the domicile of the respective companies.

Viewed across all segments, Continental recorded sales totaling €4,753.4 million (PY: €6,087.7 million) with a group of companies under common control in the year under review.

In 2020, 18% (PY: 19%) of sales were generated in Germany. Other than this, there were no countries except the USA and China in which more than 10% of sales were achieved, as was also the case in the previous year.

For information on the objectives, policies and processes for managing capital, please see the Corporate Management section of the management report.

## Segment report for 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
External sales	7,490.6	7,818.6	10,093.7	5,513.3	6,806.1	–	37,722.3
Intercompany sales	38.6	37.5	64.9	65.3	161.6	-367.9	–
<b>Sales (total)</b>	<b>7,529.2</b>	<b>7,856.1</b>	<b>10,158.6</b>	<b>5,578.6</b>	<b>6,967.7</b>	<b>-367.9</b>	<b>37,722.3</b>
EBIT (segment result)	-97.7	-1,342.5	1,012.3	254.1	-450.8	-93.5	-718.1
in % of sales	-1.3	-17.1	10.0	4.6	-6.5	–	-1.9
thereof income from equity-accounted investees	5.3	-38.4	-1.5	0.4	-34.9	0.6	-68.5
Capital expenditure <sup>1</sup>	498.7	480.6	535.5	179.6	466.0	71.8	2,232.2
in % of sales	6.6	6.1	5.3	3.2	6.7	–	5.9
Depreciation and amortization <sup>2</sup>	570.6	1,368.7	852.6	374.6	573.3	12.1	3,751.9
thereof impairment <sup>3</sup>	9.5	744.1	11.8	25.1	86.3	0.0	876.8
Internally generated intangible assets	20.0	75.0	0.0	0.0	35.4	–	130.4
Significant non-cash expenses/income	-18.2	-30.9	-24.0	-23.2	-90.1	6.3	-180.1
Segment assets	7,145.8	6,395.1	8,906.7	4,251.7	5,675.7	206.4	32,581.4
thereof investments in equity-accounted investees	124.5	57.6	94.1	20.0	46.1	9.0	351.3
Segment liabilities	2,745.7	2,959.6	2,504.4	1,198.2	2,679.8	22.7	12,110.4
Operating assets as at December 31	4,400.1	3,435.5	6,402.3	3,053.5	2,995.9	183.7	20,471.0
Operating assets (average)	4,658.8	4,203.4	7,080.7	3,281.2	3,191.5	121.0	22,536.6
ROCE in %	-2.1	-31.9	14.3	7.7	-14.1	–	-3.2
Number of employees as at December 31 <sup>4</sup>	47,762	47,789	56,864	43,463	40,102	406	236,386
Adjusted sales <sup>5</sup>	7,529.2	7,842.3	10,154.4	5,448.2	6,967.7	-367.9	37,573.9
Adjusted operating result (adjusted EBIT) <sup>6</sup>	94.9	-374.7	1,344.1	412.2	-55.6	-88.2	1,332.7
in % of adjusted sales	1.3	-4.8	13.2	7.6	-0.8	–	3.5

<sup>1</sup> Capital expenditure on property, plant and equipment, and software.

<sup>2</sup> Excluding impairment on financial investments.

<sup>3</sup> Impairment also includes necessary reversal of impairment losses. Expenses from derecognitions of brand values are likewise included.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

## Segment report for 2019

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
External sales	9,348.2	9,540.6	11,671.3	6,303.4	7,614.9	–	44,478.4
Intercompany sales	33.4	54.9	56.7	98.1	187.4	-430.5	–
<b>Sales (total)</b>	<b>9,381.6</b>	<b>9,595.5</b>	<b>11,728.0</b>	<b>6,401.5</b>	<b>7,802.3</b>	<b>-430.5</b>	<b>44,478.4</b>
EBIT (segment result)	-120.3	-1,325.3	1,651.6	305.9	-662.1	-118.1	-268.3
in % of sales	-1.3	-13.8	14.1	4.8	-8.5	–	-0.6
thereof income from equity-accounted investees	9.6	-147.0	6.2	0.5	6.7	-0.3	-124.3
Capital expenditure <sup>1</sup>	720.6	683.7	926.2	261.7	657.7	58.7	3,308.6
in % of sales	7.7	7.1	7.9	4.1	8.4	–	7.4
Depreciation and amortization <sup>2</sup>	1,265.6	1,907.7	846.1	364.6	854.6	6.9	5,245.5
thereof impairment <sup>3</sup>	750.0	1,373.2	22.5	12.3	351.9	–	2,509.9
Internally generated intangible assets	2.0	130.5	0.0	0.0	67.9	–	200.4
Significant non-cash expenses/income	-0.1	-179.4	-16.4	-21.9	-40.3	6.5	-251.6
Segment assets	7,379.2	7,521.6	10,073.9	4,776.8	6,063.6	162.0	35,977.1
thereof investments in equity-accounted investees	128.5	63.4	109.2	19.9	68.4	8.3	397.7
Segment liabilities	2,662.4	2,764.4	2,518.7	1,285.5	2,716.3	38.8	11,986.1
Operating assets as at December 31	4,716.8	4,757.2	7,555.2	3,491.3	3,347.3	123.2	23,991.0
Operating assets (average)	5,159.9	5,760.2	7,797.5	3,519.8	3,906.3	34.8	26,178.5
ROCE in %	-2.3	-23.0	21.2	8.7	-16.9	–	-1.0
Number of employees as at December 31 <sup>4</sup>	48,434	48,117	56,884	45,801	41,744	478	241,458
Adjusted sales <sup>5</sup>	9,126.8	9,593.9	11,728.0	6,393.7	7,802.3	-430.5	44,214.2
Adjusted operating result (adjusted EBIT) <sup>6</sup>	672.9	442.4	1,705.4	455.4	57.0	-107.6	3,225.5
in % of adjusted sales	7.4	4.6	14.5	7.1	0.7	–	7.3

<sup>1</sup> Capital expenditure on property, plant and equipment, and software.

<sup>2</sup> Excluding impairment on financial investments.

<sup>3</sup> Impairment also includes necessary reversal of impairment losses.

<sup>4</sup> Excluding trainees.

<sup>5</sup> Before changes in the scope of consolidation.

<sup>6</sup> Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

**Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2020**

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
<b>Sales</b>	<b>7,529.2</b>	<b>7,856.1</b>	<b>10,158.6</b>	<b>5,578.6</b>	<b>6,967.7</b>	<b>-367.9</b>	<b>37,722.3</b>
Changes in the scope of consolidation <sup>1</sup>	–	-13.8	-4.2	-130.4	–	–	-148.4
<b>Adjusted sales</b>	<b>7,529.2</b>	<b>7,842.3</b>	<b>10,154.4</b>	<b>5,448.2</b>	<b>6,967.7</b>	<b>-367.9</b>	<b>37,573.9</b>
<b>EBITDA</b>	<b>472.9</b>	<b>26.2</b>	<b>1,864.9</b>	<b>628.7</b>	<b>122.5</b>	<b>-81.4</b>	<b>3,033.8</b>
Depreciation and amortization <sup>2</sup>	-570.6	-1,368.7	-852.6	-374.6	-573.3	-12.1	-3,751.9
<b>EBIT</b>	<b>-97.7</b>	<b>-1,342.5</b>	<b>1,012.3</b>	<b>254.1</b>	<b>-450.8</b>	<b>-93.5</b>	<b>-718.1</b>
Amortization of intangible assets from purchase price allocation (PPA)	–	65.5	20.3	88.7	9.1	–	183.6
Changes in the scope of consolidation <sup>1</sup>	–	-0.8	0.7	-5.8	–	–	-5.9
Special effects							
Impairment on goodwill	–	654.6	–	–	–	–	654.6
Impairment <sup>3</sup>	6.1	89.4	0.5	17.5	79.2	0.0	192.7
Restructuring <sup>4</sup>	134.8	229.9	292.2	36.0	187.8	–	880.7
Restructuring-related expenses <sup>5</sup>	10.5	3.7	0.2	1.7	10.4	–	26.5
Severance payments <sup>5</sup>	21.4	20.0	17.7	17.5	13.8	0.3	90.7
Gains and losses from disposals of companies and business operations	0.0	-161.5	0.2	2.5	-8.8	–	-167.6
Other <sup>6</sup>	19.8	67.0	–	–	103.7	5.0	195.5
<b>Adjusted operating result (adjusted EBIT)</b>	<b>94.9</b>	<b>-374.7</b>	<b>1,344.1</b>	<b>412.2</b>	<b>-55.6</b>	<b>-88.2</b>	<b>1,332.7</b>

<sup>1</sup> Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.

<sup>2</sup> Excluding impairment on financial investments.

<sup>3</sup> Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments. It does include expenses from derecognitions of brand values of €71.2 million in the Vehicle Networking and Information segment and of €14.5 million in the ContiTech segment.

<sup>4</sup> This includes impairment losses totaling €33.7 million (Autonomous Mobility and Safety €3.4 million; Vehicle Networking and Information €0.1 million; Tires €13.0 million; ContiTech €7.7 million; Powertrain €9.5 million) and reversals of impairment losses totaling €4.2 million (Tires €1.7 million; ContiTech €0.1 million; Powertrain €2.4 million).

<sup>5</sup> Due to the Transformation 2019-2029 structural program, restructuring-related expenses and severance payments will be recognized as special effects to be adjusted from fiscal 2020.

<sup>6</sup> The item "Other" mainly includes expenses of €102.8 million from the transformation of the Powertrain segment into an independent legal entity; expenses totaling €49.9 million in connection with preparations for the repatriation of the business from associate OSRAM CONTINENTAL GmbH, Munich, Germany; and an expense of €37.5 million due to an allowance recognized on the carrying amount of an associate.

**Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2019**

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
<b>Sales</b>	<b>9,381.6</b>	<b>9,595.5</b>	<b>11,728.0</b>	<b>6,401.5</b>	<b>7,802.3</b>	<b>-430.5</b>	<b>44,478.4</b>
Changes in the scope of consolidation <sup>1</sup>	-254.8	-1.6	—	-7.8	—	—	-264.2
<b>Adjusted sales</b>	<b>9,126.8</b>	<b>9,593.9</b>	<b>11,728.0</b>	<b>6,393.7</b>	<b>7,802.3</b>	<b>-430.5</b>	<b>44,214.2</b>
<b>EBITDA</b>	<b>1,145.3</b>	<b>582.4</b>	<b>2,497.7</b>	<b>670.5</b>	<b>192.5</b>	<b>-111.2</b>	<b>4,977.2</b>
Depreciation and amortization <sup>2</sup>	-1,265.6	-1,907.7	-846.1	-364.6	-854.6	-6.9	-5,245.5
<b>EBIT</b>	<b>-120.3</b>	<b>-1,325.3</b>	<b>1,651.6</b>	<b>305.9</b>	<b>-662.1</b>	<b>-118.1</b>	<b>-268.3</b>
Amortization of intangible assets from purchase price allocation (PPA)	—	57.2	20.0	94.6	10.7	—	182.5
Changes in the scope of consolidation <sup>1</sup>	-2.9	1.6	—	0.4	—	—	-0.9
Special effects							
Impairment on goodwill	719.8	1,347.9	—	2.3	223.5	—	2,293.5
Impairment <sup>3</sup>	29.1	25.3	3.5	4.9	48.9	—	111.7
Restructuring <sup>4</sup>	42.7	172.9	32.5	46.5	402.6	—	697.2
Gains and losses from disposals of companies and business operations	—	—	—	0.0	—	—	0.0
Other <sup>5</sup>	4.5	162.8	-2.2	0.8	33.4	10.5	209.8
<b>Adjusted operating result (adjusted EBIT)</b>	<b>672.9</b>	<b>442.4</b>	<b>1,705.4</b>	<b>455.4</b>	<b>57.0</b>	<b>-107.6</b>	<b>3,225.5</b>

<sup>1</sup> Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.

<sup>2</sup> Excluding impairment on financial investments.

<sup>3</sup> Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.

<sup>4</sup> This includes impairment losses totaling €104.8 million (Autonomous Mobility and Safety €1.2 million; Tires €19.0 million; ContiTech €5.0 million; Powertrain €79.6 million).

<sup>5</sup> The item "Other" mainly includes an expense of €157.9 from an allowance recognized on the carrying amount of associate OSRAM CONTINENTAL GmbH, Munich, Germany, and expenses of €47.4 million from the transformation of the Powertrain segment into an independent legal entity and the organizational realignment of the Automotive Technologies group sector.



## Reconciliation of EBIT to net income

€ millions	2020	2019
Autonomous Mobility and Safety	-97.7	-120.3
Vehicle Networking and Information	-1,342.5	-1,325.3
Tires	1,012.3	1,651.6
ContiTech	254.1	305.9
Powertrain	-450.8	-662.1
Other/Holding/Consolidation	-93.5	-118.1
<b>EBIT</b>	<b>-718.1</b>	<b>-268.3</b>
Financial result	-212.0	-320.3
<b>Earnings before tax</b>	<b>-930.1</b>	<b>-588.6</b>
Income tax expense	11.3	-582.4
<b>Net income</b>	<b>-918.8</b>	<b>-1,171.0</b>
Non-controlling interests	-43.1	-54.0
<b>Net income attributable to the shareholders of the parent</b>	<b>-961.9</b>	<b>-1,225.0</b>

## Segment report by region

€ millions	Germany	Europe excluding Germany	North America	Asia	Other countries	Continental Group
<b>External sales 2020</b>	<b>6,801.2</b>	<b>11,260.2</b>	<b>9,411.3</b>	<b>9,007.4</b>	<b>1,242.2</b>	<b>37,722.3</b>
External sales 2019	8,349.6	13,102.9	11,628.0	9,752.0	1,645.9	44,478.4
<b>Capital expenditure 2020<sup>1</sup></b>	<b>579.2</b>	<b>799.5</b>	<b>382.8</b>	<b>427.9</b>	<b>42.8</b>	<b>2,232.2</b>
Capital expenditure 2019 <sup>91</sup>	812.9	1,108.3	646.9	691.9	48.6	3,308.6
<b>Segment assets as at December 31, 2020</b>	<b>9,381.3</b>	<b>8,930.9</b>	<b>6,927.2</b>	<b>7,036.9</b>	<b>305.1</b>	<b>32,581.4</b>
Segment assets as at December 31, 2019	10,289.5	9,509.2	8,208.7	7,402.8	566.9	35,977.1
<b>Number of employees as at December 31, 2020<sup>2</sup></b>	<b>58,809</b>	<b>75,983</b>	<b>44,831</b>	<b>47,503</b>	<b>9,260</b>	<b>236,386</b>
Number of employees as at December 31, 2019 <sup>2</sup>	61,474	77,063	45,912	47,631	9,378	241,458

<sup>1</sup> Capital expenditure on property, plant and equipment, and software.

<sup>2</sup> Excluding trainees.

## Reconciliation to operating assets in 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
<b>Total assets</b>	<b>7,202.0</b>	<b>6,426.5</b>	<b>8,970.5</b>	<b>4,257.8</b>	<b>5,713.9</b>	<b>7,067.3</b>	<b>39,638.0</b>
Cash and cash equivalents	–	–	–	–	–	2,938.7	2,938.7
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	256.6	256.6
Other financial assets	24.0	27.2	13.9	5.6	28.3	23.5	122.5
<b>Less financial assets</b>	<b>24.0</b>	<b>27.2</b>	<b>13.9</b>	<b>5.6</b>	<b>28.3</b>	<b>3,218.8</b>	<b>3,317.8</b>
<b>Less other non-operating assets</b>	<b>32.2</b>	<b>4.2</b>	<b>49.9</b>	<b>0.5</b>	<b>9.9</b>	<b>655.9</b>	<b>752.6</b>
Deferred tax assets	–	–	–	–	–	2,751.4	2,751.4
Income tax receivables	–	–	–	–	–	234.8	234.8
<b>Less income tax assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,986.2</b>	<b>2,986.2</b>
<b>Segment assets</b>	<b>7,145.8</b>	<b>6,395.1</b>	<b>8,906.7</b>	<b>4,251.7</b>	<b>5,675.7</b>	<b>206.4</b>	<b>32,581.4</b>
<b>Total liabilities and provisions</b>	<b>4,460.1</b>	<b>4,254.3</b>	<b>3,467.7</b>	<b>1,967.1</b>	<b>3,611.6</b>	<b>9,238.1</b>	<b>26,998.9</b>
Short- and long-term indebtedness	–	–	–	–	–	7,334.4	7,334.4
Interest payable and other financial liabilities	–	–	–	–	–	36.4	36.4
<b>Less financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,370.8</b>	<b>7,370.8</b>
Deferred tax liabilities	–	–	–	–	–	168.6	168.6
Income tax payables	–	–	–	–	–	790.1	790.1
<b>Less income tax liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>958.7</b>	<b>958.7</b>
<b>Less other non-operating liabilities</b>	<b>1,714.4</b>	<b>1,294.7</b>	<b>963.3</b>	<b>768.9</b>	<b>931.8</b>	<b>885.9</b>	<b>6,559.0</b>
<b>Segment liabilities</b>	<b>2,745.7</b>	<b>2,959.6</b>	<b>2,504.4</b>	<b>1,198.2</b>	<b>2,679.8</b>	<b>22.7</b>	<b>12,110.4</b>
<b>Operating assets</b>	<b>4,400.1</b>	<b>3,435.5</b>	<b>6,402.3</b>	<b>3,053.5</b>	<b>2,995.9</b>	<b>183.7</b>	<b>20,471.0</b>

## Reconciliation to operating assets in 2019

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
<b>Total assets</b>	<b>7,355.0</b>	<b>7,471.0</b>	<b>10,077.9</b>	<b>4,784.0</b>	<b>6,026.6</b>	<b>6,853.7</b>	<b>42,568.2</b>
Cash and cash equivalents	–	–	–	–	–	3,341.8	3,341.8
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	205.5	205.5
Other financial assets	9.6	23.1	17.6	7.6	13.1	18.7	89.7
<b>Less financial assets</b>	<b>9.6</b>	<b>23.1</b>	<b>17.6</b>	<b>7.6</b>	<b>13.1</b>	<b>3,566.0</b>	<b>3,637.0</b>
<b>Less other non-operating assets</b>	<b>-33.8</b>	<b>-73.7</b>	<b>-13.6</b>	<b>-0.4</b>	<b>-50.1</b>	<b>710.8</b>	<b>539.2</b>
Deferred tax assets	–	–	–	–	–	2,174.4	2,174.4
Income tax receivables	–	–	–	–	–	240.5	240.5
<b>Less income tax assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,414.9</b>	<b>2,414.9</b>
<b>Segment assets</b>	<b>7,379.2</b>	<b>7,521.6</b>	<b>10,073.9</b>	<b>4,776.8</b>	<b>6,063.6</b>	<b>162.0</b>	<b>35,977.1</b>
<b>Total liabilities and provisions</b>	<b>4,145.5</b>	<b>3,786.7</b>	<b>3,399.9</b>	<b>1,972.9</b>	<b>3,579.6</b>	<b>9,807.9</b>	<b>26,692.5</b>
Short- and long-term indebtedness	–	–	–	–	–	7,619.0	7,619.0
Interest payable and other financial liabilities	–	–	–	–	–	25.1	25.1
<b>Less financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,644.1</b>	<b>7,644.1</b>
Deferred tax liabilities	–	–	–	–	–	305.4	305.4
Income tax payables	–	–	–	–	–	938.6	938.6
<b>Less income tax liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,244.0</b>	<b>1,244.0</b>
<b>Less other non-operating liabilities</b>	<b>1,483.1</b>	<b>1,022.3</b>	<b>881.2</b>	<b>687.4</b>	<b>863.3</b>	<b>881.0</b>	<b>5,818.3</b>
<b>Segment liabilities</b>	<b>2,662.4</b>	<b>2,764.4</b>	<b>2,518.7</b>	<b>1,285.5</b>	<b>2,716.3</b>	<b>38.8</b>	<b>11,986.1</b>
<b>Operating assets</b>	<b>4,716.8</b>	<b>4,757.2</b>	<b>7,555.2</b>	<b>3,491.3</b>	<b>3,347.3</b>	<b>123.2</b>	<b>23,991.0</b>

## 2. General Information and Accounting Principles

Continental Aktiengesellschaft (Continental AG), whose registered office is Vahrenwalder Straße 9, Hanover, Germany, is the parent company of the Continental Group and a listed stock corporation. It is entered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HR B 3527. Continental AG is a supplier to the automotive industry, with worldwide operations. The areas of business and main activities in which Continental AG is engaged are described in more detail in the Segment Reporting section. The consolidated financial statements of Continental AG for fiscal 2020 were prepared by resolution of the Executive Board of February 19, 2021, and will be submitted to and published in the German Federal Gazette (*Bundesanzeiger*). Continental AG is included in the consolidated financial statements of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, which are published in the German Federal Gazette.

The consolidated financial statements of Continental AG as at December 31, 2020, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, pursuant to EU Regulation (EC) No. 1606/2002 in conjunction with Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch - HGB*). The term IFRS also includes the International Accounting Standards (IAS), the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor the International Financial Reporting Interpretations Committee (IFRIC), and those of the former Standing Interpretations Committee (SIC). All International Financial Reporting Standards mandatory for fiscal 2020 have been applied, subject to endorsement by the European Union.

The consolidated financial statements have been prepared on the basis of historical cost, with the exception of certain financial assets and liabilities (including derivative instruments), which are measured at fair value; assets held for sale, which are measured at fair value less costs to sell; and defined benefit pension plans, for which the plan assets are measured at fair value.

The annual financial statements of companies included in the Continental Group have been prepared using uniform accounting policies, in accordance with IFRS 10, *Consolidated Financial Statements*. The reporting date for the individual financial statements of companies included in the Continental Group is the same as the reporting date for the consolidated financial statements.

The consolidated financial statements have been prepared in euros. Unless otherwise stated, all amounts are shown in millions of euros (€ millions). Please note that differences may arise as a result of the use of rounded amounts and percentages.

### Effects of the COVID-19 pandemic on accounting in the reporting period

As a result of the COVID-19 pandemic, fiscal 2020 was subject to many uncertainties with respect to the economic environment. It is not currently possible to predict the long-term economic consequences of the COVID-19 pandemic and the stabilization measures that have been introduced. On the basis of the information available, a continuous review was carried out in the year under review to identify any need for adjustment in the various areas. The analysis of the effects on the accounting of the Continental Group as at December 31, 2020, resulted in the following findings:

- › Financial instruments: An increase in insolvencies and associated credit losses as a result of the COVID-19 pandemic cannot be ruled out. The Continental Group has made allowances in cases where there are reasons in the assessment of credit management that lead to the assumption that it is more probable that the receivables are not collectible. The Continental Group regularly reviews the expected credit loss model pursuant to IFRS 9 in order to identify potential effects on the model and make any necessary adjustments. A review based on the information currently available did not reveal any need for adjustment as at December 31, 2020.
- › Goodwill impairment test: Based on the currently determined weighted average cost of capital (WACC), the underlying planning data and the currently expected possible effects of the COVID-19 pandemic, goodwill was impaired by €654.6 million (September 30, 2020: €649.3 million) in the Connected Car Networking cash-generating unit in the Vehicle Networking and Information segment. For further details, please refer to the section on "Impairment."
- › Leases: As a result of the COVID-19 pandemic, changes to lease payments may lead to the different accounting treatment of individual leases. All relevant matters have been reviewed and accounted for in accordance with the requirements of IFRS 16. As at December 31, 2020, there was no material need for adjustment.
- › Employee benefits: The review of the defined actuarial assumptions for employee benefits, including the interest rate, did not result in any need for adjustment due to the COVID-19 pandemic as at December 31, 2020.

### Companies consolidated

All major subsidiaries that Continental AG controls in accordance with the provisions of IFRS 10 have been included in the consolidated financial statements and are fully consolidated. To meet this definition, Continental AG must have the decision-making power to control the relevant activities and a right to variable returns from the associated company. Furthermore, it must be able to use its decision-making power to determine the amount of these returns. The companies consolidated may therefore also include companies that are controlled by Continental AG irrespective of the share of voting rights by way of other substantial rights such as contractual agreements, as is the case with structured units included in the consolidated financial statements.

The consolidation of subsidiaries is based on the acquisition method by offsetting the acquisition cost against the proportion of net assets attributed to the parent company at fair value at the acquisition date. Intangible assets not previously recognized in the separate financial statements of the acquired company are carried at fair value. Intangible assets identified in the course of a business combination – including, for example, brand names, patents, technology, customer relationships and order backlogs – are recognized separately at the acquisition date only if the requirements under IAS 38, *Intangible Assets*, for an intangible asset are met. Measurement at the acquisition date is usually provisional only. Increases or reductions of assets and liabilities that become necessary within 12 months after the acquisition are made retrospectively as at the acquisition date. Significant adjustments are presented in the notes to the financial statements.

Any positive remaining amount is capitalized as goodwill. The share of non-controlling interests is measured using the share of (remeasured) net assets of the subsidiary. In order to ensure the recoverability of goodwill arising from an as yet incomplete measurement and the corresponding purchase price allocation, the goodwill is allocated provisionally to the affected business units as at the end of the reporting period. This provisional allocation can deviate significantly from the final allocation. Any negative difference that arises is recognized in other income after the fair value of the acquired assets and liabilities has again been reviewed.

Non-controlling interests in the net assets of subsidiaries that are not attributable to the Continental Group are shown under "Non-controlling interests" as a separate component of total equity.

Once control has been obtained, any differences arising from successive purchases of shares from non-controlling interests between the purchase price and the carrying amount of those non-controlling interests are recognized in other comprehensive income.

Where there are successive purchases of shares resulting in control, the difference between the carrying amount and the fair value at the time of first-time consolidation for those shares already held is recognized in profit and loss under other income and expenses.

Significant investments where Continental AG can exert significant influence on the associated companies (associates) are accounted for using the equity method. The carrying amount of these associates is adjusted to reflect the share in the associates' net equity. If the financial statements of the associates are not available, the share of earnings or losses is recognized as necessary based on estimated amounts. Goodwill arising from first-time consolidation is reported using the equity method. Goodwill is not amortized, but the carrying amount of investments in associates consolidated using the equity method is tested for impairment if there are relevant indications.

Companies that are dormant or have only a low level of business activity and therefore no significant impact on the earnings, financial and net assets position of the Continental Group are not included in the consolidated financial statements. These are accounted for as other investments at fair value (FVOCI).

Intercompany receivables and payables, in addition to income and expenses, are eliminated on consolidation. Intercompany profits arising from internal transactions and dividend payments made within the Continental Group are eliminated on consolidation. Deferred taxes on the elimination of intercompany transactions are carried in the amount derived from the average income tax rate for the Continental Group.

### Currency translation

The statements of financial position of foreign subsidiaries with a functional currency other than the euro are translated into euros using the middle rate at the end of the reporting period (closing rate). The income statements are translated at the average exchange rate for the year. Differences resulting from currency translation are recognized in the difference from currency translation in equity until the disposal of the subsidiary, without recognizing deferred taxes.

In the separate financial statements of Continental AG and its subsidiaries, foreign-currency receivables and payables are measured on recognition at the transaction rate and adjusted at the end of the reporting period to the related closing rates. Gains and losses arising on currency translation are recognized in profit or loss, except for certain loans. Exchange-rate differences relating to the translation of intercompany financing made in the functional currency of one of the parties are recognized in the difference from currency translation in equity if repayment of these intercompany loans is not expected in the foreseeable future.

Goodwill is recognized directly as an asset of the subsidiary acquired and therefore also translated into euros for subsidiaries whose functional currencies are not the euro at the end of the reporting period using the middle rate (closing rate). Differences resulting from currency translation are recognized in the difference from currency translation in equity.

The following table summarizes the exchange rates used in currency translation that had a material effect on the consolidated financial statements:

Currencies €1 in		Closing rate		Average rate for the year	
		December 31, 2020	December 31, 2019	2020	2019
Brazil	BRL	6.38	4.51	5.86	4.42
Switzerland	CHF	1.08	1.09	1.07	1.11
China	CNY	8.03	7.81	7.86	7.73
Czechia	CZK	26.27	25.41	26.43	25.67
United Kingdom	GBP	0.90	0.85	0.89	0.88
Hungary	HUF	364.63	330.55	350.84	325.32
Japan	JPY	126.53	121.78	121.73	122.07
South Korea	KRW	1,335.28	1,294.82	1,344.10	1,304.91
Mexico	MXN	24.38	21.23	24.45	21.56
Malaysia	MYR	4.94	4.59	4.79	4.64
Philippines	PHP	58.99	56.82	56.57	57.97
Romania	RON	4.87	4.78	4.84	4.75
USA	USD	1.23	1.12	1.14	1.12
South Africa	ZAR	18.01	15.72	18.72	16.17

### Revenue recognition

Only sales of products and services resulting from the ordinary business activities of the company are shown as revenue.

In accordance with IFRS 15, *Revenue from Contracts with Customers*, Continental recognizes as revenue from contracts with customers the amount that is received as consideration for the transfer of goods or services to customers. The relevant point in time or period of time is the transfer of control of the goods or services to the customer (control approach).

To determine when to recognize revenue and at what amount, the five-step model is applied. By applying the five-step model in the Continental Group to contracts with customers, distinct performance obligations are identified. The transaction price is determined – and allocated to the performance obligations – according to the requirements of IFRS 15. Variable consideration in contracts with customers, such as rebates, bonus agreements or other kinds of price concessions, is analyzed, measured and included in the revenue recognition. The allocation of the transaction price in the case of more than one performance obligation at hand would be performed by using observable prices if possible. Otherwise the allocation would be performed using the adjusted market assessment approach or the approach of cost plus a margin. For every performance obligation that, in accordance with IFRS 15, is distinct within the context of the contract, the revenue recognition is determined to be at a point in time or to be satisfied over time.

Multi-component contracts that contain distinct performance obligations with different timing of revenue recognition are not currently material.

### Description of sales revenue in automotive original-equipment business

The type of performance obligations to customers in automotive original-equipment business relates to the diverse and predominantly customer-specific products of Automotive Technologies, the Powertrain and ContiTech segments, and the original-equipment business of the Tires segment; please refer to the descriptions of the business areas in the Structure of the Continental Group section of the consolidated management report. Invoices are generally prepared once a month, while the payment terms average 60 days and differ mostly on a regional basis only. Payments are made by bank transfer in the vast majority of cases. No significant discounts on the invoice amount are granted; however, customer bonuses and other price reductions are included in the transaction price as variable price components in line with expectations. The customers do not usually make any significant advance payments. Revenue is almost always recognized over time using an output-based measurement method, and sales revenue is measured based on the products that leave the production plant, as the products are produced and delivered “just in time.” There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

### Description of sales revenue in industrial and replacement business

The type of performance obligations to customers in industrial and replacement business relates to the replacement-tire and retail business of the Tires segment, the industrial and retail business of the ContiTech segment, and the replacement-parts and retail business of the Autonomous Mobility and Safety, Vehicle Networking and Information, and Powertrain segments; please refer to the descriptions of the business areas in the consolidated management report. Invoices are generally prepared once a month, while the payment terms average 60 days and differ mostly depending on the region and/or product group. Payments are made by bank transfer in the vast majority of cases, with the exception of business with end customers and consumers, who often pay in cash. No significant discounts on the invoice amount are granted; however, customer bonuses and other price reductions are included in the transaction price as variable price components in line with expectations. The customers do not usually make any significant advance payments. Revenue is recognized at the point in time when control is transferred to the customer, also taking account of the agreed incoterms. There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

### Description of revenue in smaller business activities

Revenue in smaller business activities is included in the sales of the automotive original-equipment business, in the sales of the industrial and replacement business, and in other revenues. On the one hand, services are provided and, on the other, project business is conducted in which developments for customers are made, goods produced or services provided over a medium-term or longer period. Except in the case of revenue from research and development, these smaller business activities are only of minor significance for Continental. For all of this revenue, there are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

The largest component of this revenue relates to revenue from research and development, which is recognized at a point in time, either when the entire development is completed or when identifiable milestones within a development are reached. Invoices are generally prepared after completion – of an entire development or a milestone – and acceptance by the customer. Payments are made by bank transfer in most cases. No significant discounts on the invoice amount are granted. The customers do not usually make any significant advance payments.

In addition, and in smaller amounts, services that are performed alongside the main business lead to revenue recognition over time. Both input- and output-based measurement methods are used and sales are measured either based on the hours or days worked or the costs incurred (input), or based on the goods or services provided (output). Invoices are generally prepared at least once a month and payments are made by bank transfer in the vast majority of cases. No significant discounts on the invoice amount are granted. The customers do not usually make any significant advance payments.

In addition, project business is conducted, in which generally customer-specific goods or services are produced or provided for customers over a medium-term or longer period. Revenue from this is likewise recognized over time and sales are mostly measured using input-based measurement methods, taking account of the costs incurred. Invoices are generally issued as contractually agreed. Advance payments averaging 30% are usually made by the customers before the start of a project. Payments are made by bank transfer in the vast majority of cases. No significant discounts on the invoice amount are granted.

### Research and development expenses

Research and development expenses comprise expenditure on research and development and expenses for customer-specific applications, prototypes and testing. Where refunds from customers for research and development expenses are provided for, these costs are recognized in inventories until control is transferred. Once control is transferred, they are stated under other income. In addition, the expenses are reduced by the amount relating to the application of research results from the development of new or substantially improved products, if the related activity fulfills the recognition criteria for internally generated intangible assets set out in IAS 38. This portion of the expenses is capitalized as an asset and amortized over a period of three to seven years from the date that the developed products become marketable. However, expenses for customer-specific applications, pre-production prototypes or tests for products already being marketed (application engineering) do not qualify as development expenditure which may be recognized as an intangible asset. Furthermore, expenses incurred directly in connection with the launch of new production operations and plants are recognized directly in profit or loss.

New developments for the original-equipment business are not marketable until Continental AG has been nominated as the supplier for the particular vehicle platform or model and, furthermore, has successfully fulfilled pre-production release stages. Moreover, these release stages serve as the prerequisite to demonstrate the technical feasibility of the product, especially given the high demands imposed on safety and comfort technology. Accordingly, development costs are recognized as an asset only as at the date of nomination as supplier and upon fulfillment of a specific pre-production release stage. The development is considered to be completed once the final approval for the unlimited production is granted. Only very few development projects fulfill the recognition criteria.

Although suppliers are nominated by original equipment manufacturers with the general obligation to supply products over the entire life of the particular model or platform, these supply agreements constitute neither long-term contracts nor firm commitments, in particular because the original equipment manufacturers make no commitments in regard to purchase quantities. For this reason, all pre-production expenses – with the exception of the capitalized development costs as previously described – are recognized immediately in profit or loss.



**Product-related expenses**

Costs for advertising, sales promotion and other sales-related items are expensed as incurred. Provisions are recognized for possible warranty claims on sold products on the basis of past experience, as well as legal and contractual terms. Additional provisions are recognized for specific known cases.

**Financial result and investment income**

Interest income and expenses are recognized for the period to which they relate. Distributions are recognized at the time of payment.

Dividends receivable are recognized upon the legal entitlement to payment.

**Earnings per share**

Basic earnings per share are calculated on the basis of the weighted average number of shares issued. Treasury stock is deducted for the period it is held. Diluted earnings per share also include shares from the potential exercise of option or conversion rights. The corresponding expenses that would no longer be incurred after the conversion or exchange are eliminated.

**Statement of financial position classification**

Assets and liabilities are reported as non-current assets and liabilities in the statement of financial position if they have a remaining term of over one year and, conversely, as current assets and liabilities if the remaining term is shorter. Liabilities are treated as current if there is no unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pension provisions, provisions for other post-employment benefits, and other employee benefits, as well as deferred tax assets and liabilities are accounted for as non-current. If assets and liabilities have both current and non-current portions, the amounts are classified separately and shown as current and non-current assets or liabilities.

**Goodwill**

Goodwill corresponds to the difference between the acquisition cost and the fair value of the acquired assets and liabilities of the business combination. Goodwill is not subject to amortization; it is tested for impairment at least annually and, if necessary, impaired.

The details of the annual impairment test are described under "Impairment." Once an impairment loss has been recognized on goodwill, it is not reversed in subsequent periods.

**Intangible assets**

Purchased intangible assets are carried at acquisition costs and internally generated intangible assets at their production costs, provided that the conditions for recognition of an internally generated intangible asset are met in accordance with IAS 38. If intangible assets have finite useful lives, they are amortized on a straight-line basis over a useful life of three to eight years in general. Intangible assets with indefinite useful lives are tested at least annually for impairment and, if necessary, impaired.

The details of the annual impairment test are described under "Impairment."

**Property, plant and equipment**

Property, plant and equipment is measured at cost less straight-line depreciation. If necessary, additional impairment is recognized on the affected items.

Production cost consists of the direct costs and attributable material and manufacturing overheads, including depreciation.

Under certain conditions, portions of the borrowing costs are capitalized as part of the acquisition cost. This also applies to finance leases and investment property.

As soon as an asset is available for its intended use, subsequent cost is capitalized only to the extent the related modification changes the function of the asset or increases its economic value and the cost can be clearly identified. All other subsequent expenditure is recognized as current maintenance expense.

Property, plant and equipment is broken down into the lowest level of the components that have significantly different useful lives and, to the extent integrated in other assets, when they are likely to be replaced or overhauled during the overall life of the related main asset. Maintenance and repair costs are recognized in profit or loss as incurred. The Continental Group has no property, plant or equipment that by the nature of its operation and deployment can be repaired and serviced only in intervals over several years. The useful lives are up to 25 years for buildings and land improvements; up to 20 years for technical equipment and machinery; and up to 12 years for operating and office equipment.

When assets are sold, closed down or scrapped, the difference between the net proceeds and the net carrying amount of the assets is recognized as gain or loss in other operation income or expense, respectively.

### Government grants

Government grants are reported if there is reasonable assurance that the conditions in place in connection with the grants will be fulfilled and that the grants will be awarded.

Monetary government grants and government subsidies that are directly attributable to depreciable fixed assets are deducted from the procurement and manufacturing costs of the assets in question. All other monetary grants and subsidies are recognized as income in line with planning and are presented alongside the corresponding expenses. Non-monetary government grants are recognized at fair value.

### Investment property

Land and buildings held for the purpose of generating rental income instead of production or administrative purposes are carried at depreciated cost. Depreciation is charged on a straight-line basis over the useful lives, which correspond to those for real estate in use by the company.

### Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lessee shall recognize a right-of-use asset and a corresponding lease liability, which represents the lessee's obligation to make lease payments.

The lease liability is measured at the present value of the lease payments not yet made. It is recognized under indebtedness. Discounting is determined using the incremental borrowing rates, as the interest rates underlying the leases often cannot be determined regularly. The right-of-use-asset recognized by the lessee is measured at cost. This amount comprises the corresponding lease liability and prepaid lease payments, taking into account any lease incentives received. It is recognized in property, plant and equipment. Depreciation is charged on a straight-line basis. The lease liability is subsequently measured according to the effective interest method. The resulting interest expense is recognized in the financial result.

Continental utilizes the exemptions for short-term leases and for leases in which the underlying asset is of low value.

Continental leases property, plant and equipment, especially buildings.

As lessor, Continental classifies leases as operating leases or finance leases. For this classification, Continental considers whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, it is a finance lease; otherwise, it is an operating lease.

If Continental acts as an intermediate lessor, the interests arising from the head lease and sublease are accounted for separately. The sublease is measured based on the value of the right-of-use asset resulting from the head lease and not based on the underlying as-

set. If the head lease is a short-term lease for which the Continental Group applies the exemption described in Note 3, it classifies the sublease as an operating lease.

The Continental Group applies IFRS 15, *Revenue from Contracts with Customers*, when allocating the consideration in the contract to each lease and non-lease.

### Impairment

The Continental Group immediately reviews intangible assets and property, plant and equipment, investment property and goodwill as soon as there is an indication of impairment (triggering event). Impairment is assessed by comparing the carrying amount with the recoverable amount. The recoverable amount is the higher of the fair value less cost of disposal and the present value of the expected future cash flows from the continued use of the asset (value in use). If the carrying amount is higher than the recoverable amount, the difference is recognized as impairment. If the indications for the prior recognition of impairment no longer apply, the impairment losses are reversed for intangible assets, property, plant and equipment, and investment property.

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles was not expected to increase substantially compared to pre-crisis levels over the next five years until 2025. The expected impact of restructuring measures was also taken into account in this planning process. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €654.6 million (September 30, 2020: €649.3 million) in the Connected Car Networking CGU in the Vehicle Networking and Information segment. This impairment is recognized in other expenses. The changes compared to September 30, 2020, are exclusively attributable to exchange-rate changes.

For this impairment test as at September 30, 2020, the expected cash flows for the CGUs were essentially derived from long-term planning that cover the next five years. For the CGUs High Voltage Power Applications, Low Voltage & Control Unit Applications, and Electronic Controls, a more detailed model with long-term detailed planning was used as a basis due to the specific situation in each case. The cash flows of the CGUs of the Autonomous Mobility and Safety and Vehicle Networking and Information segments were discounted with an interest rate before tax of 10.8%; those of the Tires and ContiTech segments were discounted with an interest rate of 8.9% each; and those of the Powertrain segment were discounted with an interest rate of 10.7%. At the time the test was performed, this pre-tax WACC was based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate was -0.11% and the market risk premium 7.5%. Borrowing costs were calculated as the total of the risk-free interest rate plus the credit spreads of peer group companies rated by Standard & Poor's, Moody's or Fitch.

On average, the growth rate in the detailed planning period for the CGUs in the Autonomous Mobility and Safety segment was 10.0%, in the Vehicle Networking and Information segment 9.0%, in the Tires segment 5.4%, in the ContiTech segment 7.7% and in the Powertrain segment 9.3%. The long-term growth rate was 1.5% for the CGUs of the Autonomous Mobility and Safety and Vehicle Networking and Information segments, 0.5% for those of the Tires and ContiTech segments and 1.0% for those of the Powertrain segment. These growth rates do not exceed the long-term average growth rates for the markets in which the CGUs operate.

Capitalized goodwill is also tested for impairment once a year as at November 30 at the level of CGUs. CGUs are units that come below the segments and are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This represents the lowest level at which goodwill is monitored for internal management purposes. The impairment test is performed by comparing the carrying amount of the CGU including its goodwill and the recoverable amount of this CGU. The recoverable amount in this case is the value in use calculated on the basis of discounted cash flows before interest and tax. Impairment is recognized to the extent the carrying amount exceeds the recoverable amount for a CGU. If the reasons for this cease to apply in the future, impairment losses on goodwill are not reversed.

The expected cash flows of the CGUs are derived from long-term planning that covers the next five years and is approved by management. The plans are based in particular on assumptions regarding macroeconomic developments, as well as trends in sales prices, raw material prices and exchange rates. In addition to these current market forecasts, past developments and experience are also taken into account. For the perpetuity beyond the period of five years, the cash flow is extrapolated using the expected long-term growth rates for the individual CGUs. For the CGUs High Voltage Power Applications, Low Voltage & Control Unit Applications, and Electronic Controls, a more detailed model with long-term detailed planning was used as a basis due to the specific situation in each case.

The main assumptions when calculating the value in use of a CGU are the free cash flows, the discount rates and their parameters, and the long-term growth rates.

Annual impairment testing was performed on the basis of the bottom-up business plan for the next five years approved by management in the period under review. The cash flows of the CGUs of the Autonomous Mobility and Safety and Vehicle Networking and Information segments were discounted with an interest rate before tax of 10.4% (PY: 11.1%); those of the Tires and ContiTech segments were discounted with an interest rate of 8.7% each (PY: 9.2%); and those of the Powertrain segment were discounted with an interest rate of 10.4% (PY: 10.7%). These pre-tax WACCs are based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate is -0.17% (PY: 0.2%) and the market risk premium 7.5% (PY: 7.5%). Borrowing costs were calculated as the total of the risk-free interest rate plus

the credit spreads of peer group companies rated by Standard & Poor's, Moody's or Fitch.

For the annual impairment test, the growth rate on average in the detailed planning period for the CGUs in the Autonomous Mobility and Safety segment was 9.3% (PY: 4.0%), in the Vehicle Networking and Information segment 9.0% (PY: 6.1%), in the Tires segment 5.3% (PY: 3.8%), in the ContiTech segment 6.6% (PY: 3.5%) and in the Powertrain segment 7.9% (PY: 5.9%). The long-term growth rate was 1.5% (PY: 1.5%) for the CGUs of the Autonomous Mobility and Safety and Vehicle Networking and Information segments, 0.5% (PY: 0.5%) for those of the Tires and ContiTech segments and 1.0% (PY: 1.0%) for those of the Powertrain segment. These growth rates do not exceed the long-term average growth rates for the markets in which the CGUs operate.

The annual impairment testing of goodwill determined no further requirements for impairment for 2020. The recoverable amount of the CGU affected by impairment during the course of the year, Connected Car Networking, corresponds to at least its value in use at the time the annual impairment test is performed, namely €1,760.5 million.

Assuming a 0.5-percentage-point increase in the discount rate would not result in any impairment of goodwill. There would be no asset impairment. Reducing the long-term growth rate by 0.5 percentage points would not result in any impairment of goodwill. There would be no asset impairment. If sales in perpetuity would decline by 5.0%, consequently reducing free cash flow as a key planning parameter, this would not result in any impairment of goodwill. There would be no asset impairment.

In addition, expenses from the derecognition of a brand value of €71.2 million were recognized in the Vehicle Networking and Information segment.

In the ContiTech segment, a brand value of €14.5 million was derecognized.

#### **Assets held for sale and related liabilities**

A non-current asset (or disposal group) is classified as held for sale and is presented separately in the statement of financial position if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

A non-current asset (or disposal group) held for sale is measured at the lower of its carrying amount and fair value less costs to sell where it meets the held for sale criteria. Depreciation of these assets ceases once they are classified as held for sale. Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts shall be measured in accordance with the applicable IFRS.

A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. A non-current asset (or disposal group) held for distribution is measured at the lower of its carrying amount and fair value less costs to distribute.

On subsequent remeasurement of a disposal group, the carrying amounts of any assets and liabilities that are not within the scope of the measurement requirements of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with the applicable IFRS before the fair value less costs to sell of the disposal group is remeasured.

A discontinued operation can also be classified as held for sale under IFRS 5. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The classification of a component of an entity as a discontinued operation is also appropriate in the case of classification as held for distribution, provided the criteria are met.

In the context of IFRS 5, the intended spin-off of the companies which were the subject of the carve-out and the transformation of Vitesco Technologies into an independent legal entity is significant in the reporting period. After critical assessment of the overall circumstances, there is no obligation to report these spun-off companies as discontinued operations in accordance with IFRS 5 as at December 31, 2020. According to critical analysis, the above explained criteria relevant for the classification in accordance with IFRS 5 were not met due to the existing uncertainty as at the end of the reporting period. The relevant requirements of IFRS 5 are therefore not applied in the consolidated financial statements.

### Financial instruments

A financial instrument, as defined in IAS 32, *Financial Instruments: Presentation*, is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

In the Continental Group, a purchase or sale of financial assets or financial liabilities is recognized or derecognized at the settlement date.

### Financial assets

Financial assets are recognized in the statement of financial position as at the date Continental becomes a contractual party to the financial instrument. At the acquisition date, they must be classified into measurement categories that determine the subsequent accounting.

Receivables from the receivables factoring programs carried out in the Continental Group are recognized in the statement of financial position when the risks and rewards, in particular credit and default risk, have not been essentially transferred. The repayment obligations therefrom are, as a rule, then shown as short-term financial liabilities.

The classification and measurement of financial assets is based on the business model in which the assets are managed and on their cash flow characteristics. These conditions are cumulative criteria whose audit sequence is irrelevant.

It is therefore necessary to analyze the business model in which the asset to be classified is held. This relates to the investigation of the way in which financial assets held in order to collect cash flows are managed. The Continental Group reclassifies debt instruments only if the corresponding business model changes.

IFRS 9, *Financial Instruments*, distinguishes between three business models.

- › **Hold-to-collect:** The objective of this business model is to hold the financial assets and generate the contractual cash flows. This model is the prevalent business model in the Continental Group.
- › **Hold-to-collect and sale:** This business model aims to collect the contractual cash flows or sell the financial assets. This business model does occur – for example, in connection with notes receivable – but is fundamentally of subordinate importance in the Continental Group.
- › **Other:** This business model constitutes a catch-all category. This model occurs in the Continental Group in connection with recognized trade accounts receivable from third parties which will probably be sold under a true sale-of-receivables factoring agreement; however, it is fundamentally of subordinate importance in the Continental Group.

In addition to the analysis of the business model, the contractual terms applicable on acquisition of the financial instrument must also be assessed (SPPI (solely payments of principal and interest) criterion). The SPPI criterion is met when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

On the basis of these two conditions, a distinction is drawn between the following measurement categories:

- **Measured at cost:** The financial asset, which constitutes a debt instrument, is held within a business model whose objective is to hold assets in order to collect contractual cash flows. Furthermore, the contractual cash flows can be characterized as payments of principal and interest on the principal amount outstanding. Interest income is recognized in the financial result using the effective interest method. Gains or losses arising from derecognition are recognized in profit or loss together with the foreign-currency gains and losses. Impairment losses are likewise recognized separately in the income statement.
- **Measured at fair value through other comprehensive income with reclassification (FVOCIwR):** The financial asset, which constitutes a debt instrument, is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Furthermore, the contractual cash flows can be characterized as payments of principal and interest on the principal amount outstanding. Changes in the carrying amount are recognized in other comprehensive income. Income or expenses from impairment, interest income and foreign-currency gains and losses are recognized in profit or loss. The cumulative gain or loss stated in other comprehensive income is reclassified from equity to the income statement when the financial asset is derecognized. Interest income is recognized in the financial result using the effective interest method. Foreign-currency gains and losses are recognized in other income and expenses.
- **Measured at fair value through profit or loss (FVPL):** The financial asset, which constitutes a debt instrument, is not to be measured at cost or at fair value through other comprehensive income with reclassification (FVOCIwR), as either the SPPI criterion was not met or the "Other" business model applies. Classification to the "measured at fair value through profit or loss (FVPL)" category can also be appropriate if the fair value option is applied to debt instruments that should actually be classified as measured at cost or at fair value through other comprehensive income with reclassification (FVOCIwR). However, the Continental Group does not currently intend to apply the fair value option to debt instruments. The financial asset, which constitutes an equity instrument, is to be measured at fair value through profit or loss if there is a trading intention or if there is no trading intention and the fair value option is not used. Income or expense from a financial asset measured at fair value through profit or loss is recognized in the income statement.
- **Measured at fair value through other comprehensive income without reclassification (FVOCIwoR):** In the case of a financial asset that constitutes an equity instrument and is not held for trading, changes in the carrying amount are recognized in other comprehensive income if the fair value option is used. The Conti-

ental Group regularly exercises this option. The cumulative gain or loss in other comprehensive income is not reclassified to the income statement when the financial asset is derecognized. Dividends are recognized in other income from investments.

Investments that fall within the scope of IFRS 9, *Financial Instruments*, and meet the definition of equity must generally be measured at fair value. For equity instruments that are neither held for trading nor constitute contingent consideration accounted for by the acquirer in a business combination according to IFRS 3, *Business Combinations*, the Continental Group regularly exercises the option at the acquisition date of recognizing changes in fair value in other comprehensive income without later reclassification. Dividends are an exception to this and continue to be recognized in profit or loss when the legal entitlement is established, unless this relates to a partial restitution of acquisition costs. Equity instruments held for trading are without exception recognized at fair value through profit or loss.

On initial recognition, the Continental Group measures a financial asset at fair value plus the transaction costs directly attributable to the acquisition, with the exception of financial assets measured at fair value through profit or loss, for which associated transaction costs are recognized as expense in the income statement.

Impairment is recognized using the expected loss model. The impairment model applies to financial assets measured at amortized cost or at fair value through other comprehensive income (FVOCI) (except for investments in equity instruments), contract assets that result from IFRS 15, *Revenue from Contracts with Customers*, lease receivables, loan commitments and financial guarantee contracts.

Loss allowances are measured on the basis of 12-month expected credit losses or on the basis of lifetime expected credit losses. 12-month expected credit losses result from possible default events within 12 months after the reporting date. Lifetime expected credit losses result from all possible default events over the expected life of a financial instrument.

Lifetime expected credit loss measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition, and 12-month expected credit loss measurement applies if it has not. The credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due on the reporting date.

For trade accounts receivable and contract assets with and without significant financing components, lease payments receivable and current receivables from related parties, only lifetime expected credit loss measurement is applied. Under this approach, the lifetime expected credit losses must be recognized from the initial recognition of the receivable.

A financial asset is in default or credit-impaired if one of the following criteria is met:

- › Insolvency or a similar event that indicates significant financial difficulty and a probable default of the counterparty.
- › Probable debt waiver.
- › A breach of contract that leads to the assumption that it is more probable that one or more receivables are not collectible.
- › Other reasons in the assessment of credit management that lead to the assumption that it is more probable that the receivables are not collectible.

If there is evidence of uncollectibility, the financial asset is derecognized. If creditworthiness improves, the allowance is reversed.

#### Financial liabilities

Financial liabilities are recognized in the statement of financial position as at the date Continental becomes a contractual party to the financial instrument.

Financial liabilities are generally measured at amortized cost using the effective interest method. Instruments that are held for trading are classified as "financial liabilities measured at fair value through profit or loss." For financial liabilities not held for trading, the fair value option can be exercised. If the fair value option is used, the portion of the change in the fair value due to changes in the credit risk of the liability is recognized in other comprehensive income. The fair value option is not currently exercised in the Continental Group. In the consolidated financial statements of Continental AG, all non-derivative financial liabilities are measured at amortized cost, which as a rule comprises the remaining principal balance and issuing costs, net of any unamortized premium or discount. Liabilities from finance leases are shown at the present value of the remaining lease payments based on the implicit lease interest rate. Financial obligations with fixed or determinable payments that comprise neither financial liabilities nor derivative financial liabilities and are not quoted in an active market are reported in the statement of financial position under other financial liabilities in accordance with their term.

In the case of information reported in accordance with IFRS 7, *Financial Instruments: Disclosures*, classification is in line with the items disclosed in the statement of financial position and/or the measurement category used in accordance with IFRS 9.

#### Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value through profit or loss (FVPL). The fair value is generally the market or exchange price. In the absence of an active market, the fair value is determined using financial models.

Fair values of currency forwards are calculated by way of future cash flows being translated into one of the two currencies using forward rates, netted, discounted with risk-free interest rates and then translated into the functional currency of the respective subsidiary at current spot exchange rates if applicable (par method).

The value of options is determined by applying recognized option pricing models.

To calculate the fair value of interest-rate swaps and cross-currency interest-rate swaps, the future cash flows are discounted with the interest rates for the respective maturities, with primarily deposit or IBOR rates used as short-term interest rates while long-term interest rates are based on the swap rates in the respective currency. Future cash flows are forecast using interest-rate curves with an appropriate payment tenor. When discounting, currency basis spreads or, if applicable, tenor basis spreads are taken into account.

The measurement of derivative instruments takes into account the credit spread in general.

Derivative instruments are recognized at the date when the obligation to buy or sell the instrument arises.

Hedge accounting is applied using derivative instruments as hedges, provided the conditions for this are met. Continental designates the hedges in their entirety only. Continental prepares documentation on the designation of the hedges and on the documentation of the fulfillment of the conditions for the application of hedge accounting.

Changes in the fair values of derivative instruments that are designated to hedge cash flows where effectiveness is demonstrated are recognized in the cash flow hedge reserve in the difference from financial instruments in equity. If these cumulative fair value changes from inception of the hedge exceed the cumulative present value changes of the hedged items, the excess amounts are recognized directly in the income statement. The cash flow hedge reserve is reclassified to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss.

If the hedged cash flows are no longer expected to occur, that amount is immediately reclassified from the reserve to profit or loss.

Hedge accounting under these separate rules is discontinued if the criteria for this are no longer met or the hedging instrument expires or is sold, terminated or exercised. In this case, the cash flow hedge reserve in place at the time of discontinuation is reclassified to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss, as long as the hedged future cash flows are still expected to occur. If they are not expected to occur, the cash flow hedge reserve is reclassified to profit or loss immediately.



The amount of the effective portion of the change in value of the hedges remaining from the hedging of foreign-currency risks from net investments in foreign operations is still recognized together with the effect from the currency translation of the net investment in the difference from currency translation in equity. The accumulated currency effects are not reclassified in profit and loss until the foreign operations are sold or liquidated.

#### **Embedded derivatives**

An embedded derivative is a component of a hybrid contract alongside a non-derivative host contract. A portion of the cash flows of the hybrid contract is therefore subject to similar variability as a separate derivative.

Non-derivative host contracts, with the exception of financial assets, are regularly inspected for embedded derivatives.

If the host contract does not fall under the scope of IFRS 9 or if the host contract is a financial liability, embedded derivatives must be separated from the host contract if the assessment finds that the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms would meet the definition of a derivative and Continental does not exercise the option to measure the entire hybrid instrument at fair value through profit or loss.

If separation is appropriate, the host contract is accounted for in accordance with the relevant IFRS requirements. The embedded derivative is recognized at fair value through profit or loss (FVPL).

#### **Inventories**

Inventories are recognized at the lower of cost and net realizable value. Acquisition cost is generally determined using the weighted-average method. Production cost includes direct costs, production-related material costs, overheads and depreciation. Inventory risks resulting from decreased marketability or excessive storage periods are accounted for with write-downs.

#### **Other assets**

Other assets are recognized at amortized cost. Allowances are recognized as appropriate to reflect any possible risk related to recoverability.

#### **Accounting for income taxes**

Income taxes are measured using the concept of the statement of financial position liability method in accordance with IAS 12, *Income Taxes*. Tax expenses and refunds that relate to income are recognized as income taxes. Late payment fines and interest arising from subsequently assessed taxes are not reported under the item income tax expense, but rather as interest income and expense.

Current taxes owed on income are recognized as expenses when they are incurred.

Deferred taxes include expected tax payments and refunds from temporary differences between the carrying amounts in the consolidated financial statements and the related tax bases, as well as from the utilization of loss carryforwards. No deferred tax is recognized for non-tax-deductible goodwill. The deferred tax assets and liabilities are measured at the applicable tax rates related to the period when the temporary differences are expected to reverse. Changes in tax rates are recognized once the rate has been substantially enacted. Deferred tax assets are not recognized if it is not probable that they will be realized in the future.

Income tax receivables and liabilities are recognized as current items, as they are due immediately and this due date often cannot be deferred.

#### **Employee benefits**

The retirement benefits offered by the Continental Group comprise both defined benefit and defined contribution plans.

Pension provisions under defined benefit plans are actuarially measured pursuant to IAS 19, *Employee Benefits* (revised 2011), using the projected unit credit method that reflects salary, pension and employee fluctuation trends. The discount rate to determine the present value is based on long-term loans in the respective capital market. Actuarial gains and losses are recognized in other comprehensive income. Expenses from interest cost on pension liabilities and income from pension funds are reported separately in the financial result.

Accordingly, the interest effects of other long-term employee benefits are reported in the financial result. Pension liabilities for some companies of the Continental Group are covered by pension funds. Furthermore, plan assets comprise all assets, as well as claims from insurance contracts, that are held exclusively toward payments to those entitled to pensions and are not available to meet the claims of other creditors. Pension obligations and plan assets are reported on a net basis in the statement of financial position.

The other post-employment benefits also shown under the employee benefits relate to obligations to pay for health costs for retired workers in the USA and Canada in particular.

Defined contribution plans represent retirement benefits where the company only contributes contractually fixed amounts for current service entitlements, which are generally invested by independent, external asset managers until the date of retirement of the employee. The fixed amounts are partly dependent on the level of the employee's own contribution. The company gives no guarantees of the value of the asset after the fixed contribution, either at the retirement date or beyond. The entitlement is therefore settled by the contributions paid in the year.



### Provisions for other risks and obligations

Provisions are recognized when a legal or constructive obligation has arisen that is likely to result in a future cash outflow to third parties and the amount can be reliably determined or estimated. The provisions are recognized as at the end of the reporting period at the value at which the obligations could probably be settled or transferred to a third party. Non-current provisions such as those for litigation or environmental risks are discounted to their present value. The resulting periodic interest charge for the provisions is shown under the financial result including an effect from a change in interest.

### Non-financial liabilities

Current non-financial liabilities are carried at their payable amount. Non-current non-financial liabilities are measured at amortized cost.

### Share-based payments

Cash-settled share-based payments are measured at fair value using a Monte Carlo simulation. The liabilities are recognized under other financial liabilities until the end of the holding period.

### Estimates

Proper and complete preparation of the consolidated financial statements requires management to make estimates and assumptions affecting the assets, liabilities and disclosures in the notes, as well as the income and expenses for the reporting period.

The most important estimates relate to the determination of the useful lives of intangible assets and property, plant and equipment; the impairment testing of goodwill and non-current assets, in particular the underlying cash flow forecasts and discount rates; the recoverability of amounts receivable and other assets as well as income tax receivable; the financial modeling parameters for share-

based payments; the recognition and measurement of liabilities and provisions, especially the actuarial parameters for pensions and other post-employment obligations; the parameters for measuring restructuring provisions; and the probabilities of claims and amounts of settlements for warranty, litigation or environmental risks.

The assumptions and estimates are based on the information currently available at the date of preparation of the consolidated financial statements. The underlying information is regularly reviewed and updated to reflect actual developments as necessary.

### Consolidated statement of cash flows

The statement of cash flows shows the sources during the reporting period that generated cash and cash equivalents as well as the application of cash and cash equivalents. This includes all cash and cash equivalents and demand deposits. Cash equivalents are short-term, highly liquid financial investments that can be readily converted into known cash amounts and are subject to an insignificant risk of changes in value.

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents.

Financial investments are considered to be cash equivalents only if they have a remaining term not exceeding three months.

### 3. New Accounting Pronouncements

In accordance with EU Regulation (EC) No. 1606/2002 in conjunction with Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch – HGB*), Continental AG has prepared its consolidated financial statements in compliance with IFRS as adopted by the Commission of the European Communities under the European Union endorsement procedure. Accordingly, IFRS are only required to be applied following endorsement of the new standards by the EU Commission.

**The following endorsed standards, interpretations issued in relation to published standards and amendments that were applicable to the consolidated financial statements of Continental AG became effective in 2020 and have been adopted accordingly:**

The amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, (Definition of Material)*, clarify the definition of materiality and standardize it in all standards and the Conceptual Framework of the IFRS. The amendments and the consequential amendments to other standards and publications are required to be applied for annual periods beginning on or after January 1, 2020. The amendments had no significant effect on the consolidated financial statements of Continental AG.

The amendments to IFRS 3, *Business Combinations (Definition of a Business)*, clarify the definition of a business with the objective to identify uniquely whether a transaction should be accounted for as a business combination or as an asset acquisition. An acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create output in order to be considered a business. The amendments add guidance and illustrative examples to assess whether a substantive process has been acquired and refine the definition of business and output. An assessment of whether market participants are capable of replacing missing elements or integrating the acquired activities and assets is no longer necessary. Furthermore, an optional concentration test was added to permit a simplified assessment of whether an acquired set of activities and assets is not a business. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. The amendments are required to be applied to acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The amendments had no significant effect on the consolidated financial statements of Continental AG.

The amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 7, *Financial Instruments: Disclosures, (Interest Rate Benchmark Reform)*, modify some specific hedge accounting requirements and require additional information about hedging relationships in the context of the uncertainty caused by the IBOR reform. The amendments are required to be applied for annual periods beginning on or after January 1, 2020. The amendments had no significant effect on the consolidated financial statements of Continental AG.

The amendment to IFRS 16, *Leases (Covid-19-Related Rent Concessions)*, provides a practical expedient that permits lessees not to assess whether rent concessions that meet specified conditions are lease modifications. Lessees that apply this expedient shall account for any change in lease payments resulting from the rent concessions in the same way as they would account for the change if it were not a lease modification pursuant to this standard. The amendment is required to be applied from June 1, 2020, at the latest for annual periods beginning on or after January 1, 2020. The amendment had no effect on the consolidated financial statements of Continental AG.

The *Amendments to References to the Conceptual Framework in IFRS Standards* set out amendments to IFRS Standards, the accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework (2018). The amendments are required to be applied for annual periods beginning on or after January 1, 2020. The amendments had no significant effect on the consolidated financial statements of Continental AG.

**The following standards, interpretations issued in relation to published standards and amendments have already been adopted by the EU but will not take effect until a later date:**

The amendments to IFRS 4, *Insurance Contracts (Extension of the Temporary Exemption from Applying IFRS 9)*, extend the expiry date for the temporary exemption from IFRS 9, *Financial Instruments*, by two years to annual periods beginning on or after January 1, 2023. The extension maintains the alignment between the expiry date of the temporary exemption and the effective date of IFRS 17, *Insurance Contracts*, which replaces IFRS 4. The amendments are required to be applied for annual periods beginning on or after January 1, 2021. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases, (Interest Rate Benchmark Reform (IBOR Reform) – Phase 2)*, address issues that might affect financial reporting during the reform of an interest rate benchmark, including changes to contractual cash flows or hedging relationships arising from the replacement of an interest-rate benchmark with an alternative benchmark rate (replacement issues). The amendments represent phase 2 of the deliberations regarding the interest-rate benchmark reform after the issuance of the phase 1 amendments. The amendments are required to be applied for annual periods beginning on or after January 1, 2021. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG. The following standards, interpretations issued in relation to published standards and amendments have not yet been adopted by the EU and will become effective at a later date:

The amendments to IAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*, clarify the classification of a liability. For a liability to be classified as non-current, the entity must have an unconditional right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The entity's intention to actually exercise this right is irrelevant. If the rights are dependent on certain terms, these must be fulfilled as at the end of the reporting period. If terms are attached to the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments, these do not affect its classification as current or non-current, provided the option is classified as an equity instrument and is reported separately as an equity component of a compound financial instrument in accordance with IAS 32, *Financial Instruments: Presentation*. The amendments were originally required to be applied for annual periods beginning on or after January 1, 2022. The amendment to IAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current – Deferral of Effective Date)*, defers the effective date of the amendments by one year to annual reporting periods beginning on or after January 1, 2023 as operational relief due to the COVID-19 pandemic. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 16, *Property, Plant and Equipment (Proceeds before Intended Use)*, deal with the accounting of proceeds from selling items produced during the period in which an item of property, plant and equipment is brought to its location and in the condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit the deduction of such proceeds from the cost of an item of property, plant

and equipment. The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)*, specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The cost of fulfilling a contract comprises the costs that relate directly to the contract. This includes the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IFRS 3, *Business Combinations (Reference to the Conceptual Framework)*, replace a reference to the *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (issued in March 2018). As the replacement of the reference was made without the intention to make significant changes to the requirements of IFRS 3, the amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. The amendments also clarify the existing guidance for contingent assets. The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

IFRS 17, *Insurance Contracts*, replaces IFRS 4, *Insurance Contracts*, and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. In June 2020, further amendments and clarifications were made to IFRS 17 in order to simplify the requirements of the standard and facilitate the transition to the new regulations. The standard and the consequential amendments to other standards were originally required to be applied for annual periods beginning on or after January 1, 2021. The amendments to IFRS 17 defer the effective date of IFRS 17 (including the amendments to IFRS 17 and the consequential amendments to other standards) by two years to annual reporting periods beginning on or after January 1, 2023. The standard and the consequential amendments to other standards are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

Under the IASB's annual improvements project, *Improvements to IFRSs, May 2020, Cycle 2018-2020*, the following amendments will become effective at a later date:

- › The amendment to IFRS 1, *First-time Adoption of International Financial Reporting Standards (Subsidiary as a First-time Adopter)*, extends the exemption relating to the measurement of assets and liabilities for a subsidiary that becomes a first-time adopter later than its parent. The amendment also extends the exemption to cumulative translation differences in equity.
- › The amendment to IFRS 9, *Financial Instruments (Fees in the "10 per cent" Test for Derecognition of Financial Liabilities)*, clarifies which fees an entity includes in the 10 per cent test for derecognition of financial liabilities. An entity derecognizes the original financial liability and recognizes a new financial liability when there is an exchange between an existing borrower and lender of debt instruments with substantially different terms; or a substantial modification of the terms of an existing financial liability or a part of it. To identify whether the terms are substantially different, the 10 per cent test must be carried out. The amendment to IFRS 9 clarifies that in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- › The amendment to *Illustrative Examples* accompanying IFRS 16, *Leases (Lease Incentives)*, deletes in Illustrative Example 13 the reimbursement relating to leasehold improvements that was included as part of the fact pattern. The example did not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.
- › The amendment to IAS 41, *Agriculture (Taxation in Fair Value Measurements)*, removes the requirement in IAS 41 to exclude cash flows from taxation when measuring fair value.

The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

## 4. Companies Consolidated and Information on Subsidiaries and Investments

### Companies consolidated

In addition to the parent company, the number of companies consolidated includes 563 (PY: 581) domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10 or that are classified as joint arrangements or associates. Of these, 444 (PY: 451) are fully consolidated and 119 (PY: 130) are accounted for using the equity method.

The number of companies consolidated has decreased by a total of 18 since the previous year. Six new companies were founded and two companies were acquired. Sixteen companies were sold and one company was liquidated. The number of companies consolidated also decreased by nine as a result of mergers.

The disposals in 2020 essentially resulted from the sale of SAS Autosystemtechnik GmbH & Co. KG., accounted for using the equity method.

A total of 36 (PY: 38) companies whose assets and liabilities, expenses and income – individually and combined – are not material for the earnings, financial and net assets position of the Continental Group, are not included in consolidation. Thirty-one (PY: 34) of these are affiliated companies, three (PY: three) of which are currently inactive. Five (PY: four) further companies not included in consolidation are associates. These units are active.

### Information on subsidiaries and investments

As at December 31, 2020, non-controlling interests were not of significance to the Continental Group. There are no significant restrictions in terms of access to or the use of assets of the Continental Group due to statutory, contractual or regulatory restrictions or property rights of non-controlling interests.

Noisetier SAS, Paris, France; Continental Teves Taiwan Co., Ltd., Tainan, Taiwan; and e.solutions GmbH, Ingolstadt, Germany, each of which has a 51% share of voting rights, and Carrel Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, Germany, which has a 94% share of voting rights, are not fully consolidated as, under the companies' statutes, these interests are not enough to direct the relevant activities of these investments.

EasyMile SAS, Toulouse, France, which has a 13% share of voting rights, is classified as an associate, as significant influence can be exerted on the basis of the company's Articles of Incorporation.

Continental AG consolidates 18 (PY: 18) structured entities. These structured entities are characterized, among other things, by limited activities and a narrowly defined business purpose. Continental holds no voting rights or investments in the fully consolidated structured entities. However, Continental directs the business activities of these entities on the basis of contractual rights. The shareholders therefore have no influence. Furthermore, Continental is also exposed to variable returns from these entities and can influence these by directing business activities. There are no significant shares or rights in non-consolidated structured entities.

Further information on equity investments and an overview of the German companies and partnerships that utilized the exemption provisions of Sections 264 (3) and 264b of the German Commercial Code (*Handelsgesetzbuch – HGB*) can be found in Note 42.

## 5. Acquisition and Disposal of Companies and Business Operations

### Acquisition of companies and business operations

In the Autonomous Mobility and Safety segment, there was an acquisition of additional shares in an already fully consolidated company for a purchase price of €2.8 million. The resulting difference of €0.5 million between the purchase price and the carrying amount of the acquired shares was recognized in other comprehensive income. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2020.

In the Vehicle Networking and Information segment, the 50% shareholding in SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, was sold to Faurecia Automotive GmbH, Stadthagen, Germany, with effect from January 30, 2020, for an amount of €245.4 million (taking into account a purchase price adjustment). The transaction thus resulted in a gain from disposal of €157.0 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2020.

An asset deal took place in the Tires segment. The purchase price of €0.3 million in total was paid in cash. The purchase price allocation mainly resulted in intangible assets of €0.2 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2020.

In the ContiTech segment, as a result of the final purchase price settlement for the acquisition of Merlett Tecnoplastico S.p.A., Daverio, Italy, in 2019, the purchase price increased by €0.3 million. The final purchase price allocation resulted in a decrease in goodwill of €2.5 million to a total of €4.7 million, due among other things to an increase in the valuation of other intangible assets of €0.2 million,

an increase in the valuation of property, plant and equipment of €7.1 million and a decrease in the valuation of inventories of €2.3 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2020.

In the ContiTech segment, there was a loss of €2.5 million from the disposal of a company. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2020.

In the Powertrain segment, a 50% shareholding in an equity-accounted investee was acquired for a purchase price of €11.7 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2020.

In the Powertrain segment, parts of the Sensing and Actuation business unit were sold to an earlier established and equity-accounted investee. This transaction resulted in income of €8.8 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2020.

In the Powertrain segment, the remaining shares in an already fully consolidated company were acquired for a purchase price of €170.0 million. The resulting difference of €114.2 million between the purchase price and the carrying amount of the acquired shares was recognized in other comprehensive income. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2020.

# Notes to the Consolidated Statement of Income

## 6. Revenue from Contracts with Customers

In addition to the comments in Note 2 (General Information and Accounting Principles), the disclosure requirements that arise in relation to IFRS 15, *Revenue from Contracts with Customers*, are grouped together in this note.

### Revenue in the Continental Group

Revenue from contracts with customers and revenue from other sources are shown in the two tables below:

€ millions	2020	2019
Sales	37,722.3	44,478.4
Other revenues from research and development	948.8	1,107.6
Other revenues	64.3	75.5
<b>Revenues from contracts with customers</b>	<b>38,735.4</b>	<b>45,661.5</b>
Other ancillary business	85.5	109.6
Government grants <sup>1</sup>	66.2	81.5
Sale of fixed assets	26.0	31.8
Revenues from franchising and trademarks	21.8	20.5
Sale of energy and scrap	19.0	10.7
Gains from sale of a company	248.1	0.0
Others	5.2	3.7
<b>Revenues from other sources</b>	<b>471.8</b>	<b>257.8</b>
<b>Total revenues</b>	<b>39,207.2</b>	<b>45,919.3</b>

<sup>1</sup> Government grants in connection with the COVID-19 pandemic are not included in this presentation. Please see Note 13.

### Sales from contracts with customers from January 1 to December 31, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Germany	1,254.3	1,990.8	1,348.6	1,035.9	1,374.2	-202.6	6,801.2
Europe excluding Germany	1,703.0	2,192.5	4,137.0	1,440.6	1,834.7	-47.6	11,260.2
North America	1,905.5	1,781.2	2,661.5	1,613.9	1,532.6	-83.4	9,411.3
Asia	2,556.1	1,752.8	1,453.4	1,119.8	2,151.5	-26.2	9,007.4
Other countries	110.3	138.8	558.1	368.4	74.7	-8.1	1,242.2
<b>Sales by region</b>	<b>7,529.2</b>	<b>7,856.1</b>	<b>10,158.6</b>	<b>5,578.6</b>	<b>6,967.7</b>	<b>-367.9</b>	<b>37,722.3</b>
Automotive original-equipment business	7,527.9	6,986.2	2,344.4	2,699.1	6,721.7	-226.2	26,053.1
Industrial/replacement business	1.3	869.9	7,814.2	2,879.5	246.0	-141.7	11,669.2
<b>Sales by customer type</b>	<b>7,529.2</b>	<b>7,856.1</b>	<b>10,158.6</b>	<b>5,578.6</b>	<b>6,967.7</b>	<b>-367.9</b>	<b>37,722.3</b>



## Sales from contracts with customers from January 1 to December 31, 2019

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/Holding/Consolidation	Continental Group
Germany	1,745.7	2,549.9	1,551.4	1,217.1	1,532.3	-246.8	8,349.6
Europe excluding Germany	2,051.1	2,611.7	4,761.8	1,631.4	2,109.5	-62.6	13,102.9
North America	2,336.3	2,322.9	3,166.3	2,015.1	1,871.1	-83.7	11,628.0
Asia	3,089.3	1,889.7	1,502.6	1,119.8	2,181.0	-30.4	9,752.0
Other countries	159.2	221.3	745.9	418.1	108.4	-7.0	1,645.9
<b>Sales by region</b>	<b>9,381.6</b>	<b>9,595.5</b>	<b>11,728.0</b>	<b>6,401.5</b>	<b>7,802.3</b>	<b>-430.5</b>	<b>44,478.4</b>
Automotive original-equipment business	9,379.1	8,592.8	3,059.4	3,230.1	7,518.3	-254.0	31,525.7
Industrial/replacement business	2.5	1,002.7	8,668.6	3,171.4	284.0	-176.5	12,952.7
<b>Sales by customer type</b>	<b>9,381.6</b>	<b>9,595.5</b>	<b>11,728.0</b>	<b>6,401.5</b>	<b>7,802.3</b>	<b>-430.5</b>	<b>44,478.4</b>

Revenue from research and development is presented in Note 7 (Research and Development Expenses) of the notes to the consolidated financial statements.

**Information on contract assets and contract liabilities**

Contract assets primarily arise in the project business from customer-specific goods or services for customers, but are only of minor significance in the Continental Group. Please see Note 2. Because in these cases the goods or services are provided over a medium-term or longer period in which goods or services have

already been provided by Continental but there is not yet an unconditional right against the customer - i.e. a receivable - contract assets must be recognized. The right - or part of the right - to consideration from the customer is often only unconditional once the provision of the services has been completed and can then be recognized as a receivable and invoiced in full. The associated payments are generally made on the basis of actual invoicing. The recognition of receivables and the receipt of payments reduce the associated contract assets.

The table below shows the contract assets from contracts with customers:

€ millions	December 31, 2020	December 31, 2019
Contract assets	119.1	89.2

Contract liabilities include mainly advance payments by customers for deliveries of goods and for services to be performed. In the case of these advance payments by customers for deliveries of goods and for services to be performed, for which contract liabilities are recognized, the customer has already paid the consideration - or part of the consideration - but Continental has generally

not yet satisfied its performance obligation, or has done so only to a limited extent. The provision of the corresponding services to the customers by Continental in these cases reduces the level of the associated contract liabilities.

The table below shows the contract liabilities from contracts with customers:

€ millions	December 31, 2020	December 31, 2019
Contract liabilities	298.0	251.6

Of the contract liabilities of €251.6 million accounted for at the beginning of the year, €236.1 million was recognized as revenue in the reporting year. As a result of performance obligations satisfied

in previous years, no material revenue - for example, due to changes in the transaction price - was recognized in the reporting year.

### Transaction price for performance obligations not yet satisfied

The table below shows the aggregated, anticipated amounts of transaction prices for performance obligations not yet satisfied or only partly satisfied from contracts as defined in IFRS 15 with a term of more than one year.

€ millions	2021	2022 onward
Revenue from research and development	305.2	249.8
Other revenues	95.8	48.0
<b>Total</b>	<b>401.0</b>	<b>297.8</b>

The amounts relate chiefly to future revenue from research and development, and the revenue is expected to be recognized within the periods shown. For contracts as defined in IFRS 15 with a term of less than one year, the practical expedient under IFRS 15.121 (a) is applied and no amounts are shown.

### Use of other practical expedients

For contracts for which the time interval between the provision of the service by Continental and the expected payment by the customer comes to more than one year as at the start of the contract, the practical expedient from IFRS 15.63 is applied and the transaction price is not adjusted for any significant financing components contained.

## 7. Research and Development Expenses

The expenses and revenue from research and development are shown in the two tables below. The research and development expenses include government grants totaling €56.4 million (PY: €68.6 million).

€ millions	2020					
	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Continental Group
Research and development expenses	-1,372.0	-1,550.8	-268.0	-174.7	-965.1	-4,330.6
Revenue from research and development	363.1	266.1	—	25.0	294.6	948.8
<b>Research and development expenses (net)</b>	<b>-1,008.9</b>	<b>-1,284.7</b>	<b>-268.0</b>	<b>-149.7</b>	<b>-670.5</b>	<b>-3,381.8</b>

€ millions	2019					
	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Continental Group
Research and development expenses	-1,468.1	-1,452.0	-299.4	-194.6	-1,057.7	-4,471.8
Revenue from research and development	419.4	262.8	—	31.8	393.6	1,107.6
<b>Research and development expenses (net)</b>	<b>-1,048.7</b>	<b>-1,189.2</b>	<b>-299.4</b>	<b>-162.8</b>	<b>-664.1</b>	<b>-3,364.2</b>

## 8. Other Income and Expenses

€ millions	2020	2019
Other income	1,711.2	1,774.6
Other expenses	-3,045.3	-4,203.2
<b>Other income and expenses</b>	<b>-1,334.1</b>	<b>-2,428.6</b>

### Other income

€ millions	2020	2019
Income from research and development	948.8	1,107.6
Income from the disposal of companies and business operations	170.3	0.0
Income in connection with specific warranties, restructuring measures and pending losses	93.8	116.3
Income from the reimbursement of customer tooling expenses	64.3	75.5
Income from the reversal of impairment on financial assets and contract assets	55.1	37.2
Income from the disposal of property, plant and equipment	26.0	31.8
Income from the reversal of provisions for litigation and environmental risks	25.8	34.0
Compensation from customers and suppliers	22.6	34.5
Reversal of impairment losses on property, plant and equipment	12.2	0.0
Income from the reversal of provisions for severance payments	6.8	4.7
Bargain purchase effect	–	2.2
Miscellaneous	285.5	330.8
<b>Other income</b>	<b>1,711.2</b>	<b>1,774.6</b>

Other income decreased by €63.4 million to €1,711.2 million (PY: €1,774.6 million) in the reporting period.

Income from research and development decreased by €158.8 million to €948.8 million (PY: €1,107.6 million).

Disposals of companies and business operations resulted in income of €170.3 million (PY: €0.0 million) in 2020.

Income of €93.8 million (PY: €116.3 million) resulted in the reporting period in connection with specific warranties, restructuring measures and pending losses.

Reimbursement of customer tooling expenses resulted in income of €64.3 million (PY: €75.5 million) in 2020.

Income from the reversal of impairment on financial assets and contract assets was €55.1 million (PY: €37.2 million).

Income of €26.0 million (PY: €31.8 million) was generated from the disposal of property, plant and equipment in the period under review.

The reversal of provisions for litigation and environmental risks resulted in income totaling €25.8 million (PY: €34.0 million).

Compensation from customers and suppliers resulted in income totaling €22.6 million (PY: €34.5 million) in the reporting period.

Reversal of impairment losses on property, plant and equipment resulted in income of €12.2 million (PY: €0.0 million) in 2020.

Income of €6.8 million (PY: €4.7 million) arose from the reversal of provisions for severance payments in the reporting period.

The "Miscellaneous" item also includes income from insurance compensation due to damage to property, plant and equipment caused by force majeure. In addition, government grants amounting to €9.8 million (PY: €12.9 million) that were not intended for investments in non-current assets were received and recognized in profit or loss in the "Miscellaneous" item.

## Other expenses

€ millions	2020	2019
Expenses from specific warranties, restructuring measures and pending losses	1,249.7	952.7
Impairment on goodwill	654.6	2,293.5
Impairment on property, plant and equipment, and intangible assets	234.4	216.4
Additions to provisions for litigation and environmental risks	219.0	80.6
Expenses from impairment on financial assets and contract assets	118.6	75.3
Expenses from severance payments	97.5	61.9
Compensation to customers and suppliers	62.7	11.2
Expenses from customer tooling	60.7	60.2
Expenses from currency translation	23.2	75.3
Losses on the disposal of property, plant and equipment, and from scrapping	21.4	27.3
Losses on the disposal of companies and business operations	2.7	0.0
Incidental acquisition costs from acquisitions of companies and business operations	0.1	5.4
Miscellaneous	300.7	343.4
<b>Other expenses</b>	<b>3,045.3</b>	<b>4,203.2</b>

Other expenses decreased by €1,157.9 million to €3,045.3 million (PY: €4,203.2 million) in the reporting period.

Expenses totaling €1,249.7 million (PY: €952.7 million) resulted in the reporting period from specific warranty provisions, restructuring measures and pending losses.

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles was not expected to increase substantially compared to pre-crisis levels over the next five years until 2025. The expected impact of restructuring measures was also taken into account in this planning process. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €654.6 million (PY: €2,293.5 million). Please see Note 2 for information on impairment.

Impairment on property, plant and equipment, and intangible assets amounted to €234.4 million (PY: €216.4 million) in the reporting period. This included expenses from derecognitions of brand values totaling €85.7 million (PY: –).

In connection with provisions for litigation and environmental risks, there were expenses of €219.0 million (PY: €80.6 million).

Expenses from impairment on financial assets and contract assets were €118.6 million (PY: €75.3 million).

Personnel adjustments not related to restructuring led to expenses from severance payments of €97.5 million (PY: €61.9 million).

Compensation to customers and suppliers that is not attributable to warranties resulted in expenses of €62.7 million (PY: €11.2 million) in the reporting period.

Expenses from customer tooling of €60.7 million (PY: €60.2 million) arose in 2020.

In the year under review, expenses of €23.2 million (PY: €75.3 million) were incurred as a result of currency translation from operating receivables and liabilities in foreign currencies not classified as indebtedness.

Losses on the disposal of property, plant and equipment, and from scrapping amounted to €21.4 million (PY: €27.3 million) in 2020.

Expenses of €2.7 million (PY: €0.0 million) resulted from the disposal of companies and business operations.

Incidental acquisition costs of €0.1 million (PY: €5.4 million) were incurred for the acquisition of companies and business operations.

The "Miscellaneous" item also includes expenses from other taxes and losses due to force majeure.

## 9. Personnel Expenses

The following total personnel expenses are included in function costs in the income statement:

€ millions	2020	2019
Wages and salaries	9,616.0	9,532.9
Social security contributions	1,715.8	1,838.4
Pension and post-employment benefit costs	436.9	378.7
<b>Personnel expenses</b>	<b>11,768.7</b>	<b>11,750.0</b>

Compared to the 2019 reporting year, personnel expenses rose by €18.7 million to €11,768.7 million (PY: €11,750.0 million). The average number of employees in 2020 was 235,480 (PY: 244,137). As at the end of the year, there were 236,386 (PY: 241,458) employees in the Continental Group.

The year-on-year decline in personnel expenses due to the lower number of employees was more than offset by provisions for restructuring measures. Please also see the comments in the management report.

## 10. Income from Investments

€ millions	2020	2019
Income from equity-accounted investees	-68.5	-124.3
Other income from investments	0.6	0.5
<b>Income from investments</b>	<b>-67.9</b>	<b>-123.8</b>

Income from investments includes, in particular, the share of income from equity-accounted investees in the amount of -€68.5 million (PY: -€124.3 million). Income from equity-accounted investees includes the creation of a provision for capital commitments to an associate in the amount of €45.0 million.

Furthermore, an expense in the amount of €37.5 million was recorded in the Powertrain segment due to an allowance recognized on the carrying amount of an associate.

## 11. Financial Result

€ millions	2020	2019
Interest and similar income	33.7	66.5
Expected income from long-term employee benefits and from pension funds	64.8	80.7
<b>Interest income</b>	<b>98.5</b>	<b>147.2</b>
Interest and similar expenses	-129.1	-120.6
Interest expenses from lease liabilities	-28.5	-32.1
Interest expense for long-term provisions and liabilities	1.9	-3.2
Interest expense from long-term employee benefits	-126.5	-161.4
<b>Interest expense</b>	<b>-282.2</b>	<b>-317.3</b>
<b>Effects from currency translation</b>	<b>-97.4</b>	<b>-30.5</b>
Effects from changes in the fair value of derivative instruments	60.6	-12.7
Other valuation effects	8.5	-107.0
<b>Effects from changes in the fair value of derivative instruments, and other valuation effects</b>	<b>69.1</b>	<b>-119.7</b>
<b>Financial result</b>	<b>-212.0</b>	<b>-320.3</b>

The negative financial result improved by €108.3 million year-on-year to €212.0 million (PY: €320.3 million) in 2020. This is attributable primarily to the sum of the effects from currency translation and from changes in the fair value of derivative instruments, and other valuation effects.

Interest income decreased by €48.7 million year-on-year to €98.5 million (PY: €147.2 million) in 2020. Expected income from long-term employee benefits and from pension funds totaled €64.8 million in this period (PY: €80.7 million). This did not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €282.2 million in 2020 and was thus €35.1 million lower than the previous year's figure of €317.3 million. The interest expense from long-term employee benefits totaled €126.5 million (PY: €161.4 million) in this period. This did not include the interest expense from the defined benefit obligations of the pension contribution funds. At €155.7 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was largely unchanged from the prior-year figure of €155.9 million. Interest expense on lease liabilities accounted for €28.5 million of this (PY: €32.1 million).

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €50.0 million (PY: bonds issued by Continental AG and Continental Rubber of America, Corp., Wilmington, Delaware, USA, resulted in expenses of €32.4 million). The increase resulted primarily from the issue of

euro bonds with a total volume of €1,400.0 million in the second half of 2019 and with a total volume of €2,125.0 million in the second quarter of 2020. In addition to a floating-rate €200.0-million bond from Continental AG, the other bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, have a fixed interest rate of between 0.000% p.a. and 2.500% p.a. A counter-effect is attributable to the repayment of euro bonds. These were the €500.0-million bond from Continental Rubber of America, Corp., Wilmington, Delaware, USA, that matured on February 19, 2019, and the €600.0-million and €750.0-million euro bonds from Continental AG that matured on February 5, 2020, and September 9, 2020, respectively.

Effects from currency translation resulted in a negative contribution to earnings of €97.4 million (PY: €30.5 million) in the reporting year. This was countered by effects from changes in the fair value of derivative instruments, and other valuation effects, which resulted in income of €69.1 million (PY: expense of €119.7 million). Other valuation effects accounted for €8.5 million of this (PY: expense of €107.0 million). Whereas in the previous year expenses of €108.2 million arose from allowances for doubtful accounts on loans to associates as well as from the creation of a provision for loan commitments to these companies, income of €2.2 million resulted from the reversal of these allowances in the reporting year. Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in 2020 were negatively impacted by €36.8 million (PY: €43.2 million).

## 12. Income Tax Expense

The domestic and foreign income tax expense of the Continental Group is as follows:

€ millions	2020	2019
Current taxes (domestic)	-181.1	-175.1
Current taxes (foreign)	-573.4	-894.1
Deferred taxes (domestic)	494.3	173.4
Deferred taxes (foreign)	271.5	313.4
<b>Income tax expense</b>	<b>11.3</b>	<b>-582.4</b>

The following table shows the reconciliation of the expected tax expense to the reported tax expense:

€ millions	2020	2019
<b>Earnings before tax</b>	<b>-930.1</b>	<b>-588.6</b>
Non-tax-deductible impairment of goodwill <sup>1</sup>	456.3	1,631.7
<b>Earnings before tax and impairment of goodwill</b>	<b>-473.8</b>	<b>1,043.1</b>
Expected tax expense at the domestic tax rate	145.5	-320.2
Non-recognition of deferred tax assets unlikely to be realized	-232.1	-117.4
Incentives and tax holidays <sup>2</sup>	204.6	195.3
Non-deductible expenses and non-imputable withholding taxes	-188.8	-387.4
Foreign tax rate differences	145.3	146.2
Initial recognition of deferred tax assets likely to be realized	83.3	7.1
Local income tax with different tax base	-59.3	-90.7
Taxes for previous years	-57.3	-79.3
Effects from changes in enacted tax rate	-31.1	15.0
Realization of previously non-recognized deferred taxes	5.9	22.2
Change in permanent differences	-2.9	36.6
Other	-1.8	-9.8
<b>Income tax expense</b>	<b>11.3</b>	<b>-582.4</b>
<b>Effective tax rate in %</b>	<b>2.4</b>	<b>55.8</b>

<sup>1</sup> Earnings before tax are not adjusted for the total goodwill impairment in the amount of €654.6 million (PY: €2,293.5 million). A portion totaling €198.3 million (PY: €661.8 million) resulted in the reversal of deferred tax liabilities and therefore must be excluded from the reconciliation.

<sup>2</sup> Includes the tax effect from equity-accounted investees. The figures from the comparative period have been adjusted accordingly.

The average domestic tax rate in 2020 was 30.7% (PY: 30.7%). This took into account a corporate tax rate of 15.0% (PY: 15.0%), a solidarity surcharge of 5.5% (PY: 5.5%) and a trade tax rate of 14.9% (PY: 14.9%).

The reduction in the tax expense from foreign tax rate differences primarily reflects the volume of activities in Eastern Europe and Asia.

As in the previous year, foreign tax rate differences as well as incentives and tax holidays had positive effects in the year under review. The tax rate was negatively impacted by non-cash allowances on deferred tax assets totaling €232.1 million (PY: €117.4 million), of which €35.1 million (PY: €3.9 million) was for previous years. Furthermore, as in the previous year, the tax rate was negatively

affected by non-deductible expenses and non-imputable foreign withholding taxes. Please see Note 20.

The tax effects from government incentives and tax holidays decreased slightly in comparison to the previous year. In addition to the ongoing utilization of incentives in Europe and Asia, the utilization of government incentives in the USA had a further positive impact. In the year under review, local income taxes of €59.3 million (PY: €90.7 million) were incurred with a different tax base. This was attributable primarily to the alternative minimum tax in the USA.

The effects from the change in enacted tax rate relate to the re-measurement of deferred tax assets and liabilities due to changes in the law already taking effect with regard to future applicable tax rates.



The following table shows the total income tax expense, also including the items reported under reserves recognized directly in equity:

€ millions	December 31, 2020	December 31, 2019
<b>Income tax expense (acc. to consolidated statement of income)</b>	<b>11.3</b>	<b>-582.4</b>
Tax income on other comprehensive income	41.7	237.5
Remeasurement of defined benefit plans	43.4	236.9
Investment in equity-accounted investees	0.0	0.1
Currency translation	-1.7	0.3
Cash flow hedges	–	0.2
<b>Total income tax expense</b>	<b>53.0</b>	<b>-344.9</b>

### 13. Grants in Connection with the COVID-19 Pandemic

Government grants paid to the Continental Group as a result of the COVID-19 pandemic totaled €111.0 million (PY: –) in the year under review and were recognized in income. These primarily include

reimbursements of social security contributions in the amount of €67.9 million (PY: –), the majority of which relate to short-time work income.

# Notes to the Consolidated Statement of Financial Position

## 14. Goodwill and Other Intangible Assets

€ millions	Goodwill	Capitalized development expenses <sup>1</sup>	Other intangible assets	Advances to suppliers	Total other intangible assets
<b>As at January 1, 2019</b>					
Cost	9,823.5	552.1	2,818.5	29.8	3,400.4
Accumulated depreciation	-2,590.1	-260.6	-1,573.5	–	-1,834.1
<b>Book value</b>	<b>7,233.4</b>	<b>291.5</b>	<b>1,245.0</b>	<b>29.8</b>	<b>1,566.3</b>
<b>Net change in 2019</b>					
Book value	7,233.4	291.5	1,245.0	29.8	1,566.3
Exchange-rate changes	36.5	1.0	30.3	0.0	31.3
Additions	–	200.4	99.7	26.2	326.3
Additions from the first-time consolidation of subsidiaries	137.1	0.0	189.3	–	189.3
Transfers	–	-25.4	36.9	-11.5	0.0
Disposals	–	–	-0.1	0.0	-0.1
Depreciation	–	-119.2	-251.7	–	-370.9
Impairment	-2,293.5	-12.8	-17.6	-20.0	-50.4
<b>Book value</b>	<b>5,113.5</b>	<b>335.5</b>	<b>1,331.8</b>	<b>24.5</b>	<b>1,691.8</b>
<b>As at December 31, 2019</b>					
Cost	10,004.8	631.1	3,139.9	44.5	3,815.5
Accumulated depreciation	-4,891.3	-295.6	-1,808.1	-20.0	-2,123.7
<b>Book value</b>	<b>5,113.5</b>	<b>335.5</b>	<b>1,331.8</b>	<b>24.5</b>	<b>1,691.8</b>
<b>Net change in 2020</b>					
Book value	5,113.5	335.5	1,331.8	24.5	1,691.8
Exchange-rate changes	-94.8	-4.3	-42.7	-0.3	-47.3
Additions	–	130.4	87.3	26.2	243.9
Additions from the first-time consolidation of subsidiaries	-2.5	–	0.4	–	0.4
Transfers	–	-4.2	13.2	-8.2	0.8
Disposals	–	0.0	-0.6	-0.6	-1.2
Depreciation	–	-131.8	-323.2	–	-455.0
Impairment <sup>2</sup>	-654.6	–	-86.5	–	-86.5
<b>Book value</b>	<b>4,361.6</b>	<b>325.6</b>	<b>979.7</b>	<b>41.6</b>	<b>1,346.9</b>
<b>As at December 31, 2020</b>					
Cost	9,860.1	717.7	3,130.3	41.6	3,889.6
Accumulated depreciation	-5,498.5	-392.1	-2,150.6	–	-2,542.7
<b>Book value</b>	<b>4,361.6</b>	<b>325.6</b>	<b>979.7</b>	<b>41.6</b>	<b>1,346.9</b>

<sup>1</sup> Excluding development expenses for internally generated software.

<sup>2</sup> Expenses from derecognitions of brand values are likewise included.

The final purchase price allocation for the acquisition of a company in 2019 resulted in a decrease of goodwill of €2.5 million in 2020. Acquisitions of companies in the previous year resulted in an addition to goodwill totaling €137.1 million. The carrying amount of goodwill relates principally to the acquisitions of Siemens VDO

(2007), Continental Teves (1998), the automotive electronics business from Motorola (2006), Elektrobit Automotive (2015) and Veyance Technologies (2015).

Please see Note 8 for information on impairment.

The table below shows the goodwill of each cash-generating unit, in line with the current organizational structure in the respective fiscal year:

€ millions	Goodwill	
	December 31, 2020	December 31, 2019
Vehicle Dynamics	802.8	Vehicle Dynamics 808.7
Hydraulic Brake Systems	140.2	Hydraulic Brake Systems 143.5
Passive Safety and Sensorics	586.6	Passive Safety & Sensorics 592.7
Advanced Driver Assistance Systems	363.2	Advanced Driver Assistance Systems 366.1
Continental Engineering Services	16.9	Continental Engineering Services 17.5
<b>Autonomous Mobility and Safety</b>	<b>1,909.7</b>	<b>Chassis &amp; Safety 1,928.5</b>
		Instrumentation & Driver HMI <sup>1</sup> 0.0
Connected Car Networking	—	Infotainment & Connectivity <sup>1</sup> 0.0
Human Machine Interface	—	Body & Security <sup>1</sup> 757.9
Commercial Vehicles and Services <sup>2</sup>	710.6	Commercial Vehicles & Aftermarket <sup>2</sup> 630.2
<b>Vehicle Networking and Information</b>	<b>710.6</b>	<b>Interior 1,388.1</b>
		Passenger and Light Truck Tire Original Equipment 2.0
Original Equipment Passenger and Light Truck Tires (PLT)	2.0	Passenger and Light Truck Tire Replacement Business, EMEA 140.0
Replacement, EMEA (Europe, the Middle East and Africa) PLT	139.6	Passenger and Light Truck Tire Replacement Business, APAC 193.6
Replacement, APAC (Asia and Pacific region) PLT	195.1	Passenger and Light Truck Tire Replacement Business, The Americas 16.9
Replacement, The Americas (North, Central and South America) PLT	15.5	Commercial Vehicles Tires 57.2
Commercial Vehicle Tires	53.5	<b>Tires 409.7</b>
<b>Tires</b>	<b>405.7</b>	Air Spring Systems 22.7
		Surface Solutions 116.8
Air Spring Systems	22.1	Special Technologies and Solutions 1.9
Surface Solutions	116.3	Conveying Solutions 106.8
Special Technologies and Solutions	1.9	Mobile Fluid Systems 48.7
Conveying Solutions	106.8	Industrial Fluid Solutions 141.4
Mobile Fluid Systems	48.7	Power Transmission Group 44.1
Industrial Fluid Solutions	141.4	Vibration Control 69.1
Power Transmission Group	44.1	<b>ContiTech 550.4</b>
Vibration Control	69.1	Electronic Controls 472.1
<b>ContiTech</b>	<b>550.4</b>	Sensing and Actuation 313.1
		<b>Powertrain 785.2</b>
Electronic Controls	472.1	<b>Continental Group 4,361.6</b>
Sensing and Actuation	313.1	
<b>Powertrain</b>	<b>785.2</b>	
<b>Continental Group</b>	<b>4,361.6</b>	<b>Continental Group 5,113.5</b>

<sup>1</sup> Since January 2020: Connected Car Networking and Human Machine Interface.

<sup>2</sup> Since January 2020: Commercial Vehicles and Services; as part of the reorganization of the Vehicle Networking and Information segment, goodwill of €96.0 million from Body & Security was allocated to Commercial Vehicles and Services.

<sup>3</sup> Since January 2020: Conveying Solutions.

<sup>4</sup> Since January 2020: Electronic Controls.

<sup>5</sup> Since January 2020: Sensing and Actuation.

The additions to purchased intangible assets from changes in the scope of consolidation are attributable primarily to customer relationships and know-how. Other additions related mainly to software in the amount of €76.6 million (PY: €85.2 million). Under IAS 38, *Intangible Assets*, €130.4 million (PY: €200.4 million) of the total development costs incurred in 2020 qualified for recognition as an asset.

Amortization of other intangible assets amounted to €455.0 million (PY: €370.9 million). Of this, €364.0 million (PY: €296.7 million) is included in the consolidated statement of income under the cost of sales and €91.0 million (PY: €74.2 million) under administrative expenses.

The other intangible assets include carrying amounts adjusted for translation-related exchange-rate effects and not subject to amortization in the amount of €41.0 million (PY: €112.2 million). These relate in particular to the Elektrobit brand name in the amount of €30.4 million (PY: €30.4 million), the Phoenix brand name in the

amount of €4.2 million (PY: €4.2 million) and the Matador brand name in the amount of €3.2 million (PY: €3.2 million). The purchased intangible assets also include the carrying amounts of software amounting to €123.2 million (PY: €164.4 million), which are amortized on a straight-line basis as scheduled.

## 15. Property, Plant and Equipment

The additions to property, plant and equipment from changes in the scope of consolidation in the amount of €7.2 million resulted primarily from the higher valuation of the property, plant and equipment as part of the final purchase price allocation for the acquisition of Merlett Tecnoplastic S.p.A., Daverio, Italy, in 2019. Please see Note 5.

In the Autonomous Mobility and Safety segment, in addition to the capital expenditure at German locations, production capacity was expanded at European best-cost locations, as well as in North America and Asia. In particular, production capacity was increased in the Vehicle Dynamics and Advanced Driver Assistance Systems business units. Important additions related to the creation of new production facilities for electronic brake systems.

In the Vehicle Networking and Information segment, investments were made in the expansion of production capacity in Europe as well as in Asia and North America. Investments focused primarily on the expansion of production capacity for the Human Machine Interface and Connected Car Networking business units. Important additions related to the construction of the new plant in Aguascalientes, Mexico. In addition, production capacity for operation and display solutions was expanded.

In the Tires segment, production capacity was expanded and established in Europe, North America and Asia. There were major additions relating to the new plant buildings in Clinton, Mississippi, USA, and Rayong, Thailand. Quality assurance and cost-cutting measures were implemented as well.

In the ContiTech segment, investments focused on the expansion of production capacity in selected growth markets for the Mobile Fluid Systems, Surface Solutions and Conveying Solutions business units. In Pune, India, an investment was made in the establishment of an additional production site for the Surface Solutions business unit. In addition, investments were made in all business units to rationalize existing production processes.

The capital expenditure in the Powertrain segment was primarily attributable to production equipment for the manufacture of new products and the implementation of new technologies. Production capacity was increased in particular in China, Germany, Hungary, the USA and Czechia. An investment was also made in Debrecen, Hungary, in the construction of a new plant.

Please see Note 8 for information on impairment and reversal of impairment losses.

Government investment grants of €23.7 million (PY: €38.4 million) were deducted directly from cost.

As in the previous year, no borrowing costs were capitalized when applying IAS 23.

Please see Note 26 for information on reclassifications during the period to assets held for sale.

There are restrictions on title and property, plant and equipment pledged as security for liabilities in the amount of €46.0 million (PY: €12.3 million).

Please see Note 16 for information on the right-of-use assets that are recognized under property, plant and equipment in accordance with IFRS 16, *Leases*.

€ millions	Land, land rights and buildings <sup>1</sup>	Technical equipment and machinery	Other equipment, factory and office equipment	Advances to suppliers and assets under construction	Total
<b>As at January 1, 2019</b>					
Cost	4,948.9	18,770.5	2,970.3	2,561.3	<b>29,251.0</b>
Accumulated depreciation	-2,074.0	-12,609.3	-2,182.0	-10.2	<b>-16,875.5</b>
<b>Book value</b>	<b>2,874.9</b>	<b>6,161.2</b>	<b>788.3</b>	<b>2,551.1</b>	<b>12,375.5</b>
thereof finance leases	8.8	0.5	1.0	—	<b>10.3</b>
<b>Net change in 2019</b>					
Book value	2,862.9	6,160.4	788.3	2,551.1	<b>12,362.7</b>
Exchange-rate changes	28.7	59.7	4.3	35.3	<b>128.0</b>
Additions	195.7	984.3	203.9	1,510.0	<b>2,893.9</b>
Additions from the first-time consolidation of subsidiaries <sup>2</sup>	28.9	60.5	7.5	4.8	<b>101.7</b>
Amounts disposed of through disposal of subsidiaries	—	-0.6	0.0	—	<b>-0.6</b>
Transfers	309.0	1,313.5	124.9	-1,747.4	<b>0.0</b>
Disposals	-3.2	-41.1	-5.6	-2.5	<b>-52.4</b>
Depreciation	-204.1	-1,543.9	-280.0	—	<b>-2,028.0</b>
Impairment <sup>3</sup>	-30.8	-100.2	-4.0	-21.9	<b>-156.9</b>
<b>Book value</b>	<b>3,187.1</b>	<b>6,892.6</b>	<b>839.3</b>	<b>2,329.4</b>	<b>13,248.4</b>
<b>As at December 31, 2019</b>					
Cost	5,481.2	20,792.0	3,224.1	2,361.6	<b>31,858.9</b>
Accumulated depreciation	-2,294.1	-13,899.4	-2,384.8	-32.2	<b>-18,610.5</b>
<b>Book value</b>	<b>3,187.1</b>	<b>6,892.6</b>	<b>839.3</b>	<b>2,329.4</b>	<b>13,248.4</b>
<b>Net change in 2020</b>					
Book value	3,187.1	6,892.6	839.3	2,329.4	<b>13,248.4</b>
Exchange-rate changes	-160.4	-317.0	-30.5	-94.6	<b>-602.5</b>
Additions	103.4	564.0	144.1	1,070.4	<b>1,881.9</b>
Additions from the first-time consolidation of subsidiaries	7.1	—	0.1	—	<b>7.2</b>
Amounts disposed of through disposal of subsidiaries	-1.9	-1.5	-0.1	0.0	<b>-3.5</b>
Reclassification to/from assets held for sale	-2.3	-5.4	0.0	—	<b>-7.7</b>
Transfers	325.3	1,101.2	150.8	-1,578.9	<b>-1.6</b>
Disposals	-8.3	-35.6	-4.9	-3.0	<b>-51.8</b>
Depreciation	-218.8	-1,569.3	-281.6	—	<b>-2,069.7</b>
Impairment <sup>3</sup>	-11.4	-106.3	-6.9	-2.6	<b>-127.2</b>
<b>Book value</b>	<b>3,219.8</b>	<b>6,522.7</b>	<b>810.3</b>	<b>1,720.7</b>	<b>12,273.5</b>
<b>As at December 31, 2020</b>					
Cost	5,637.0	21,077.2	3,344.0	1,752.4	<b>31,810.6</b>
Accumulated depreciation	-2,417.2	-14,554.5	-2,533.7	-31.7	<b>-19,537.1</b>
<b>Book value</b>	<b>3,219.8</b>	<b>6,522.7</b>	<b>810.3</b>	<b>1,720.7</b>	<b>12,273.5</b>

<sup>1</sup> Investment property is shown separately in Note 17.

<sup>2</sup> Included in the additions from the first-time consolidation of subsidiaries are additions from property, plant and equipment in the amount of €3.8 million from a previously unconsolidated entity that was included in the consolidation for the first time.

<sup>3</sup> Impairment also includes necessary reversal of impairment losses.

## 16. Leases

In addition to the comments in Note 2 (General Information and Accounting Principles), the disclosure requirements that arise in relation to IFRS 16, *Leases*, are grouped together in this note.

### Continental Group as lessee

#### Right-of-use assets

The right-of-use assets recognized from leases relate primarily to the leasing of land and buildings at various locations worldwide. To a small extent, right-of-use assets are recognized for technical equipment and machinery as well as other equipment, factory and office equipment.

Additions within the right-of-use assets amounted to €289.7 million for the reporting year (PY: €331.0 million). These resulted mainly from additions to land and buildings in the amount of €239.2 million (PY: €277.9 million) and from additions to other equipment,

factory and office equipment in the amount of €48.8 million (PY: €50.2 million). There were no additions within the right-of-use assets from changes in the scope of consolidation in the reporting year (PY: €14.3 million). Please see Note 5.

The right-of-use assets reported as at December 31, 2020 in the amount of €1,487.1 million (PY: €1,684.3 million) correspond to approximately 10.8% (PY: 11.3%) of all property, plant and equipment of the Continental Group. The weighted average lease term is approximately five years (PY: approx. five years) for right-of-use assets for land and buildings, approximately three years (PY: approx. three years) for right-of-use assets for technical equipment and machinery, and approximately three years (PY: approx. three years) for right-of-use assets for other equipment, factory and office equipment.

The development of right-of-use assets in the reporting year was as follows:

€ millions	Right of use for land and buildings	Right of use for technical equipment and machinery	Right of use for other equipment, factory and office equipment	Total
<b>Book value as at January 1, 2019</b>	<b>1,637.9</b>	<b>8.1</b>	<b>88.9</b>	<b>1,734.9</b>
<b>Net change in 2019</b>				
Book value	1,637.9	8.1	88.9	1,734.9
Exchange-rate changes	21.7	0.1	1.2	23.0
Additions	277.9	2.9	50.2	331.0
Additions from the first-time consolidation of subsidiaries	11.8	1.8	0.7	14.3
Transfers	-0.1	-0.7	0.8	0.0
Disposals	-58.0	-0.6	-14.8	-73.4
Depreciation	-290.3	-3.7	-42.4	-336.4
Impairment <sup>1</sup>	-9.1	—	0.0	-9.1
<b>Book value</b>	<b>1,591.8</b>	<b>7.9</b>	<b>84.6</b>	<b>1,684.3</b>
<b>As at December 31, 2019</b>				
Cost	1,888.9	11.7	126.1	2,026.7
Accumulated depreciation	-297.1	-3.8	-41.5	-342.4
<b>Book value</b>	<b>1,591.8</b>	<b>7.9</b>	<b>84.6</b>	<b>1,684.3</b>
<b>Net change in 2020</b>				
Book value	1,591.8	7.9	84.6	1,684.3
Exchange-rate changes	-52.1	-0.2	-3.6	-55.9
Additions	239.2	1.7	48.8	289.7
Additions from the first-time consolidation of subsidiaries	—	—	—	—
Transfers	0.1	0.3	-0.4	0.0
Disposals	-68.3	-0.1	-4.0	-72.4
Depreciation	-299.3	-3.8	-47.0	-350.1
Impairment <sup>1</sup>	-8.5	—	—	-8.5
<b>Book value</b>	<b>1,402.9</b>	<b>5.8</b>	<b>78.4</b>	<b>1,487.1</b>
<b>As at December 31, 2020</b>				
Cost	1,965.3	12.2	144.1	2,121.6
Accumulated depreciation	-562.4	-6.4	-65.7	-634.5
<b>Book value</b>	<b>1,402.9</b>	<b>5.8</b>	<b>78.4</b>	<b>1,487.1</b>

<sup>1</sup> Impairment also includes necessary reversal of impairment losses.



### Lease liabilities

As at the end of the reporting period, lease liabilities amounted to €1,543.0 million (PY: €1,715.0 million). Future cash outflows resulting from leases are shown in the following table:

€ millions	2020	2019
Less than one year	344.1	346.3
One to two years	286.2	299.2
Two to three years	231.2	250.8
Three to four years	176.9	203.0
Four to five years	147.3	156.2
More than five years	463.5	589.7
<b>Total undiscounted lease liabilities</b>	<b>1,649.2</b>	<b>1,845.2</b>
<b>Lease liabilities as at December 31</b>	<b>1,543.0</b>	<b>1,715.0</b>
Current	319.0	318.3
Non-current	1,224.0	1,396.7

In the reporting year, the following amounts were recognized in the income statement:

€ millions	2020	2019
Interest expenses on lease liabilities	28.5	32.1
Expenses relating to short-term leases	41.6	69.5
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	8.4	12.0
Expenses from variable lease payments not included in the measurement of lease liabilities	1.5	0.5
Income from subleasing right-of-use assets	0.6	0.3

In the reporting year, the following amounts were recognized in the statement of cash flows:

€ millions	2020	2019
Cash outflow for leases	420.3	433.5

In addition to cash outflows for the interest and principal portion of recognized lease liabilities, the cash outflow for leases also includes variable lease payments and lease payments for unrecognized leases for low-value assets as well as for short-term leases.

### Potential future cash outflows

The leases recognized as at December 31, 2020, include options that were not considered reasonably certain as at the reporting date and are not included in the measurement of lease liabilities. These options may result in potential future cash outflows over the coming fiscal years.

The leases in some cases include variable lease payments as well as extension, termination and purchase options. As a rule, the Continental Group endeavors to include extension and termination options in new leases in order to ensure operational flexibility. For the initial measurement of lease liabilities, such options are recognized once it is reasonably certain that they will be exercised. If a signifi-

cant event or a significant change in circumstances occurs that is within Continental's control, this will be taken into account accordingly in the remeasurement of lease liabilities. As at the end of the reporting period, potential future lease payments of €680.2 million (PY: €638.0 million) from such options were not included in the measurement of lease liabilities. Potential future cash outflows of €1.9 million (PY: €2.7 million) arising from variable lease payments were likewise not included in the measurement of lease liabilities as at the end of the reporting period.

The future scope of obligations arising from leases to which Continental is committed but that had not yet commenced as at the balance sheet date amounted to €160.1 million (PY: €216.7 million).

The Continental Group estimates the potential cash outflow from residual value guarantees, which were not included in the measurement of the lease liability as at the reporting date, at €0.4 million (previous year: €0.0 million).

**Continental Group as lessor**

The Continental Group acts as lessor in some business relationships. These are operating leases, as the Continental Group retains the material risks and rewards incidental to ownership.

**Operating leases**

Lease income from operating leases in which the Continental Group acts as lessor amounted to €0.9 million (PY: €1.0 million) for the past fiscal year. These related primarily to the leasing of land and buildings.

Future cash inflows resulting from leases as at the end of the reporting period are shown in the following table:

€ millions	2020	2019
Less than one year	0.6	0.8
One to two years	0.5	0.3
Two to three years	0.5	0.3
Three to four years	0.0	0.3
Four to five years	0.0	0.0
More than five years	0.0	0.0
<b>Total undiscounted lease payments</b>	<b>1.6</b>	<b>1.7</b>

## 17. Investment Property

€ millions	2020	2019
Cost as at January 1	20.7	22.3
Accumulated depreciation as at January 1	-9.0	-10.3
<b>Net change</b>		
<b>Book value as at January 1</b>	<b>11.7</b>	<b>12.0</b>
Exchange-rate changes	-0.3	0.0
Additions	0.3	–
Reclassifications	0.8	0.0
Depreciation	-0.3	-0.3
<b>Book value as at December 31</b>	<b>12.2</b>	<b>11.7</b>
Cost as at December 31	21.2	20.7
Accumulated depreciation as at December 31	-9.0	-9.0

The fair value – determined using the gross rental method – of land and buildings accounted for as investment property as at December 31, 2020, amounted to €16.2 million (PY: €16.5 million). Rental

income in 2020 amounted to €2.9 million (PY: €2.8 million), while associated maintenance costs of €1.3 million (PY: €1.4 million) were incurred.

## 18. Investments in Equity-accounted Investees

€ millions	2020	2019
<b>As at January 1</b>	<b>397.7</b>	<b>644.9</b>
Additions	19.5	27.4
Disposals	-9.2	–
Changes in the consolidation method, and transfers	–	-88.4
Share of income	21.2	33.6
Impairment	-44.7	-157.9
Dividends received	-30.7	-66.8
Changes in other comprehensive income	-0.8	4.5
Exchange-rate changes	-1.7	0.4
<b>As at December 31</b>	<b>351.3</b>	<b>397.7</b>

Investments in equity-accounted investees include carrying amounts of joint ventures in the amount of €215.5 million (PY: €204.5 million) and of associates in the amount of €135.8 million (PY: €193.2 million).

A material joint venture of the Tires segment in the Passenger and Light Truck Tire Original Equipment (PLT) business unit is MC Projects B.V., Maastricht, Netherlands, plus its subsidiaries. The company, which is jointly controlled by Continental Global Holding Netherlands B.V., Maastricht, Netherlands, and Compagnie Financière Michelin SCmA, Granges-Paccot, Switzerland, each holding 50% of the voting rights, mainly supplies tire-wheel assemblies to automotive manufacturers. Michelin contributed the rights to the Uniroyal brand for Europe to the joint venture. MC Projects B.V. licenses these rights to Continental.

The following investments in material joint ventures are held within the Autonomous Mobility and Safety and Vehicle Networking and Information segments:

› Continental AG, Hanover, holds 49% of the voting rights in Shanghai Automotive Brake Systems Co., Ltd., Shanghai, China, which is jointly controlled with Huayu Automotive Systems Co., Ltd., Shanghai, China. The main business purpose of the company is the production of hydraulic braking systems for the Chinese market; it is assigned to the Hydraulic Brake Systems and Vehicle Dynamics business units.

› SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, which was jointly controlled by Continental Automotive GmbH, Hanover, Germany, and Faurecia Automotive GmbH, Stadthagen, Germany, was sold to Faurecia Automotive GmbH, Stadthagen, Germany, as planned at the beginning of 2020. The carrying amount of the equity-accounted investee of €88.4 million was already classified as “held for sale” in the third quarter of 2019 and included in the “Assets held for sale” item.

The figures taken from the last two available sets of IFRS-compliant financial statements (2019 and 2018) for the material joint ventures above are as follows. Amounts are stated at 100%. Furthermore, the share of net assets has been reconciled to the respective carrying amount of the investment. All investments are accounted for using the equity method.

	MC Projects B.V.		Shanghai Automotive Brake Systems Co., Ltd.		SAS Autosystemtechnik GmbH & Co. KG	
€ millions	2019	2018	2019	2018	2019	2018
Dividends received	5.0	4.0	20.5	21.9	15.0	15.0
Current assets	146.8	150.4	258.2	284.3	532.1	490.2
thereof cash and cash equivalents	36.6	39.8	61.1	68.6	51.3	64.7
Non-current assets	164.6	105.3	110.3	111.5	212.9	136.9
Total assets	311.3	255.7	368.5	395.8	745.0	627.1
Current liabilities	110.4	102.5	176.8	194.3	519.0	485.1
thereof other short-term financial liabilities	0.0	0.0	–	–	0.0	0.0
Non-current liabilities	53.0	5.4	10.5	13.4	81.6	4.6
thereof long-term financial liabilities	1.3	1.3	–	–	–	–
Total liabilities	163.4	107.9	187.3	207.7	600.6	489.7
Sales	165.5	165.8	418.4	529.0	738.8	633.4
Interest income	0.2	0.1	0.6	0.4	0.3	0.3
Interest expense	0.5	0.1	–	–	3.3	0.2
Depreciation and amortization	17.5	13.4	16.9	15.7	43.4	28.1
Earnings from continued operations	16.2	18.9	34.0	48.6	35.6	47.0
Other comprehensive income	–	–	–	–	-0.1	-1.5
Income tax expense	-5.7	-6.5	4.1	7.2	18.9	17.8
Earnings after tax	10.2	14.6	34.0	48.6	35.2	45.8
Net assets	148.0	147.8	181.2	188.1	144.5	137.4
Share of net assets	74.0	73.9	88.8	92.2	72.2	68.7
Goodwill	–	–	10.6	10.6	20.3	20.3
Exchange-rate changes	–	–	-1.4	-9.4	–	–
Change in other comprehensive income for the prior year	–	–	–	–	-0.7	0.3
Share earnings for prior years	3.9	4.6	–	0.0	–	–
Carrying amount <sup>1</sup>	77.9	78.4	98.0	93.4	88.4	89.2

<sup>1</sup> SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, was included in the "Assets held for sale" item in the third quarter of 2019. From this point in time onward, the share of income was no longer recognized.

IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, Germany, is a material associate. Continental Automotive GmbH, Hanover, Germany, and Vitesco Technologies GmbH, Hanover, Germany, each hold 10% of the shares and voting rights. The company, together with its subsidiaries, mainly provides development services for the automotive industry and is assigned to the Electronic Controls business unit.

OSRAM CONTINENTAL GmbH, Munich, Germany, along with its subsidiaries is another material associate of Continental in the Vehicle Networking and Information segment. Continental Automotive GmbH, Hanover, Germany, and OSRAM GmbH, Munich, Germany, each hold a 50% stake in it. The company operates in the field of lights, light control and electronics.

On December 29, 2020, Continental and Osram reached an agreement on the termination of the joint venture. The objective is to return the two incorporated business units to their respective participating companies, subject to the approval of the relevant antitrust authorities. As part of this agreement, Continental Automotive GmbH, Hanover, Germany will sell its 50% share in OSRAM CONTINENTAL GmbH, Munich, Germany to OSRAM GmbH, Munich, Germany. The ongoing difficult market situation no longer allows the

former joint expectations of profitable growth for the joint venture to be realized. Due to this planned termination, we have reclassified this investment as "held for sale."

Both shareholders have agreed to make further capital contributions until the termination is completed to ensure the financing of OSRAM CONTINENTAL GmbH, Munich, Germany. Owing to the continued unclear expectations with regard to the future business development of the associate, we have recognized a provision of €45.0 million for these capital commitments.

The figures taken from the last two available sets of IFRS-compliant financial statements (2018 and 2019) for IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, Germany, are as follows. The IFRS-compliant financial information for OSRAM CONTINENTAL GmbH, Munich, Germany, was disclosed for the periods from January 1, 2020, to December 31, 2020, and from January 1, 2019, to December 31, 2019. These disclosure periods differ from the associate's fiscal year, which ends as at September 30. Amounts are stated at 100%. Furthermore, the share of net assets has been reconciled to the respective carrying amount of the investment, which is accounted for using the equity method.

€ millions	IAV GmbH Ingenieurgesellschaft Auto und Verkehr		OSRAM CONTINENTAL GmbH	
	2019	2018	2020	2019
Dividends received	0.0	0.0	–	–
Current assets	343.9	352.1	55.0	74.8
Non-current assets	334.4	241.6	115.0	216.1
Total assets	678.4	593.7	170.0	290.9
Current liabilities	280.1	300.5	204.5	159.4
Non-current liabilities	147.4	61.5	14.9	18.2
Total liabilities	427.5	362.0	219.5	177.6
Sales	1,001.7	907.4	267.0	285.6
Earnings from continued operations	36.1	8.5	-167.9	-106.9
Other comprehensive income	0.1	-0.1	–	–
Earnings after tax	35.9	8.4	-167.9	-106.9
Net assets	250.9	231.7	-49.4	113.3
Share of net assets	50.2	46.3	-24.7	56.7
Goodwill	12.7	12.7	256.5	256.5
Elimination of non-realized gains from downstream sales	–	–	-186.0	-186.0
Change in other comprehensive income for the prior year	3.3	0.0	–	–
Other adjustments	-0.1	-0.2	–	–
Accumulated impairment <sup>1</sup>	–	–	-157.9	-157.9
Carrying amount	66.1	59.0	0.0	0.0

<sup>1</sup> The carrying amount for the associate OSRAM CONTINENTAL GmbH, Munich, Germany, was fully impaired as at September 30, 2019, due to changes in expectations with regard to future business development.

The figures taken from the last two available sets of financial statements (2019 and 2018) for the joint ventures and associates that are not material to the Continental Group are summarized as fol-

lows. Amounts are stated in line with the proportion of ownership interest.

€ millions	Associates		Joint ventures	
	2019	2018	2019	2018
Earnings from continued operations	23.8	20.9	-7.9	-5.4
<b>Earnings after tax</b>	<b>23.8</b>	<b>20.9</b>	<b>-7.9</b>	<b>-5.4</b>

## 19. Other Investments

€ millions	December 31, 2020	December 31, 2019
Investments in unconsolidated affiliated companies	14.2	14.7
Other participations	109.2	182.9
<b>Other investments</b>	<b>123.4</b>	<b>197.6</b>

Other investments are accounted for at fair value. Changes are recognized in other comprehensive income.

With regard to year-on-year changes in the carrying amount, -€33.5 million (PY: -) resulted from a reclassification to other financial assets, €31.8 million (PY: €2.1 million) from disposals, -€7.0 million (PY: -) from changes in fair value and -€1.9 million (PY: €0.6 million) from exchange-rate effects. The disposals from other financial

assets are attributable to a capital repayment of an investment in the amount of €31.8 million. There were no changes in the carrying amount from additions (PY: €6.2 million).

Dividends received from other investments amounted to €0.6 million in the reporting year (PY: €0.5 million).

There is currently no intention to sell any of the other investments.

## 20. Deferred Taxes

Deferred taxes developed as follows:

€ millions	Dec. 31, 2020						Dec. 31, 2019
	Deferred tax assets	Deferred tax liabilities	Net	Recognized in profit or loss	Recognized in equity	Recognized in other comprehensive income	Net
Other intangible assets and goodwill	533.5	-869.3	-335.8	42.8	-1.0	-8.2	-369.4
Property, plant and equipment	196.1	-512.4	-316.3	-20.6	-1.7	8.9	-302.9
Inventories	306.4	-99.4	207.0	15.2	0.4	-4.8	196.2
Other assets	319.7	-325.9	-6.2	-24.5	-	1.1	17.2
Employee benefits less defined benefit assets	1,516.4	-14.3	1,502.1	182.9	-	31.4	1,287.8
Provisions for other risks and obligations	423.9	-9.0	414.9	223.0	-	-9.2	201.1
Indebtedness and other financial liabilities	517.9	-62.9	455.0	15.3	-	-8.7	448.4
Other differences	254.4	-234.4	20.0	75.5	-	-6.7	-48.8
Allowable tax credits	61.8	-	61.8	26.2	-	-14.9	50.5
Tax losses carried forward and limitation of interest deduction	580.3	-	580.3	230.0	-	-38.6	388.9
<b>Deferred taxes (before offsetting)</b>	<b>4,710.4</b>	<b>-2,127.6</b>	<b>2,582.8</b>	<b>765.8</b>	<b>-2.3</b>	<b>-49.7</b>	<b>1,869.0</b>
Offsetting (IAS 12.7.4)	-1,959.0	1,959.0	-	-	-	-	-
<b>Net deferred taxes</b>	<b>2,751.4</b>	<b>-168.6</b>	<b>2,582.8</b>				<b>1,869.0</b>

Deferred taxes are measured in accordance with IAS 12, *Income Taxes*, at the tax rate applicable for the periods in which they are expected to be realized. Since 2008, there has been a limit on the deductible interest that can be carried forward in Germany; the amount deductible under tax law is limited to 30% of taxable income before depreciation, amortization and interest.

The development of deferred taxes in the year under review was influenced in particular by the economic impact of the COVID-19 pandemic and the company's adopted restructuring measures.



Deferred tax assets were up €577.0 million at €2,751.4 million (PY: €2,174.4 million). This was primarily attributable to a €191.4 million increase in tax losses carried forward and limitation of interest deduction, and a €210.9 million increase in deferred taxes on other provisions.

Deferred tax liabilities declined by €136.8 million year-on-year to €168.6 million (PY: €305.4 million). This was influenced primarily by a €81.6 million decline in deferred tax liabilities on intangible assets.

As at December 31, 2020, the corporate tax losses, in Germany and abroad, carried forward amounted to €4,950.2 million (PY: €3,701.4 million). The majority of the Continental Group's tax losses carried forward relate to foreign subsidiaries and are mostly limited in terms of the time period for which they can be carried forward.

Deferred tax assets were not recognized in relation to the following items because it is currently not deemed sufficiently likely that they will be utilized:

€ millions	December 31, 2020	December 31, 2019
Temporary differences	110.0	75.4
Tax losses carried forward and limitation of interest deduction	603.4	447.4
Allowable tax credits	71.9	67.2
<b>Total unrecognized deferred tax assets</b>	<b>785.3</b>	<b>590.0</b>

As at December 31, 2020, some Continental Group companies and tax groups that reported a loss in the current or previous year recognized total deferred tax assets of €1,732.2 million (PY: €915.8 million), which arose from current losses, tax losses carried forward and a surplus of deferred tax assets. Given that future taxable income is expected, it is sufficiently probable that these deferred tax assets can be realized. The temporary differences from retained earnings of foreign companies amounted to a total of €1,070.1

million (PY: €943.0 million). Deferred tax liabilities were not taken into account, since remittance to the parent company is not planned in the short or medium term.

The measurement differences from assets held for sale and related liabilities are included in the "Other assets" and "Other differences" items.

## 21. Other Financial Assets

€ millions	December 31, 2020		December 31, 2019	
	Short-term	Long-term	Short-term	Long-term
Amounts receivable from related parties	2.3	–	2.9	0.6
Loans to third parties	–	64.0	–	69.8
Amounts receivable from employees	19.7	–	25.7	–
Other amounts receivable	124.8	97.0	89.9	44.2
<b>Other financial assets</b>	<b>146.8</b>	<b>161.0</b>	<b>118.5</b>	<b>114.6</b>

Amounts receivable from related parties related primarily to loans to associates.

Amounts receivable from employees related mainly to preliminary payments for hourly wages and for other advances.

Loans to third parties mainly related to tenants' loans for individual properties and loans to customers with various maturities.

In particular, other amounts receivable include investment subsidies for research and development expenses not yet utilized and amounts receivable from suppliers. The carrying amounts of the other financial assets are essentially their fair values.

Please see Note 32 for information on the default risks in relation to other financial assets.

## 22. Other Assets

€ millions	December 31, 2020		December 31, 2019	
	Short-term	Long-term	Short-term	Long-term
Trade accounts receivable from the sale of customer tools	201.3	–	244.6	–
Tax refund claims (incl. VAT and other taxes)	613.3	–	706.3	–
Prepaid expenses	197.5	–	203.3	–
Other <sup>1</sup>	340.4	24.2	252.5	28.6
<b>Other assets</b>	<b>1,352.5</b>	<b>24.2</b>	<b>1,406.7</b>	<b>28.6</b>

<sup>1</sup> The changes in the "Other" item result primarily from the change in the accounting policy for revenue recognition for subsidiaries in China.

The tax refund claims primarily resulted from VAT receivables from the purchase of production materials.

Among other things, the "Other" item includes other deferred or advanced costs.

The trade accounts receivable from the sale of customer tools related to costs that have not yet been invoiced. The year-on-year decline of €43.3 million resulted mainly from a decrease in the Vehicle Networking and Information and ContiTech segments.

Impairment totaling €13.7 million (PY: €10.6 million) was recognized for the probable default risk on other assets. Expenses of €3.1 million (PY: income of €1.9 million) arose in the reporting period.

In particular, prepaid expenses include rent and maintenance services paid for in advance and license fees.

## 23. Inventories

€ millions	December 31, 2020	December 31, 2019
Raw materials and supplies	1,369.5	1,474.3
Work in progress	827.2	840.1
Finished goods and merchandise	2,041.5	2,380.0
<b>Inventories</b>	<b>4,238.2</b>	<b>4,694.4</b>

Write-downs recognized on inventories increased by €54.9 million to €551.2 million (PY: €496.3 million).

## 24. Trade Accounts Receivable

€ millions	December 31, 2020	December 31, 2019
Trade accounts receivable	7,512.6	7,840.1
Allowances for doubtful accounts	-159.4	-128.5
<b>Trade accounts receivable</b>	<b>7,353.2</b>	<b>7,711.6</b>

The carrying amounts of the trade accounts receivable, net of allowances for doubtful accounts, are their fair values. Please see Note 32 for information on the default risks in relation to trade accounts receivable.

The Continental Group uses several programs for the sale of receivables. When the risks and rewards of receivables, in particular credit and default risks, have mostly not been transferred, the receivables are still recognized as assets in the statement of financial position.

Under the existing sale-of-receivables programs, the contractual rights to the receipt of payment inflows have been assigned to the corresponding contractual parties. The transferred receivables have short remaining terms. As a rule, therefore, the carrying amounts as at the reporting date in the amount of €537.4 million (PY: €702.4 million) are approximately equivalent to their fair value. The respective liabilities with a carrying amount of €296.0 million (PY: €468.6 million) represent the liquidation proceeds from the sale of the receivables. As in the previous year, this was approximately equivalent to their fair value. The committed financing volume under these sale-of-receivables programs amounts to €400.0 million (PY: €665.0 million).

## 25. Cash and Cash Equivalents

Cash and cash equivalents include all liquid funds and demand deposits. Cash equivalents are short-term, highly liquid financial investments that can be readily converted into known cash amounts and are subject to an insignificant risk of changes in value. As at the reporting date, cash and cash equivalents amounted to €2,938.7 million (PY: €3,341.8 million). Of that, €2,639.8 million (PY: €3,114.3 million) was unrestricted.

For information on the interest-rate risk and the sensitivity analysis for financial assets and liabilities, please see Note 32.

## 26. Assets Held for Sale

€ millions	December 31, 2020	December 31, 2019
Individual assets held for sale	22.8	89.6
Assets of a disposal group	—	—
<b>Assets held for sale</b>	<b>22.8</b>	<b>89.6</b>

Assets held for sale of €22.8 million (PY: €89.6 million) include in particular a production line of from Budapest, Hungary, in the amount of €18.7 million.

## 27. Equity

Number of shares outstanding	2020	2019
As at January 1	200,005,983	200,005,983
Change in the period	–	–
As at December 31	200,005,983	200,005,983

The subscribed capital of Continental AG was unchanged year-on-year. At the end of the reporting period it amounted to €512,015,316.48 and was composed of 200,005,983 no-par-value shares with a notional value of €2.56 per share.

Under the German Stock Corporation Act (*Aktiengesetz – AktG*), the dividends distributable to the shareholders are based solely on Continental AG's retained earnings as at December 31, 2020, of €6,038.9 million (PY: €5,856.0 million), as reported in the annual financial statements prepared in accordance with the German Commercial Code. The Supervisory Board and Executive Board will propose a suspension of the dividend for fiscal 2020 to the Annual Shareholders' Meeting. Retained earnings are to be carried forward to new account.

## 28. Employee Benefits

The following table outlines the employee benefits:

€ millions	December 31, 2020		December 31, 2019	
	Short-term	Long-term	Short-term	Long-term
Pension provisions (unfunded obligations and net liabilities from obligations and related funds)	–	5,528.8	–	4,851.7
Provisions for other post-employment benefits	–	205.7	–	215.9
Provisions for similar obligations	4.3	59.1	3.4	60.0
Other employee benefits	–	303.8	–	255.3
Liabilities for workers' compensation	34.7	12.5	35.8	23.4
Liabilities for payroll and personnel-related costs	756.3	–	882.7	–
Termination benefits	60.1	–	46.8	–
Liabilities for social security	182.6	–	179.6	–
Liabilities for vacation	198.5	–	220.4	–
<b>Employee benefits</b>	<b>1,236.5</b>	<b>6,109.9</b>	<b>1,368.7</b>	<b>5,406.3</b>
<b>Defined benefit assets (difference between pension obligations and related funds)</b>		<b>82.7</b>		<b>7.8</b>

### Long-term employee benefits

#### Pension plans

In addition to statutory pension insurance, the majority of employees are also entitled to defined benefit or defined contribution plans after the end of their employment.

Our pension strategy is focusing on switching from defined benefit to defined contribution plans in order to offer both employees and the company a sustainable and readily understandable pension system.

Many defined benefit plans have been closed for new employees or future service and replaced by defined contribution plans.

In countries in which defined contribution plans are not possible for legal or economic reasons, defined benefit plans have been optimized or changed to minimize the associated risks of longevity, inflation and salary increases.

As part of the intended spin-off of the Powertrain segment under the name of Vitesco Technologies, the pension plans for employees of the Powertrain segment were separated and will in the future be continued independently.

### Defined benefit plans

Defined benefit plans include pension plans, termination indemnities regardless of the reason for the end of employment and other post-employment benefits. As a result of the significant increase in the number of employees in recent years and the high level of acquisition activity, pension obligations essentially relate to active employees. The defined benefit pension plans cover 164,503 beneficiaries, including 121,066 active employees, 17,405 former employees with vested benefits, and 26,032 retirees and surviving dependents. The pension obligations are concentrated in four countries: Germany, the USA, the United Kingdom and Canada, which account for more than 90% of total pension obligations.

The weighted average term of the defined benefit pension obligations is around 21 years. This term is based on the present value of the obligations.

#### Germany

In Germany, Continental provides pension benefits through the cash balance plan, prior commitments and deferred compensation.

The retirement plan regulation applicable to active members is based primarily on the cash balance plan and thus on benefit modules. When the insured event occurs, the retirement plan assets are paid out as a lump-sum benefit, in installments or as a pension, depending on the amount of the retirement plan assets. There are no material minimum guarantees in relation to a particular amount of retirement benefits.

Pension plans transferred to or assumed by Continental in the context of acquisitions (Siemens VDO, Temic, Teves, Phoenix) were included in the cash balance plans. For the main German companies, the cash balance plan is partly covered by funds in contractual trust arrangements (CTAs). In Germany, there are no legal or regulatory minimum funding requirements.

The separation of the pension plans for employees of the Powertrain segment also resulted in a separation of the associated CTAs.

The CTAs are legally independent from the company and manage the plan assets as trustees in accordance with the respective CTAs.

Some prior commitments were granted through two legally independent pension contribution funds. Pensionskasse für Angestellte der Continental Aktiengesellschaft VVaG and Pensionskasse von 1925 der Phoenix AG VVaG have been closed since March 1, 1984, and July 1, 1983, respectively. The pension contribution funds are smaller associations within the meaning of Section 53 of the German Insurance Supervision Act (*Versicherungsaufsichtsgesetz – VAG*) and are subject to the supervision of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). The investment regulations are in accordance with the legal requirements and risk structure of the obligations. The pension contribution funds have tariffs with an interest rate of 2.6%. Under the German Company Pensions Law (*Betriebsrentengesetz – BetrAVG*), Continental is ultimately liable for the implementation path of the pension contribution fund. In

accordance with IAS 19, *Employee Benefits*, the pension obligations covered by the pension contribution fund are therefore defined benefit pension plans. The pension contribution funds met their minimum net funding requirement as at December 31, 2020. However, given that only the plan members are entitled to the assets and amounts generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

Continental also supports private contribution through deferred compensation schemes.

Deferred compensation is essentially offered through a fully funded multi-employer plan (Höchster Pensionskasse VVaG) for contributions up to 4% of the assessment ceiling in social security. The pension contribution fund ensures guaranteed minimum interest for which Continental is ultimately liable under the German Company Pensions Law. The company is not liable for guarantees to employees of other companies. As Höchster Pensionskasse VVaG is a combined defined benefit plan for several companies and Continental has no right to the information required for accounting for this defined benefit plan, this plan is recognized as a defined contribution plan.

Entitled employees can use the cash balance plan for deferred compensation contributions above the 4% assessment ceiling. This share is funded by insurance annuity contracts.

#### USA

Owing to its acquisition history, Continental has various defined benefit plans in the USA, which were closed to new entrants and frozen to accretion of further benefits in a period from April 1, 2005, to December 31, 2011. In 2017, acquisitions also included an open defined benefit plan for unionized employees.

The closed defined benefit plans are commitments on the basis of the average final salary and cash balance commitments. The defined benefit plans for unionized and non-unionized employees are based on a pension multiplier per year of service.

Closed defined benefit plans were replaced by defined contribution plans. Defined contribution plans apply to the majority of active employees in the USA.

The plan assets of the defined benefit plans are managed in a master trust. Investment supervision was delegated to the Pension Committee, a body appointed within the Continental Group. The legal and regulatory framework for the plans is based on the US Employee Retirement Income Security Act (ERISA).

The valuation of the financing level is required on the basis of this law. The interest rate used for this calculation is the average rate over a period of 25 years and therefore currently higher than the interest rate used to discount obligations under IAS 19. The statutory valuation therefore gives rise to a lower obligation than that in line with IAS 19. There is a regulatory requirement to ensure minimum funding of 80% in the defined benefit plans to prevent benefit curtailments.

In 2020, another extraordinary allocation to the US pension plans of US \$92.3 million was made.

#### United Kingdom

Continental maintains four defined benefit plans as a result of its history of acquisitions in the United Kingdom. All plans are commitments on the basis of the average or final salary. The four plans were closed to new employees in the period between April 1, 2002, and November 30, 2004. Continental offers defined contribution plans for all employees who have joined the company since that time.

As at April 5, 2016, the Continental Group Pension and Life Assurance Scheme was frozen to accretion of further benefits. It was replaced by a defined contribution plan as at April 6, 2016.

As at July 31, 2017, the Mannesmann UK Pension Scheme was frozen to accretion of further benefits. It was replaced by a defined contribution plan as at August 1, 2017.

Our pension strategy in the UK focuses on reducing risks and includes the option of partially or completely funding by purchasing annuities.

The funding conditions are defined by the UK Pensions Regulator and the corresponding laws and regulations. The defined benefit plans are managed by trust companies. The boards of trustees of these companies have an obligation solely to the good of the beneficiaries on the basis of the trust agreement and the law.

The necessary funding is determined every three years through technical valuations in line with local provisions. The obligations are measured using a discount rate based on government bonds and other conservatively selected actuarial assumptions. Compared to IAS 19, which derives the discount rate from senior corporate bonds, this usually results in a higher obligation. Three of the four defined benefit plans had a funding deficit on the basis of the most recent technical valuation. The trustees and the company have agreed on a recovery plan that provides for additional temporary annual payments. The valuation process must be completed within 15 months of the valuation date.

The most recent technical valuations of the four defined benefit pension plans took place with their valuation dates between December 2017 and March 2019 and led to the following result:

- › Continental Teves UK Employee Benefit Scheme (assessment as at December 31, 2017): As part of the assessment, an agreement on a minimum annual endowment of GBP 1.4 million over a period of five years was resolved. This amount is payable until the next review is performed in the technical assessment.
- › Continental Group Pension and Life Assurance Scheme (assessment as at April 5, 2018): An agreement was concluded with an insurer in 2019 for a complete buy-out through the acquisition of annuities. The necessary data clarifications and preparatory work progressed considerably in 2020, and finalization is expected in 2021.
- › Mannesmann UK Pension Scheme (assessment as at March 31, 2019): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 75,000 for the period from April 1, 2019, to September 30, 2019; a minimum monthly endowment of GBP 100,000 for the period from October 1, 2019, to March 31, 2020; a minimum monthly endowment of GBP 150,000 for the period from April 1, 2020, to March 31, 2021; a minimum monthly endowment of GBP 175,000 for the period from April 1, 2021, to March 31, 2023; and a minimum monthly endowment of GBP 200,000 for the period from April 1, 2023, to August 31, 2026.
- › Phoenix Dunlop Oil & Marine Pension Scheme (assessment as at December 31, 2018): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 2.2 million and an annual adjustment of 3.5% over a period of four years. Thereafter, there will be an annual payment of GBP 1.4 million and an annual adjustment of 3.5% over a period of another three years.

#### Canada

Continental maintains various defined benefit plans as a result of its history of acquisitions. The pension plans are based mainly on a pension multiplier per year of service.

Fluctuations in the amount of the pension obligation resulting from exchange-rate effects are subject to the same risks as overall business development. These fluctuations relate mainly to the currencies of the USA, Canada and the UK and have no material impact on Continental. For information on the effects of interest-rate risks and longevity risk on the pension obligations, please refer to the sensitivities described later on in this section.

The pension obligations for Germany, the USA, Canada, the UK and other countries, as well as the amounts for the Continental Group as a whole, are shown in the following tables.

In a first step taken in 2020 to establish a pension plan for the Powertrain segment, the decision was made to fund the plan in principle via an external insurer ("windup"). A suitable insurer has yet to be selected.

The reconciliation of the changes in the defined benefit obligations from the beginning to the end of the year is as follows:

€ millions	2020						2019					
	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
<b>Defined benefit obligations as at January 1</b>	<b>5,781.7</b>	<b>1,151.6</b>	<b>124.8</b>	<b>415.3</b>	<b>401.7</b>	<b>7,875.1</b>	<b>4,781.8</b>	<b>1,031.4</b>	<b>106.4</b>	<b>355.7</b>	<b>320.0</b>	<b>6,595.3</b>
Exchange-rate differences	–	-106.4	-8.5	-21.8	-12.6	<b>-149.3</b>	–	21.3	7.3	20.8	2.6	52.0
Current service cost	276.2	3.9	1.7	2.2	28.1	<b>312.1</b>	221.8	4.1	1.6	2.2	26.9	256.6
Service cost from plan amendments	–	–	–	0.7	1.2	<b>1.9</b>	–	–	–	–	0.8	0.8
Curtailments/settlements	–	–	–	–	-0.4	<b>-0.4</b>	–	–	–	–	-0.7	-0.7
Interest on defined benefit obligations	69.0	36.3	3.5	7.7	9.1	<b>125.6</b>	87.5	44.2	3.9	10.0	11.0	156.6
Actuarial gains/losses from changes in demographic assumptions	–	-8.1	–	6.0	-6.1	<b>-8.2</b>	–	-8.5	–	-4.7	-0.6	-13.8
Actuarial gains/losses from changes in financial assumptions	543.3	119.3	9.1	43.0	-10.5	<b>704.2</b>	759.5	125.7	10.0	47.3	41.5	984.0
Actuarial gains/losses from experience adjustments	5.9	5.8	-0.2	-2.4	-0.6	<b>8.5</b>	32.0	-4.1	1.6	-1.7	-1.1	26.7
Net changes in the scope of consolidation	–	–	–	–	0.0	<b>0.0</b>	1.6	–	–	–	21.1	22.7
Employee contributions	–	–	0.3	0.1	-0.6	<b>-0.2</b>	–	–	0.3	0.2	-0.6	-0.1
Other changes	–	–	-0.1	–	-0.4	<b>-0.5</b>	–	–	–	–	-0.2	-0.2
Benefit payments	-105.9	-63.4	-5.0	-24.7	-22.0	<b>-221.0</b>	-102.5	-62.5	-6.3	-14.5	-19.0	-204.8
<b>Defined benefit obligations as at December 31</b>	<b>6,570.2</b>	<b>1,139.0</b>	<b>125.6</b>	<b>426.1</b>	<b>386.9</b>	<b>8,647.8</b>	<b>5,781.7</b>	<b>1,151.6</b>	<b>124.8</b>	<b>415.3</b>	<b>401.7</b>	<b>7,875.1</b>

The reconciliation of the changes in the fund assets from the beginning to the end of the year is as follows:

€ millions	2020						2019					
	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
<b>Fair value of fund assets as at January 1</b>	<b>1,288.5</b>	<b>1,077.5</b>	<b>104.7</b>	<b>398.5</b>	<b>163.7</b>	<b>3,032.9</b>	<b>1,195.2</b>	<b>925.7</b>	<b>88.4</b>	<b>369.0</b>	<b>150.2</b>	<b>2,728.5</b>
Exchange-rate differences	–	-106.4	-7.1	-21.0	-6.7	<b>-141.2</b>	–	19.0	6.0	20.5	1.1	46.6
Interest income from pension funds	29.7	34.3	3.0	7.5	4.2	<b>78.7</b>	29.6	39.9	3.3	10.5	5.9	89.2
Actuarial gains/losses from fund assets	21.6	118.8	7.7	40.4	3.0	<b>191.5</b>	45.8	145.2	10.9	5.3	1.8	209.0
Employer contributions	50.7	98.3	2.7	8.0	11.0	<b>170.7</b>	42.1	11.8	2.4	7.5	15.3	79.1
Employee contributions	–	–	0.3	0.1	0.2	<b>0.6</b>	–	–	0.3	0.2	0.2	0.7
Net changes in the scope of consolidation	–	–	–	–	–	<b>–</b>	–	–	–	–	–	–
Other changes	–	-1.6	-0.4	–	-0.2	<b>-2.2</b>	–	-1.6	-0.3	–	-0.6	-2.5
Benefit payments	-22.3	-63.4	-5.0	-24.7	-12.4	<b>-127.8</b>	-24.2	-62.5	-6.3	-14.5	-10.2	-117.7
<b>Fair value of fund assets as at December 31</b>	<b>1,368.2</b>	<b>1,157.5</b>	<b>105.9</b>	<b>408.8</b>	<b>162.8</b>	<b>3,203.2</b>	<b>1,288.5</b>	<b>1,077.5</b>	<b>104.7</b>	<b>398.5</b>	<b>163.7</b>	<b>3,032.9</b>



The carrying amount of pension provisions increased by €602.2 million as compared to the previous year, primarily because of actuarial losses in all countries. The defined benefit assets increased by €74.9 million year-on-year. This was due chiefly to the additional allocation to the US pension plans in the reporting year.

€8,498.3 million (PY: €7,707.8 million) of the defined benefit obligations as at December 31, 2020, related to plans that are fully or partially funded, and €149.5 million (PY: €167.3 million) related to plans that are unfunded.

The €772.7 million increase in the defined benefit obligations as compared to December 31, 2019, resulted in particular from actuarial losses from changes in financial assumptions.

The fund assets in Germany include the CTA assets amounting to €1,016.4 million (PY: €941.4 million), pension contribution fund assets of €223.9 million (PY: €234.7 million), insurance annuity contracts amounting to €127.6 million (PY: €112.0 million) and further plan assets of €0.3 million (PY: €0.4 million).

In the year under review, fund assets increased by €170.3 million to €3,203.9 million, primarily because of actuarial gains in the

reporting year as well as an allocation to plan assets in the USA. On December 21, 2020, €81.4 million was transferred to the corresponding plan assets.

Actuarial gains and losses on fund assets in Germany resulted from actuarial gains of €21.0 million (PY: €45.9 million) from the CTAs.

In the Continental Group, there are pension contribution funds for previously defined contributions in Germany that have been closed to new entrants since July 1, 1983, and March 1, 1984, respectively. As at December 31, 2020, the minimum net funding requirement was exceeded; Continental AG has no requirement to make additional contributions. The pension fund assets had a fair value of €223.9 million as at December 31, 2019 (PY: €234.7 million). The pension contribution funds have tariffs with an interest rate of 2.6%. Under the German Company Pensions Law, Continental is ultimately liable for the implementation path of the pension contribution fund. It therefore constitutes a defined benefit pension plan that must be reported in line with the development of pension provisions. However, given that only the plan members are entitled to the assets and income generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

The following table shows the reconciliation of the funded status to the amounts contained in the statement of financial position:

€ millions	December 31, 2020						December 31, 2019					
	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
<b>Funded status<sup>1</sup></b>	<b>-5,202.0</b>	<b>18.5</b>	<b>-19.7</b>	<b>-17.3</b>	<b>-224.1</b>	<b>-5,444.6</b>	<b>-4,493.2</b>	<b>-74.1</b>	<b>-20.1</b>	<b>-16.8</b>	<b>-238.0</b>	<b>-4,842.2</b>
Asset ceiling	–	–	-1.4	–	-0.1	-1.5	–	–	-0.9	–	-0.8	-1.7
<b>Carrying amount</b>	<b>-5,202.0</b>	<b>18.5</b>	<b>-21.1</b>	<b>-17.3</b>	<b>-224.2</b>	<b>-5,446.1</b>	<b>-4,493.2</b>	<b>-74.1</b>	<b>-21.0</b>	<b>-16.8</b>	<b>-238.8</b>	<b>-4,843.9</b>

<sup>1</sup> Difference between fund assets and defined benefit obligations.

The carrying amount comprises the following items of the statement of financial position:

€ millions	December 31, 2020						December 31, 2019					
	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
Defined benefit assets	–	74.8	1.5	–	6.4	<b>82.7</b>	–	3.9	1.5	–	2.4	7.8
Pension provisions	-5,202.0	-56.3	-22.6	-17.3	-230.6	<b>-5,528.8</b>	-4,493.2	-78.0	-22.5	-16.8	-241.2	-4,851.7
<b>Carrying amount</b>	<b>-5,202.0</b>	<b>18.5</b>	<b>-21.1</b>	<b>-17.3</b>	<b>-224.2</b>	<b>-5,446.1</b>	<b>-4,493.2</b>	<b>-74.1</b>	<b>-21.0</b>	<b>-16.8</b>	<b>-238.8</b>	<b>-4,843.9</b>

The assumptions used to measure the pension obligations – in particular, the discount factors for determining the interest on expected pension obligations and the expected return on fund assets,

as well as the long-term salary growth rates and the long-term pension trend – are specified for each country.

In the principal pension plans, the following weighted-average valuation factors as at December 31 of the year have been used:

%	2020					2019				
	Germany <sup>1</sup>	USA	Canada	UK	Other	Germany <sup>1</sup>	USA	Canada	UK	Other
Discount rate	0.81	2.40	2.47	1.40	2.43	1.21	3.30	3.00	2.00	2.43
Long-term salary growth rate	3.00	0.00	1.06	1.32	2.36	3.00	0.00	2.86	3.56	3.32

<sup>1</sup> Not including the pension contribution funds.

Another parameter for measuring the pension obligation is the long-term pension trend. The following weighted average long-term pension trend was used as at December 31, 2020, for the key countries: Germany 1.75% (PY: 1.75%), Canada 1.6% (PY: 1.6%)

and the United Kingdom 3.12% (PY: 3.2%). For the USA, the long-term pension trend does not constitute a significant measurement parameter.

Net pension cost can be summarized as follows:

€ millions	2020						2019					
	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
Current service cost	276.2	3.9	1.7	2.2	28.1	<b>312.1</b>	221.8	4.1	1.6	2.2	26.9	256.6
Service cost from plan amendments	–	–	–	0.7	1.2	<b>1.9</b>	–	–	–	–	0.8	0.8
Curtailments/settlements	–	–	–	–	-0.4	<b>-0.4</b>	–	–	–	–	-0.7	-0.7
Interest on defined benefit obligations	69.0	36.3	3.5	7.7	9.1	<b>125.6</b>	87.5	44.2	3.9	10.0	11.0	156.6
Expected return on the pension funds	-29.7	-34.3	-3.0	-7.4	-4.2	<b>-78.6</b>	-29.6	-39.9	-3.3	-10.5	-5.9	-89.2
Effect of change of asset ceiling	–	–	–	–	0.0	<b>0.0</b>	–	–	–	–	0.1	0.1
Other pension income and expenses	–	1.5	0.5	–	-1.3	<b>0.7</b>	–	1.7	0.3	–	–	2.0
<b>Net pension cost</b>	<b>315.5</b>	<b>7.4</b>	<b>2.7</b>	<b>3.2</b>	<b>32.5</b>	<b>361.3</b>	<b>279.7</b>	<b>10.1</b>	<b>2.5</b>	<b>1.7</b>	<b>32.2</b>	<b>326.2</b>

These were no special effects in the development of net pension cost in the reporting year.

The table below shows the changes in actuarial gains and losses that are reported directly in equity:

€ millions	2020						2019					
	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
Actuarial gains/losses from defined benefit obligations	-549.2	-117.0	-8.9	-46.6	17.2	<b>-704.5</b>	-791.5	-113.2	-11.6	-40.9	-39.8	-997.0
Actuarial gains/losses from fund assets	21.6	118.8	7.7	40.4	3.0	<b>191.5</b>	45.8	145.2	10.9	5.3	1.8	209.0
Actuarial gains/losses from asset ceiling	–	–	-0.4	–	0.5	<b>0.1</b>	–	–	-0.4	–	0.2	-0.2
<b>Actuarial gains/losses</b>	<b>-527.6</b>	<b>1.8</b>	<b>-1.6</b>	<b>-6.2</b>	<b>20.7</b>	<b>-512.9</b>	<b>-745.7</b>	<b>32.0</b>	<b>-1.1</b>	<b>-35.6</b>	<b>-37.8</b>	<b>-788.2</b>

Actuarial gains and losses arise from increases or decreases in the present value of the defined benefit obligation due to changes in the actuarial assumptions made. The decrease in the discount factor in all countries in the 2020 reporting period as compared to 2019 resulted in actuarial losses in all countries. The actuarial losses in the previous fiscal year likewise resulted from a decrease in interest rates compared to the prior year.

If the other assumptions remained constant, the changes in individual key actuarial assumptions that could reasonably have been possible at the reporting date would have impacted the defined benefit obligation by the following amounts. Although the analysis does not take account of the complete allocation of the cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

If the other assumptions are maintained, a 0.5-percentage-point increase or decrease in the discount rate used to discount pension obligations would have had the following impact on the pension obligations as at the end of the reporting period:

€ millions	December 31, 2020					December 31, 2019				
	Germany <sup>1</sup>	USA	Canada	UK	Other	Germany <sup>1</sup>	USA	Canada	UK	Other
<b>0.5% increase</b>										
Effects on service and interest cost	-20.4	-2.4	0.0	0.6	-0.1	-20.7	-2.4	-0.1	0.8	-0.4
Effects on benefit obligations	-668.5	-64.7	-8.7	-36.8	-19.8	-566.4	-63.1	-8.7	-35.5	-21.6
<b>0.5% decrease</b>										
Effects on service and interest cost	23.6	2.0	0.1	-1.7	0.1	24.1	2.2	0.0	-0.9	0.4
Effects on benefit obligations	789.0	71.5	9.8	41.3	21.8	665.9	69.6	9.8	39.8	23.8

<sup>1</sup> Not including the pension contribution funds.

A 0.5-percentage-point increase or decrease in the long-term salary growth rate would have had the following impact on the pension obligations as at the end of the reporting period:

€ millions	December 31, 2020				December 31, 2019			
	Germany	USA <sup>1</sup>	Canada	UK	Germany	USA <sup>1</sup>	Canada	UK
<b>0.5% increase</b>								
Effects on benefit obligations	5.9	—	0.9	2.4	5.5	—	1.0	2.2
<b>0.5% decrease</b>								
Effects on benefit obligations	-8.7	—	-0.8	-2.3	-8.4	—	-0.9	-2.0

<sup>1</sup> Any change in the long-term salary growth rate would have no effect on the value of the benefit obligations.

A 0.5-percentage-point increase or decrease in the long-term pension trend would have had the following impact on the pension obligations as at the end of the reporting period:

€ millions	December 31, 2020				December 31, 2019			
	Germany	USA <sup>1</sup>	Canada	UK	Germany	USA <sup>1</sup>	Canada	UK
<b>0.5% increase</b>								
Effects on benefit obligations	221.6	–	4.2	24.6	199.9	–	4.2	24.6
<b>0.5% decrease</b>								
Effects on benefit obligations	-200.1	–	-3.8	-23.8	-180.9	–	-3.8	-23.7

<sup>1</sup> Any change in the long-term pension trend would have no effect on the value of the benefit obligations.

Changes in the discount rate and the salary and pension trends do not have a linear effect on the defined benefit obligations (DBO) owing to the financial models used (particularly due to the compounding of interest rates). For this reason, the net periodic pension cost derived from the pension obligations does not change by the same amount as a result of an increase or decrease in the actuarial assumptions.

The change to the process for determining the discount rates implemented as at June 30, 2020, led to the recognition of higher discount rates as at December 31, 2020. Applying the previous process for determining the discount rates would have resulted in a further increase in long-term employee benefits of €546.1 million as at December 31, 2020.

In addition to the aforementioned sensitivities, the impact of a one-year-longer life expectancy on the value of benefit obligations was computed for the key countries. A one-year increase in life expectancy would lead to a €335.9 million (PY: €284.6 million) increase in the value of the benefit obligations, and that figure would be broken down as follows: Germany €278.2 million (PY: €231.3 million), USA €37.3 million (PY: €34.5 million), United Kingdom €16.9 million (PY: €15.6 million) and Canada €3.5 million (PY: €3.2 million). In Germany, increased payments in the form of pensions rather than capital were assumed in the actuarial valuation, which has the effect of increasing the benefit obligations. For the calculation of pension obligations for domestic plans, life expectancy is based on the 2018 G mortality tables by Prof. Klaus Heubeck. For foreign pension plans, comparable criteria are used for the respective country.

#### Pension funds

The structure of the Continental Group's plan assets is reviewed by the investment committees on an ongoing basis taking into account the forecast pension obligations. In doing so, the investment committees regularly review the investment decisions taken, the underlying expected returns of the individual asset classes reflecting empirical values and the selection of the external fund managers.

The portfolio structures of the pension funds at the measurement date for the fiscal years 2020 and 2019 are as follows:

%	2020					2019				
	Germany <sup>1</sup>	USA	Canada	UK	Other	Germany <sup>1</sup>	USA	Canada	UK	Other
Equity instruments	6	6	49	10	12	5	21	48	7	13
Debt securities	54	92	38	32	74	52	78	51	29	74
Real estate	12	–	–	1	1	13	–	–	1	2
Absolute return <sup>2</sup>	17	–	–	10	–	17	–	–	16	–
Cash, cash equivalents and other	11	2	13	5	13	13	1	1	5	11
Annuities <sup>3</sup>	–	–	–	42	–	–	–	–	42	–
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<sup>1</sup> The portfolio structure of the fund assets in Germany excludes the pension contribution funds whose assets are invested mainly in fixed-income securities and shares.

<sup>2</sup> This refers to investment products that aim to achieve a positive return regardless of market fluctuations.

<sup>3</sup> Annuities are insurance contracts that guarantee pension payments.

The following table shows the cash contributions made by the company to the pension funds for 2020 and 2019 as well as the expected contributions for 2021:

€ millions	2021 (expected)	2020	2019
Germany	41.4	50.7	42.1
USA	7.0	98.3	11.8
Canada	2.1	2.7	2.4
UK	7.4	8.0	7.3
Other	17.7	11.0	15.3
<b>Total</b>	<b>75.6</b>	<b>170.7</b>	<b>78.9</b>

The following overview contains the pension benefit payments made in the reporting year and the previous year, as well as the undiscounted, expected pension benefit payments for the next 10 years:

€ millions	Germany	USA	Canada	UK	Other	Total
<b>Benefits paid</b>						
2019	102.5	62.5	6.3	14.5	19.0	<b>204.8</b>
2020	105.9	63.4	5.0	24.7	22.0	<b>221.0</b>
<b>Benefit payments as expected</b>						
2021	139.0	61.7	5.3	10.5	21.2	<b>237.7</b>
2022	134.3	62.0	5.4	10.8	22.1	<b>234.6</b>
2023	138.9	62.3	6.0	11.4	22.2	<b>240.8</b>
2024	149.3	62.6	5.9	12.1	23.1	<b>253.0</b>
2025	158.4	62.8	6.4	12.5	27.6	<b>267.7</b>
Total of years 2026 to 2030	901.4	309.2	33.1	76.5	158.3	<b>1,478.5</b>

The pension payments from 2019 onward relate to lump-sum amounts in connection with fixed service cost benefit plans, as well as annual pension benefits. Furthermore, the earliest eligible date for retirement has been assumed when determining future pension

payments. The actual retirement date could occur later. Therefore, the actual payments in future years for present plan members could be lower than the amounts assumed.

For the current and four preceding reporting periods, the amounts of the defined benefit obligations, fund assets, funded status, as well as the experience adjustments to plan liabilities and to plan assets are as follows:

€ millions	2020	2019	2018	2017	2016
Defined benefit obligations	8,647.8	7,875.1	6,595.3	6,379.7	6,528.7
Fund assets	3,203.2	3,032.7	2,728.5	2,549.1	2,684.4
Funded status	-5,444.6	-4,843.9	-3,866.8	-3,830.6	-3,844.3
Experience adjustments to plan liabilities	704.5	997.0	-2.4	-39.1	596.3
Experience adjustments to plan assets	191.5	209.0	-104.5	77.2	65.4

#### Other post-employment benefits

Certain subsidiaries – primarily in the USA and Canada – grant eligible employees healthcare and life insurance on retirement if they have fulfilled certain conditions relating to age and years of service. The amount and entitlement can be altered. Certain retirement benefits, in particular for pensions and healthcare costs, are provided in the USA for hourly paid workers at unionized tire plants

under the terms of collective pay agreements. No separate fund assets have been set up for these obligations.

The weighted average term of the defined benefit pension obligation is around 12 years. This term is based on the present value of the obligation.

The reconciliation of the changes in the defined benefit obligations and the financing status from the beginning to the end of the year is as follows:

€ millions	2020	2019
<b>Defined benefit obligations as at January 1</b>	<b>215.9</b>	<b>194.9</b>
Exchange-rate differences	-18.5	5.5
Current service cost	1.3	1.3
Service cost from plan amendments	–	-0.3
Curtailments/settlements	-1.9	-0.1
Interest on healthcare and life insurance benefit obligations	6.6	8.1
Actuarial gains/losses from changes in demographic assumptions	-0.6	-0.5
Actuarial gains/losses from changes in financial assumptions	18.4	15.5
Actuarial gains/losses from experience adjustments	-1.7	-1.8
Net changes in the scope of consolidation	–	7.5
Benefit payments	-13.8	-14.2
<b>Defined benefit obligations/net amount recognized as at December 31</b>	<b>205.7</b>	<b>215.9</b>

The assumptions used for the discount rate and cost increases to calculate the healthcare and life insurance benefits vary according to conditions in the USA and Canada. The following weighted average valuation factors as at December 31 of the year have been used:

%	2020	2019
Discount rate	2.48	3.31
Rate of increase in healthcare and life insurance benefits in the following year	0.82	4.04
Long-term rate of increase in healthcare and life insurance benefits	0.68	3.29

The net cost of healthcare and life insurance benefit obligations can be broken down as follows:

€ millions	2020	2019
Current service cost	1.3	1.3
Service cost from plan amendments	-1.8	-0.3
Curtailments/settlements	-0.1	-0.1
Interest on healthcare and life insurance benefit obligations	6.6	8.1
<b>Net cost</b>	<b>6.0</b>	<b>9.0</b>

If the other assumptions remained constant, the changes in individual key actuarial assumptions that could reasonably have been possible at the reporting date would have impacted the defined benefit obligation by the following amounts. Although the analysis

does not take account of the complete allocation of the cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

The following table shows the effects of a 0.5% increase or decrease in the cost trend for healthcare and life insurance obligations:

€ millions	2020	2019
<b>0.5% increase</b>		
Effects on service and interest cost	0.1	0.1
Effects on benefit obligations	2.1	2.1
<b>0.5% decrease</b>		
Effects on service and interest cost	-0.1	-0.1
Effects on benefit obligations	-1.9	-1.9

A 0.5-percentage-point increase or decrease in the discount rate specified above for calculating the net cost of healthcare and life insurance benefit obligations would have had the following effect on net cost:

€ millions	2020	2019
<b>0.5% increase</b>		
Effects on service and interest cost	0.6	0.5
Effects on benefit obligations	-10.8	-10.7
<b>0.5% decrease</b>		
Effects on service and interest cost	-0.5	-0.5
Effects on benefit obligations	12.1	11.9



The following table shows the payments made for other post-employment benefits in the reporting year and the previous year, as well as the undiscounted, expected benefit payments for the next 10 years:

€ millions	
<b>Benefits paid</b>	
2019	14.2
2020	13.8
<b>Benefit payments as expected</b>	
2021	14.1
2022	14.0
2023	14.0
2024	14.1
2025	14.0
Total of years 2026 to 2030	58.5

The amounts for the defined benefit obligations, funded status and experience adjustments to plan liabilities for the current and four preceding reporting periods are as follows:

€ millions	2020	2019	2018	2017	2016
Defined benefit obligations	205.7	215.9	194.9	209.3	232.6
Funded status	-205.7	-215.9	-194.9	-209.3	-232.6
Experience adjustments to plan liabilities	16.1	13.2	-15.6	6.3	-2.1

#### Obligations similar to pensions

Some companies of the Continental Group have made commitments to employees for a fixed percentage of the employees' compensation. These entitlements are paid out when the employment relationship is terminated. In the year under review, expenses from these obligations amounted to €1.7 million (PY: €4.9 million).

#### Defined contribution pension plans

The Continental Group offers its employees pension plans in the form of defined contribution plans, particularly in the USA, the UK, Japan and China. Not including social security contributions, expenses from defined contribution pension plans amounted to €84.6 million (PY: €88.3 million) in the fiscal year.

#### Other employee benefits

Other employee benefits include provisions for partial early retirement programs and anniversary and other long-service benefits. The provisions for partial early retirement are calculated using a discount rate of 0.0% (PY: 0.0%). Provisions for anniversary and other long-service benefits were calculated using a discount rate of 0.45% (PY: 1.2%). In accordance with the option under IAS 19, *Employee Benefits*, the interest component is reported in the financial result.

#### Variable remuneration elements

Liabilities for payroll and personnel-related costs also include long-term incentive (LTI) plans as well as the amounts of variable remuneration converted into virtual shares of Continental AG for members of the Executive Board (performance bonus, deferral) in accordance with the remuneration system valid until 2019 (herein after "2019 remuneration system"). In the financial report as at September 30, 2020, the LTI plan from the new remuneration system was described as the Continental long-term incentive plan (CLIP 2020). In the following, this will be referred to as the 2020 LTI plan.

The LTI plans for the years starting from 2014 and the deferral of the performance bonus from the 2019 remuneration system are classified as cash-settled share-based payments; hence they are recognized at fair value in accordance with IFRS 2, *Share-based Payment*.

### Long-term incentive plans (LTI plans)

Expenses of €33.5 million from the addition of provisions for the TIP bonus and the 2020 LTI plan (PY: income of €8.2 million from the reversal of provisions) were recognized in the respective function costs.

- **2014 to 2019 LTI plan:** From 2014 to 2019, senior executives of the Continental Group and members of the Executive Board were granted an LTI bonus. This bonus was intended to allow for participation in the long-term, sustainable increase in the Continental Group's value and profitability. The LTI bonus depended on job grade and degree of target achievement and was issued in annual tranches.
- The term of the 2015/18 tranche, which was resolved on March 18, 2015, by the Supervisory Board for the members of the Executive Board and on June 4, 2015, by the Executive Board for senior executives, began retroactively as at January 1, 2015, and was four years. After the expiry of the 2015/18 LTI tranche in December 2018, the bonus was paid out in July 2019.
- The term of the 2016/19 tranche, which was resolved on March 18, 2016, by the Supervisory Board for the members of the Executive Board and on April 21, 2016, by the Executive Board for senior executives, begins retroactively as at January 1, 2016, and is four years. After the expiry of the 2016/19 LTI tranche in December 2019, the bonus was not paid out in 2020, as the fair value of the tranche as at the payment date was €0.0 million.
- The term of the 2017/20 tranche, which was resolved on January 27, 2017, by the Supervisory Board for the members of the Executive Board and on June 2, 2017, by the Executive Board for senior executives, begins retroactively as at January 1, 2017, and is four years.
- The term of the 2018/21 tranche, which was resolved on March 13, 2018, by the Supervisory Board for the members of the Executive Board and on May 28, 2018, by the Executive Board for senior executives, begins retroactively as at January 1, 2018, and is four years.
- The term of the 2019/22 tranche, which was resolved on March 14, 2019, by the Supervisory Board for the members of the Executive Board and on May 24, 2019, by the Executive Board for senior executives, begins retroactively as at January 1, 2019, and is four years.

For each beneficiary of an LTI tranche, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives) of Continental AG specified the amount of a target bonus in euros to be paid out upon 100% target achievement. The actual LTI bonus paid out on expiry of the LTI tranche depends on the degree of target achievement. The LTI bonus can range between 0% (no payment) and 200% (maximum payment).

The degree of achievement of two target criteria is decisive for the payment and amount of the LTI bonus. The first target criterion is the equally weighted average of the Continental Value Contribution (CVC) of the Continental Group over a period of four fiscal years, starting from the fiscal year in which the LTI tranche is issued. The equally weighted average is calculated by adding together 25% of the CVC of the four fiscal years of the term of the LTI tranche. The second target criterion is the total shareholder return (TSR) on Continental shares as at the end of the term in relation to the beginning of the LTI tranche. The share price used in calculating the TSR is the arithmetic mean of closing prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the three months from October to December before the issue and expiry of the LTI tranche. In addition, all dividends paid during the term of the LTI tranche are taken into account for the TSR.

The scale for determining the degree of target achievement is defined by the Supervisory Board or the Executive Board when the respective LTI tranche is issued. These key data are identical for the members of the Executive Board and senior executives. The degree of target achievement for the first target criterion can lie between 0% and 200%. Target achievement is calculated on a straight-line basis between 0% and the maximum amount. There is no cap for the second target criterion. The ultimate degree of target achievement used to calculate the LTI bonus to be paid out is determined by multiplying the two target criteria. The LTI bonus to be paid out is determined by multiplying the degree of target achievement by the target bonus. The total maximum achievable LTI bonus is 200% of the target bonus.

A Monte Carlo simulation is used in the measurement of the TSR target criterion. This means that log-normal distributed processes are simulated for the price of Continental shares. The Monte Carlo simulation takes into account the average value accumulation of share prices in the respective reference period, the TSR dividends and the restriction for the payment amount.

- **2019 Transformation Incentive Plan (TIP):** In 2019, the Continental Group offered its senior executives the possibility of participating in the long-term, sustainable increase in the Continental Group's value by paying a TIP bonus in addition to the fixed salary and the annual variable remuneration. The term of the TIP, which the Executive Board adopted for senior executives on September 2, 2019, extends from October 1, 2019, to December 31, 2021.

The Executive Board of Continental AG specifies the amount of the target bonus (TIP bonus) in euros for each beneficiary of a TIP bonus (senior executives). The TIP bonus is calculated based on a certain number of virtual shares of Continental AG (basic holding), which can increase through two bonus packages, multiplied by the payment share price. The payment share price is the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the last month prior to the Annual Shareholders' Meeting that follows the end of the term. The TIP bonus, which can total at most 200% of the initial share price, is paid to the respective beneficiary as a gross lump sum at the end of the

second complete calendar month following the Annual Shareholders' Meeting that follows the end of the term. Since the basic holding can be increased through two bonus packages, the degree of achievement of two target criteria is decisive for the amount of the TIP bonus. The target criterion of the first bonus package is the results of the OUR BASICS Live corporate survey in 2021. If at least 70% (equally weighted average) of all participants respond positively to the Sustainable Engagement Index, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The target criterion of the second bonus package is met if, at the end of the term, the total shareholder return (TSR) on Continental shares equals or exceeds the performance of the STOXX Europe 600 Automobiles & Parts Index. In this case, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The TSR on Continental shares corresponds to the sum of the share price performance as at the end of the term and all dividends distributed during the term relative to the share price at the beginning of the term. The share price used in calculating the TSR is the arithmetic mean of the closing prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days (i) in the first month of the term ("initial share price") and (ii) in the last month of the term ("final share price").

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares and the price of the STOXX Europe 600 Automobiles & Parts Gross Return Index. The Monte Carlo simulation takes into account the average value accumulation of the Continental share prices for the final share price and the payment share price, the TSR dividends, the performance compared with the benchmark index and the restriction for the payment amount.

➤ **2020 LTI plan:** In 2020, a new 2020 LTI plan was granted to the Executive Board, senior executives and executives. With the resolution of the Annual Shareholders' Meeting of Continental AG on July 14, 2020, the new system of remuneration for members of the Executive Board was approved. The term of the 2020 LTI plan, which was resolved on March 17, 2020, by the Supervisory Board for the members of the Executive Board, and on March 2, 2020, by the Executive Board for senior executives and executives, begins retroactively as at January 1, 2020, and is four years for the Executive Board and three years for senior executives and executives.

For each beneficiary of the 2020 LTI plan, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives and executives) agrees an allotment value in euros for the LTI. At the start of the first fiscal year of the term of the LTI plan, this allotment value is converted into a basic holding of virtual shares. The allotment value is divided by the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the term of the respective LTI plan (issue price). The basic holding is multiplied by a performance index (PI) in order to determine the final holding of virtual shares. The performance index corresponds to the product from the relative total shareholder return (TSR) on Continental

shares and a sustainability score. The relative TSR is calculated from the relative performance of the Continental TSR in comparison with the TSR on the STOXX Europe 600 Automobiles & Parts (SXAGR). The Continental TSR corresponds to the sum of the average Continental share price in the last month of the term (final share price) and all dividends distributed during the term relative to the average share price in the first month of the term (initial share price). The SXAGR TSR is determined using the same method.

Performance criteria and goals of the sustainability score are targets for CO<sub>2</sub> emissions, recycling quotas and the review of good working conditions for employees in the Continental Group (e.g. based on sick leave, accident rates and employee satisfaction).

The 2020 LTI plan can total at most 200% of the defined initial share price (executives and senior executives) or issue price (Executive Board). The issue price is the average price of the two months before the start of the term.

The final holding of virtual shares is multiplied by the payout ratio in order to determine the gross amount of the LTI to be paid out in euros (hereinafter "payout amount"). The payout ratio is the sum of the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the last two months prior to the next ordinary Annual Shareholders' Meeting that follows the end of the term of the LTI plan and the dividends paid out per share during the term of the LTI plan.

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares and the price of the STOXX Europe 600 Automobiles & Parts (benchmark index). The Monte Carlo simulation takes into account the average value accumulation of the Continental share prices and the benchmark index for the final share price and the payment share price, the TSR dividends, the performance compared with the benchmark index and the restriction for the payment amount.

The following TSR parameters were used as at the measurement date of December 31, 2020:

- Constant zero rates as at the measurement date of December 31, 2020:
  - 2017 LTI plan: -0.73% as at the expected payment date;
  - 2018 LTI plan: -0.73% as at the due date and -0.74% as at the expected payment date;
  - 2019 LTI plan: -0.75% as at the due date and -0.76% as at the expected payment date. 2019 TIP bonus: -0.73% as at the due date, -0.74% as at the end of the payment share price period and -0.74% as at the payment date.
  - 2020 LTI plan (senior executives and executives): -0.75% as at the due date and -0.76% as at the end of the payment share price period;
  - 2020 LTI plan (Executive Board): -0.76% as at the due date and -0.77% as at the end of the payment share price period.
- Interest rate based on the yield curve for government bonds.

- › Dividend payments as the arithmetic mean based on publicly available estimates for 2021 until 2023; the dividend of Continental AG amounted to €3.00 per share in 2020, and Continental AG distributed a dividend of €4.75 per share in 2019.
- › Historical volatilities on the basis of daily Xetra closing rates for Continental shares and the benchmark index based on the respective remaining term for LTI tranches, the 2019 TIP bonus and the 2020 LTI plan. The volatility for the 2018 LTI plan is 53.65% and for the 2019 LTI plan 43.12%. The volatility for the 2019 TIP bonus is 53.65% as at the due date and 48.36% as at the end of the payment share price period. The volatility for the 2020 LTI plan is 43.12% for senior executives and executives and 39.30% for the Executive Board. The historical benchmark index volatilities for the 2020 LTI plan are 35.28% for senior executives and executives and 31.21% for the Executive Board.
- › Historical correlations on the basis of daily Xetra closing rates for the benchmark index based on the respective remaining term of the components of the 2019 TIP bonus and the 2020 LTI plan. The correlation for the 2019 TIP bonus is 0.8958 as at the due date. The correlation for the 2020 LTI plan is 0.8793 for senior executives and executives and 0.8632 for the Executive Board.

The fair values of the tranches as at the grant date, assuming full vesting, were €63.1 million for the 2020 LTI plan (senior executives and executives) and €5.9 million for the 2020 LTI plan (Executive Board).

- › The fair values of the tranches developed as follows:  
 2017 LTI plan: €0.0 million (PY: €0.0 million), the vesting level is 100%;  
 2018 LTI plan: €0.0 million (PY: €0.0 million), the vesting level is 75%;  
 2019 LTI plan: €0.0 million (PY: €0.0 million), the vesting level is 50%;  
 2019 TIP bonus: €24.2 million (PY: €21.8 million), the vesting level is 56%;  
 2020 LTI plan (senior executives and executives): €62.8 million, the vesting level is 33%;  
 2020 LTI plan (Executive Board): €5.7 million, the vesting level is 25%.

In total, no expenses or income for the 2016 to 2019 LTI plans were recorded in the reporting year. The lower liabilities for payroll and personnel-related costs in the previous year resulted in income of €6.5 million for the 2016 LTI plan, €3.4 million for the 2017 LTI plan and €0.5 million for the 2018 LTI plan. Expenses of €11.1 million (PY: €2.4 million) were incurred for the 2019 TIP bonus in 2020. Expenses of €20.9 million were incurred for the 2020 LTI plan for senior executives and executives, and €1.4 million for the 2020 LTI plan for Executive Board members.

#### Performance bonus (deferral) under the 2019 remuneration system

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares. The measurement model also takes into account the average value accumulation of share prices in the respective reference period and the floor and cap for the payment amount.

Income of €0.1 million from the reversal of provisions from virtual shares (PY: expenses from virtual shares of €0.2 million) was recognized in the respective function costs.

The following parameters were used as at the measurement date of December 31, 2020:

- › Constant zero rates as at the measurement date of December 31, 2020:  
 2017 tranche: -0.74% as at the due date and as at the expected payment date;  
 2018 tranche: -0.74% as at the due date and as at the expected payment date;  
 2019 tranche: -0.76% as at the due date and as at the expected payment date.
- › Interest rate based on the yield curve for government bonds.
- › Dividend payments as the arithmetic mean based on publicly available estimates for 2021 and 2022; the dividend of Continental AG amounted to €3.00 per share in 2020, and Continental AG distributed a dividend of €4.75 per share in 2019.

- › Historical volatilities on the basis of daily Xetra closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility for the 2017 tranche is 37.04%, for the 2018 tranche 48.36% and for the 2019 tranche 41.89%.

As at December 31, 2020, commitments with a fair value of €4.9 million are attributable to Executive Board members active at the end of the reporting period; this is equivalent to 37,882 virtual shares (PY: €7.1 million; 55,631 virtual shares).

#### Short-term employee benefits

##### Liabilities for payroll and personnel-related costs

The Continental value sharing bonus is a program that allows Continental employees to share in net income. The amount of profits shared is calculated on the basis of key internal figures. No provision was recognized for the reporting period (PY: €83.2 million).

## 29. Provisions for Other Risks and Obligations

€ millions	December 31, 2020		December 31, 2019	
	Short-term	Long-term	Short-term	Long-term
Restructuring provisions	433.0	918.0	96.5	502.6
Litigation and environmental risks	132.2	197.9	116.3	103.2
Warranties	767.2	29.9	741.4	—
Other provisions	393.0	96.8	307.4	60.3
<b>Provisions for other risks and obligations</b>	<b>1,725.4</b>	<b>1,242.6</b>	<b>1,261.6</b>	<b>666.1</b>

The provisions for other risks developed as follows:

€ millions	Restructuring provisions	Litigation and environmental risks	Warranties	Other provisions
<b>As at January 1, 2020</b>	<b>599.1</b>	<b>219.5</b>	<b>741.4</b>	<b>367.7</b>
Additions	870.2	219.0	588.7	334.2
Utilizations	-75.7	-62.0	-394.1	-129.8
Reclassifications	10.6	—	—	-0.2
Net changes in the scope of consolidation	—	—	—	—
Reversals	-45.3	-25.8	-105.9	-67.8
Interest	—	0.8	—	-0.9
Exchange-rate changes	-7.9	-21.4	-33.0	-13.4
<b>As at December 31, 2020</b>	<b>1,351.0</b>	<b>330.1</b>	<b>797.1</b>	<b>489.8</b>

The restructuring measures resulted in additions to the restructuring provisions in all segments. These were the result of the Transformation 2019–2029 structural program and included corresponding costs. These relate primarily to the Tires, Vehicle Networking and Information, and Powertrain segments.

The utilization of restructuring provisions relates to the implementation of restructuring measures adopted in previous years and incorporated for the first time in 2020.

The additions to the provisions for litigation and environmental risks relate in particular to risks in connection with disputes over industrial property rights and, as in the previous year, product liability risks from tire activities in the USA. Please see Note 36.

The utilizations relate mainly to the aforementioned product liability risks from tire activities.

The changes in provisions for warranties include utilization of €394.1 million (PY: €301.1 million) and reversals of €105.9 million (PY: €182.2 million), which are offset by additions of €588.7 million (PY: €599.1 million), especially for specific individual cases within the Autonomous Mobility and Safety, Vehicle Networking and Information, and Powertrain segments.

The other provisions also include provisions for risks from operations, such as those in connection with compensation from customer and supplier claims that are not warranties. They also include provisions for dismantling and tire-recycling obligations, and provisions for possible interest payments and penalties on income tax liabilities.

## 30. Income Tax Liabilities

Income tax liabilities developed as follows:

€ millions	2020	2019
<b>As at January 1</b>	<b>938.6</b>	<b>750.7</b>
Additions	521.4	694.0
Utilizations and advance payments for the current fiscal year	-608.1	-477.8
Reversals	-40.8	-34.5
Net changes in the scope of consolidation	0.0	3.2
Exchange-rate changes	-21.0	3.0
<b>As at December 31</b>	<b>790.1</b>	<b>938.6</b>

When reconciling the income tax liabilities with the income taxes paid in the statement of cash flows, the cash changes in income tax receivables must be included in addition to the utilizations and current advance payments shown here.

## 31. Indebtedness and Additional Notes to the Statement of Cash Flows

€ millions	December 31, 2020			December 31, 2019		
	Total	Short-term	Long-term	Total	Short-term	Long-term
Bonds	3,501.7	200.0	3,301.7	2,793.8	1,348.7	1,445.1
Bank loans and overdrafts <sup>1</sup>	1,559.8	964.3	595.5	1,470.4	960.3	510.1
Derivative instruments	15.5	15.5	–	13.3	13.3	–
Lease liabilities	1,543.0	319.0	1,224.0	1,715.0	318.3	1,396.7
Liabilities from sale-of-receivables programs	296.0	296.0	–	468.6	468.6	–
Other indebtedness <sup>2</sup>	418.4	395.2	23.2	1,157.9	1,134.6	23.3
<b>Indebtedness</b>	<b>7,334.4</b>	<b>2,190.0</b>	<b>5,144.4</b>	<b>7,619.0</b>	<b>4,243.8</b>	<b>3,375.2</b>

<sup>1</sup> Thereof €11.3 million (PY: €12.4 million) secured by land charges, mortgages and similar securities.

<sup>2</sup> Other indebtedness in 2020 included a carrying amount of €263.4 million (PY: €938.4 million) from commercial paper issuances.

### Continental's key bond issues

€ millions Issuer/type	Amount of issue Dec. 31, 2020	Carrying amount Dec. 31, 2020	Stock market value Dec. 31, 2020	Amount of issue Dec. 31, 2019	Carrying amount Dec. 31, 2019	Stock market value Dec. 31, 2019	Coupon p.a.	Issue/maturity and fixed interest until	Issue price
CAG <sup>1</sup> euro bond	–	–	–	600.0	599.8	600.2	0.000%	2016/02.2020	99.410%
CAG <sup>1</sup> euro bond	–	–	–	750.0	748.9	767.3	3.125%	2013/09.2020	99.228%
CAG <sup>1</sup> euro bond	500.0	498.4	500.5	500.0	497.8	496.5	0.000%	2019/09.2023	99.804%
CGF <sup>2</sup> euro bond	750.0	745.1	793.5	–	–	–	2.125%	2020/11.2023	99.559%
CGF <sup>2</sup> euro bond	625.0	621.0	647.4	–	–	–	1.125%	2020/09.2024	99.589%
CAG <sup>1</sup> euro bond	600.0	597.8	605.1	600.0	597.3	598.7	0.375%	2019/06.2025	99.802%
CAG <sup>1</sup> euro bond	750.0	739.4	837.6	–	–	–	2.500%	2020/08.2026	98.791%
<b>Total</b>	<b>3,225.0</b>	<b>3,201.7</b>	<b>3,384.1</b>	<b>2,450.0</b>	<b>2,443.8</b>	<b>2,462.7</b>			

<sup>1</sup> CAG, Continental Aktiengesellschaft, Hanover.

<sup>2</sup> CGF, Conti-Gummi Finance B.V., Maastricht, Netherlands.

The carrying amount of the bonds increased by €707.9 million from €2,793.8 million in the previous year to €3,501.7 million as at the end of fiscal 2020. This build-up is mainly attributable to three euro bond issues by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands. In the second quarter of 2020, the Continental Group placed euro bonds totaling €2,125.0 million under its Debt Issuance Programme (DIP). The issue price of the €750.0-million bond issued by Continental AG on May 27, 2020, amounted to 98.791%. This bond has a term of six years and three months and an interest rate of 2.500% p.a. The €750.0-million and €625.0-million bonds issued by Conti-Gummi Finance B.V., Maastricht, Netherlands, on May 27, 2020, and June 25, 2020, have a term of three years and six months and four years and three months, respectively. The issue price of the bonds with a fixed interest rate of 2.125% p.a. and 1.125% p.a. amounted to 99.559% and 99.589%. In addition, the €600.0-million and €750.0-million euro bonds from Continental AG that matured on February 5 and September 9 in fiscal 2020 were redeemed at a rate of 100.00%. The €600.0-million bond bore interest at a rate of 0.000% p.a. and had a term of three years and two months. The €750.0-million bond bore interest at a rate of 3.125% p.a. and had a term of seven years.

The private placement issued by Continental AG at 100.000% at the end of August 2013 with a volume of €50.0 million, an interest rate of 3.900% p.a. and a term of 12 years was redeemed early at a rate of 100.000% at the end of August 2020. The carrying amount of the bonds also includes two private placements issued by Continental AG in October 2019. One of the two private placements has a nominal volume of €100.0 million, a term of five years and a fixed interest rate of 0.231% p.a. The second private placement, which has an 18-month term, has a nominal volume of €200.0 million and a variable interest rate.

#### Credit lines and available financing from banks

Bank loans and overdrafts amounted to €1,559.8 million (PY: €1,470.4 million) as at December 31, 2020, and were therefore up €89.4 million on the previous year's level. On December 31, 2020, there were credit lines and available financing from banks in the amount of €9,370.1 million (PY: €6,210.2 million). A nominal amount of €7,780.8 million of this had not been utilized as at the end of the reporting period (PY: €4,702.2 million). The syndicated loans of the Continental Group described below accounted for €7,000.0 million of this (PY: €4,000.0 million). Besides this, the major portion of the credit lines and available financing from banks related, as in the previous year, to predominantly floating-rate short-term borrowings.

The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4,000.0 million and has a term of five years. In November 2020, Continental exercised an option to extend the term by one year. The lending banks then extended this financing commitment until December 2025 at unchanged conditions. The calculation of interest for the credit line also considers what are termed sustainability components that are linked to the sustainability strategy of the Continental Group. If the Continental Group achieves the performance improvements in sustainability as set out in detail in the loan agreement, this will reduce the interest rate; non-achievement will result in interest rate increases. The loan agreement contains no obligation to comply with financial covenants. This tranche can be utilized both in euros and in other currencies on the basis of variable interest rates. Depending on the currency, interest is accrued at either the Euribor rate or the corresponding Libor rate plus a margin in each case. As in the previous year, this revolving loan had not been utilized as at December 31, 2020. In addition to the existing syndicated loan, a further syndicated loan in the amount of €3,000.0 million was agreed in May 2020. The new credit line is intended to strengthen Continental's financial flexibility in the wake of the COVID-19 pandemic and therefore has a short term of 364 days. The loan agreement is based on the agreement for the existing syndicated loan of €4,000.0 million and provides for exclusive use by Continental AG. This financing commitment had likewise not been utilized as at December 31, 2020.

In the year under review, the Continental Group utilized its commercial paper programs, its sale-of-receivables programs and its various bank lines to meet short-term credit requirements.

Please see Note 32 for the maturity structure of indebtedness.



**Additional notes to the statement of cash flows**

The following table showing the (net) change in short-term and long-term indebtedness provides additional information on the consolidated statement of cash flows:

€ millions	Dec. 31, 2020	Cash		Non-cash			Other	Dec. 31, 2019
			Exchange-rate changes	Reclassifications	Changes in fair value	Changes in the scope of consolidation		
Change in derivative instruments and interest-bearing investments	256.5	35.0	-12.2	—	72.6	—	-44.4	205.5
Change in short-term indebtedness	-2,190.0	2,522.7	60.3	-500.5	-15.6	—	-13.1	-4,243.8
Change in long-term indebtedness	-5,144.4	-2,160.7	46.9	500.5	—	—	-155.9	-3,375.2

€ millions	Dec. 31, 2019	Cash		Non-cash			Other	Dec. 31, 2018
			Exchange-rate changes	Reclassifications	Changes in fair value	Changes in the scope of consolidation		
Change in derivative instruments and interest-bearing investments	205.5	10.3	-1.1	53.5	8.9	—	-50.3	184.2
Change in short-term indebtedness	-4,243.8	1,039.2	-43.0	-1,657.1	-13.4	-10.5	-401.1	-3,157.9
Change in long-term indebtedness	-3,375.2	-1,907.5	-20.1	1,657.1	—	-12.8	-1,642.9	-1,449.0

## 32. Financial Instruments

The tables below show the carrying amounts and fair values of financial assets and liabilities, whereby non-current and current items are presented together. In addition, the relevant measure-

ment categories are shown according to IFRS 9, *Financial Instruments*, and the levels of the fair value hierarchy relevant for calculating fair value according to IFRS 13, *Fair Value Measurement*.

€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at Dec. 31, 2020	Fair value as at Dec. 31, 2020	thereof Level 1	thereof Level 2	thereof Level 3
Other investments <sup>1</sup>	FVOCIwR	109.2	109.2	–	–	109.2
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	70.1	70.1	–	70.1	–
Debt instruments	FVPL	79.6	79.6	68.4	11.2	–
Debt instruments	at cost	106.9	106.9	–	–	–
Trade accounts receivable						
Trade accounts receivable	at cost	6,946.6	6,946.6	–	–	–
Bank drafts	FVOCIwR	399.8	399.8	–	399.8	–
Trade accounts receivable	FVPL	6.8	6.8	–	6.8	–
Other financial assets						
Other financial assets	FVPL	63.9	63.9	–	63.9	–
Other financial assets	FVOCIwR	33.5	33.5	–	–	33.5
Other financial assets	at cost	210.4	210.4	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	2,591.8	2,591.8	–	–	–
Cash and cash equivalents	FVPL	346.9	346.9	346.9	–	–
<b>Financial assets</b>		<b>10,965.5</b>	<b>10,965.5</b>	<b>415.3</b>	<b>551.8</b>	<b>142.7</b>
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	15.5	15.5	–	15.5	–
Other indebtedness	at cost	5,775.9	5,976.9	3,384.1	945.8	–
Trade accounts payable	at cost	5,933.1	5,933.1	–	–	–
Other financial liabilities	at cost	1,294.5	1,294.5	–	–	–
<b>Financial liabilities without lease liabilities</b>		<b>13,019.0</b>	<b>13,220.0</b>	<b>3,384.1</b>	<b>961.3</b>	<b>–</b>
Aggregated according to categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		399.8				
Financial assets (FVOCIwR)		142.7				
Financial assets (FVPL)		567.3				
Financial assets (at cost)		9,855.7				
Financial liabilities (FVPL)		15.5				
Financial liabilities (at cost)		13,003.5				

<sup>1</sup> For increased transparency, investments in non-consolidated affiliated companies are no longer shown under financial instruments. The figures from the comparative period have been adjusted accordingly.

€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at Dec. 31, 2019	Fair value as at Dec. 31, 2019	thereof Level 1	thereof Level 2	thereof Level 3
Other investments <sup>1</sup>	FVOCIwoR	182.9	182.9	–	–	182.9
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments <sup>2</sup>	FVPL	7.5	7.5	–	7.5	–
Debt instruments	FVPL	39.8	39.8	29.1	10.7	–
Debt instruments	at cost	158.2	158.2	–	–	–
Trade accounts receivable						
Trade accounts receivable	at cost	7,571.2	7,571.2	–	–	–
Bank drafts	FVOCIwoR	134.2	134.2	–	134.2	–
Trade accounts receivable	FVPL	6.2	6.2	–	6.2	–
Other financial assets						
Other financial assets	FVPL	36.5	36.5	–	36.5	–
Other financial assets	at cost	196.6	196.6	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	2,748.6	2,748.6	–	–	–
Cash and cash equivalents	FVPL	593.2	593.2	400.6	192.6	–
<b>Financial assets</b>		<b>11,674.9</b>	<b>11,674.9</b>	<b>429.7</b>	<b>387.7</b>	<b>182.9</b>
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments <sup>2</sup>	FVPL	13.3	13.3	–	13.3	–
Other indebtedness	at cost	5,890.7	5,926.8	2,462.7	908.3	–
Trade accounts payable	at cost	7,111.0	7,111.0	–	–	–
Other financial liabilities	at cost	1,078.0	1,078.0	–	0.4	–
<b>Financial liabilities without lease liabilities</b>		<b>14,093.0</b>	<b>14,129.1</b>	<b>2,462.7</b>	<b>922.0</b>	<b>–</b>
Aggregated according to categories as defined in IFRS 9:						
Financial assets (FVOCIwoR)		134.2				
Financial assets (FVOCIwoR)		182.9				
Financial assets (FVPL)		683.2				
Financial assets (at cost)		10,674.6				
Financial liabilities (FVPL)		13.3				
Financial liabilities (at cost)		14,079.7				

<sup>1</sup> For increased transparency, investments in non-consolidated affiliated companies are no longer shown under financial instruments. The figures from the comparative period have been adjusted accordingly.

<sup>2</sup> Including positive fair values of €0.0 million and negative fair values of €0.1 million for short-term embedded derivatives.

## Abbreviations

- > at cost: measured at amortized cost
- > FVOCIwoR: fair value through other comprehensive income with reclassification
- > FVOCIwoR: fair value through other comprehensive income without reclassification
- > FVPL: fair value through profit and loss

## Levels of the fair value hierarchy according to IFRS 13, *Fair Value Measurement*

- > Level 1: quoted prices in active markets for identical instruments
- > Level 2: quoted prices in active markets for similar instruments or measurement methods for which all major input factors are based on observable market data
- > Level 3: measurement methods for which the major input factors are not based on observable market data

Financial instruments allocated to the FVOCIwoR measurement category are classified as such because they are held over a long term for strategic purposes.

For financial instruments accounted for at FVOCIwoR for which there are no quoted prices in active markets for identical instruments (level 1) or for similar instruments, or for which there are no applicable measurement methods in which all major input factors are based on observable market data (level 2), the fair value must be calculated using a measurement method for which the major input factors are not based on observable market data (level 3). If external valuation reports or information from other financing rounds is available, these are used. If such information is not available, the measurement is performed according to the measurement method that is deemed appropriate and realizable in each case: for example, according to the discounted cash flow method or by valuation according to multiples using ratios based on purchase prices for comparable transactions. Measurement at amortized cost is only considered the best estimate of the fair value of financial assets if the most recent information available for fair value measurement is insufficient. Financial instruments accounted for at FVOCIwoR are centrally monitored with regard to any changes to the key non-observable input factors and continuously checked for changes in value. In fiscal 2020, two other investments were written down by a total of €13.4 million and another was written up by €6.4 million.

Please see Note 19 for information on the changes in carrying amounts of other investments. For reasons of materiality, there is no need for a sensitivity analysis.

The accounting policies applied are described in the notes to the consolidated financial statements under General Information and Accounting Principles (Note 2).

Trade accounts receivable and payable, other receivables with a financing character, other financial assets and liabilities measured at cost, and cash and cash equivalents generally have short remaining maturities. As a result, the carrying amounts as at the end of the reporting period are, as a rule, approximately their fair values and are not shown in the fair value hierarchy in the table. The fair values of other indebtedness and other financial liabilities were determined by discounting all future cash flows at the applicable interest rates for the corresponding residual maturities, taking into account a company-specific credit spread, provided their carrying amounts as at the reporting date are not approximately equivalent to their fair values.

The Continental Group recognizes possible reclassifications between the different levels of the fair value hierarchy as at the end of the reporting period in which a change occurred. In 2020, as in the previous year, there were no transfers between the different levels of the fair value hierarchy.

The following income and expenses from financial instruments were recognized in the consolidated statement of income:

€ millions	Net gains and losses from interest		Other net gains and losses		Total net gains and losses	
	2020	2019	2020	2019	2020	2019
Financial assets (at cost)	25.7	31.1	-14.0	-97.2	11.7	-66.1
Financial assets and liabilities (FVPL)	2.4	8.7	140.6	-31.6	143.0	-22.9
Financial assets (FVOCI)	–	-1.7	0.6	0.6	0.6	-1.1
Financial liabilities (at cost)	-108.9	-96.9	-41.0	-54.1	-149.9	-151.0

Interest income and expense from financial instruments is reported in the financial result (Note 11).

Dividend income from financial assets measured at fair value through other comprehensive income is explained under Income from Investments (Note 10).

### Collateral

As at December 31, 2020, a total of €579.5 million (PY: €745.8 million) of financial assets had been pledged as collateral. In the year under review, as in the previous year, collateral mainly consisted of trade accounts receivable assigned as collateral for liabilities from sale-of-receivables programs. The remainder related to pledged cash or other financial assets.

### Risk management of financial instruments

Due to its international business activities and the resulting financing requirements, the Continental Group is exposed to default risks, risks from changes in exchange rates and variable interest rates, and liquidity risk. The management of these risks is described in the following sections.

In addition, hedging instruments are used in the Continental Group. Their use is covered by corporate-wide policies, adherence to which is regularly reviewed by internal auditors. Internal settlement risks are minimized through the clear segregation of functional areas.

Further information about the risks presented below and about risk management can be found in the report on risks and opportunities in the consolidated management report.

## 1. Default risks

Default risks from trade accounts receivable, contract assets or other financial assets include the risk that receivables will be collected late or not at all if a customer or another contractual party does not fulfill its contractual obligations. The total of the positive carrying amounts is equivalent to the maximum default risk of the Continental Group from financial assets. Default risk is influenced mainly by characteristics of the customers and the sector and is therefore analyzed and monitored by central and local credit managers. The responsibilities of the credit management function also include pooled receivables risk management. Contractual partners' creditworthiness and payment history are analyzed on a regular basis.

Default risk for non-derivative financial receivables is also limited by ensuring that agreements are entered into with partners with proven creditworthiness only or that collateral is provided or, in individual cases, trade credit insurance is agreed. The Continental Group held an immaterial amount of collateral as at December 31, 2020. There are no trade accounts receivable or contract assets for which an impairment loss was not recognized due to collateral held.

However, default risk cannot be excluded with absolute certainty, and any remaining risk is addressed by recognizing expected credit losses for identified individual risks and on the basis of experience, taking account of any relevant future components. Financial assets that are neither past due nor impaired accordingly have a prime

credit rating. Default risks are calculated on the basis of corporate-wide standards. The methods for calculating valuation allowances are described in the notes to the consolidated financial statements under General Information and Accounting Principles (Note 2).

### Trade accounts receivable and contract assets

If the creditworthiness of receivables is impaired, corresponding expenses are recognized in an allowance account.

Lifetime expected credit losses are largely calculated using estimates and assessments based on the creditworthiness of the respective customer, current economic developments and the analysis of historical losses on receivables. The creditworthiness of a customer is assessed on the basis of its payment history and its ability to make payments. It is regularly reviewed whether there is a need to take account of any risks in connection with different customer groups, sectors or countries. No such allocation of default risk was required in 2020.

Continental calculates the default rates for lifetime expected credit losses based on a three-year average, taking account of the historical defaults allocated to the different periods past due, and generally also taking account of a forward-looking component. Trade accounts receivable and contract assets whose creditworthiness is already impaired are not taken into account when calculating lifetime expected credit losses. There were no significant effects on expected credit losses from the modification of cash flows.

The table below shows the gross carrying amounts as at December 31, 2020, for trade accounts receivable and contract assets whose creditworthiness was not impaired<sup>1</sup>:

€ millions	December 31, 2020	December 31, 2019
not overdue	6,863.6	7,006.7
0-29 days	290.6	398.4
30-59 days	98.2	146.0
60-89 days	34.7	57.5
90-119 days	22.2	33.9
120 days or more	93.7	116.7
<b>As at December 31</b>	<b>7,403.0</b>	<b>7,759.2</b>

<sup>1</sup> The difference of €228.7 million (December 31, 2019: €170.1 million) from the tables in Notes 6 and 24 results from trade accounts receivable and contract assets whose creditworthiness was impaired.

In the year under review, lifetime expected credit losses and valuation allowances for trade accounts receivable and contract assets whose creditworthiness was impaired developed as follows:

€ millions	2020	2019
<b>As at January 1</b>	<b>128.5</b>	<b>109.5</b>
Additions	116.3	75.3
Utilizations	-18.2	-21.2
Reversals	-53.7	-37.2
Amounts disposed of through disposal of subsidiaries	0.0	0.0
Exchange-rate changes	-13.5	2.1
<b>As at December 31</b>	<b>159.4</b>	<b>128.5</b>

As at December 31, 2020, valuation allowances for trade accounts receivable whose creditworthiness was impaired amounted to €142.3 million (PY: €113.5 million).

Of the impaired receivables written down in the reporting period, €1.0 million (PY: €0.7 million) is still subject to enforcement measures.

#### Other financial assets

Valuation allowances equivalent to the gross carrying amount totaling €2.9 million (PY: €2.0 million) were recognized for other financial assets whose creditworthiness was impaired. Other 12-month and lifetime expected credit losses on other financial assets are not of significance.

Of the impaired other financial assets written down in the reporting period, none (PY: €1.0 million) are still subject to enforcement measures.

#### Cash and cash equivalents, derivative instruments and interest-bearing investments

In order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, the Continental Group generally uses banks that it has classified as core banks on the basis of defined criteria. As a general rule, these banks should have at least one investment-grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the core banks – and of other banks and other business partners with which investments are made, loans are granted or derivative instruments are traded in derogation from the core bank principle for operational or regulatory reasons – is continuously monitored by tracking not only their credit ratings but also particularly the premiums for insuring against credit risks (credit default swap, CDS), provided such information is available. In addition, the Continental Group sets investment limits for each bank and trading limits for derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. Valuation allowances for loans to associates with impaired creditworthiness of €2.2 million were reversed in the reporting year (PY: €50.3 million recognized). In addition, the provision of

€57.4 million recognized in the previous year for credit commitments to these companies was utilized in the reporting year in the amount of €46.5 million. The resulting valuation allowances of €94.0 million (PY: €50.3 million) and provisions for loan commitments of €11.2 million (PY: €57.4 million) after exchange-rate effects as at December 31, 2020, correspond to the respective gross carrying amounts of the adjusted loans and the outstanding nominal amounts of the loan commitments. As in the previous year, the expected credit losses from cash and cash equivalents and other interest-bearing investments measured at amortized cost are not significant.

## 2. Currency management

The international nature of the Continental Group's business activities results in deliveries and payments in various currencies. Currency-exchange fluctuations involve the risk of losses because assets denominated in currencies with a falling exchange rate lose value, while liabilities denominated in currencies with a rising exchange rate become more expensive. For hedging, it is allowed to use only derivative instruments that have been defined in corporate-wide policies and can be reported and measured in the risk management system. It is generally not permitted to use financial instruments that do not meet these criteria.

#### Operational foreign-currency risk

In operational currency management, actual and expected foreign-currency cash flows are combined as operational foreign-exchange exposures in the form of net cash flows for each transaction currency on a rolling 12-month basis. These cash flows arise mainly from receipts and payments from external and intra-corporate transactions by the Continental Group's subsidiaries worldwide. A natural hedge approach for reducing currency risks has been pursued for several years, meaning that the difference between receipts and payments in any currency is kept as low as possible. Exchange-rate developments are also monitored, analyzed and forecast. Based on the operational foreign-exchange exposure and constantly updated exchange-rate forecasts, the interest-rate and currency committee, which convenes weekly, agrees on the hedging measures to be implemented in individual cases by concluding derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months. Their

amount must not exceed 30% of the 12-month exposure per currency without Executive Board permission. In addition, further risk limits for open derivative positions are set, which considerably reduce the risks from hedging activities. Hedge accounting was not used in the reporting year or in the previous year for hedges concluded in this way. As in the previous year, there were no derivative instruments for hedging against operational foreign-currency risks as at December 31, 2020.

As at December 31, 2020, the net exposure from financial instruments that are denominated in a currency other than the functional currency of the respective subsidiary and are not allocated to net indebtedness existed in the major currencies of the euro in the amount of -€168.8 million (PY: -€533.1 million) and the US dollar in the amount of -€500.3 million (PY: -€291.2 million). The main local currencies accounting for the aforementioned euro-foreign currency transactions are the Chinese renminbi at -€160.1 million, the Czech koruna at €126.8 million and the Mexican peso at -€68.7 million (PY: the Chinese renminbi at -€176.8 million, the Czech koruna at -€166.3 million and the Brazilian real at -€65.4 million). The main local currencies accounting for the US dollar-foreign currency transactions are the Chinese renminbi at -€198.7 million, the Czech koruna at -€107.0 million and the Romanian leu at -€99.7 million (PY: the Chinese renminbi at -€195.2 million, the South Korean won at -€151.8 million and the euro at €119.0 million). Of these amounts, the positive values constitute net receivables and the negative values net liabilities.

#### Financial foreign-currency risks

In addition to operational foreign-currency risk, currency risks also result from the Continental Group's external and internal net indebtedness that is denominated in a currency other than the functional currency of the respective subsidiary. The quantity of these instruments is regularly summarized in the form of a financial foreign-currency exposure for each transaction currency. As at December 31, 2020, the net exposure in the major currencies amounted to €158.7 million (PY: -€121.2 million) for the euro and €1,336.9 million (PY: €687.5 million) for the US dollar. The main local currencies accounting for the aforementioned euro-foreign currency transactions are the Czech koruna at €412.8 million, the Brazilian real at -€183.3 million and the Romanian leu at -€174.4 million (PY: the Czech koruna at €363.6 million, the Brazilian real at -€289.3 million and the Hungarian forint at -€226.3 million). The main local currencies accounting for the US dollar-foreign currency transactions are the euro at €870.4 million, the Mexican peso at €324.3 million and the Philippine peso at €96.4 million (PY: the Mexican peso at €328.9 million, the Philippine peso at €172.8 million and the euro at €107.5 million). These currency risks are generally hedged against through the use of derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. In the case of highly effective, longer-term and significant hedges, Continental usually applies hedge accounting. The hedged transactions are not divided into their risk components.

#### Hedging against financial foreign-currency risks without using hedge accounting

As at December 31, 2020, there are derivative instruments for hedging against financial foreign-currency risks from intra-corporate receivables and liabilities. Hedge accounting is not used for these instruments, hence their assignment to the measurement category FVPL. Corresponding currency forwards and currency swaps are reported as at December 31, 2020 in the statement of financial position under the item "Short-term derivative instruments and interest-bearing investments" in the amount of €15.9 million (PY: €7.5 million) and under the item "Short-term financial liabilities" in the amount of €15.5 million (PY: €13.3 million). Their nominal volume comes to €1,648.4 million as at December 31, 2020 (PY: €1,275.6 million). In addition, as at December 31, 2020, there are cross-currency interest-rate swaps with a total nominal volume of €500.0 million (PY: —), which are reported under "Long-term derivative instruments and interest-bearing investments" in the amount of €54.2 million (PY: —).

#### Hedging against financial foreign-currency risks (net investment hedges)

Until August 2017, the Continental Group hedged its net investments in foreign operations. Based on the decision that currency effects from net investments in a foreign operation and from designated hedges that are accumulated in the currency translation reserve in equity are to be reclassified to the income statement only if the foreign operation is sold or liquidated, €20.2 million (PY: €20.2 million) from the hedged transactions remains in the currency translation reserve in equity.

#### Hedging against financial foreign-currency risks (cash flow hedges)

In 2015, the Continental Group fully designated cross-currency interest-rate swaps as hedging instruments for cash flow hedge accounting pursuant to IAS 39 and, from January 1, 2018, pursuant to IFRS 9. The cash flow hedges were used to secure the €500-million bond issued by Continental Rubber of America, Corp., Wilmington, Delaware, USA, on November 19, 2015. In doing so, first the currency risks of Continental Rubber of America, Corp., Wilmington, Delaware, USA, were hedged against by the denomination in euros and, second, the euro-based fixed interest rate was exchanged for a US-dollar-based fixed interest rate. These cash flow hedges expired together with the maturity of the bond on February 19, 2019.

In 2019, the cash flow hedges did not result in an ineffectiveness to be recognized in profit or loss. Changes in fair value and reclassifications to profit or loss in 2019 can be seen in the statement of comprehensive income under the item "Cash flow hedges."

For information on the accounting principles for cash flow hedges, please refer to General Information and Accounting Principles (Note 2).



### Translation-related foreign-currency risks

A large number of the subsidiaries are located outside the euro currency zone. As Continental AG's reporting currency in the consolidated financial statements is the euro, the financial statements of these companies are translated into euros. With regard to managing the risks of translation-related currency effects, it is assumed that investments in foreign companies are entered into for the long term and that earnings are reinvested. Translation-related effects that arise when the value of net asset items translated into euros changes as a result of exchange-rate fluctuations are recognized directly in equity in the consolidated financial statements and are generally not hedged.

### Sensitivity analysis

IFRS 7, *Financial Instruments: Disclosures*, requires a presentation of the effects of hypothetical changes in exchange rates on income and equity using a sensitivity analysis. In the Continental Group, the

changes in the exchange rates are related to all financial instruments outstanding as at the end of the reporting period, including the effects of hedges. Forecast transactions and translation-related foreign-currency risks are not included in the sensitivity analysis. For those financial instruments with transaction currencies that differ from the functional currencies, a 10% appreciation or depreciation of the respective functional currency of the subsidiaries in relation to the identified different transaction currencies is assumed to determine the sensitivities. Hedging transactions are valued on the basis of a 10% percent change in the underlying forward or spot rates from the perspective of the local currency of the hedging Continental Group company. The following table shows, before income tax expense, the overall effect as measured using this approach, as well as the individual effects resulting from the euro and the US dollar, as major transaction currencies, on the difference from currency translation and from financial instruments in equity and on net income.

€ millions	2020		2019	
	Total equity	Net income	Total equity	Net income
<b>Local currency +10%</b>				
<b>Total</b>	—	<b>79.6</b>	—	<b>73.5</b>
thereof EUR	—	3.9	—	49.0
thereof USD	—	6.3	—	-32.8
<b>Local currency -10%</b>				
<b>Total</b>	—	<b>-79.6</b>	—	<b>-73.5</b>
thereof EUR	—	-3.9	—	-49.0
thereof USD	—	-6.3	—	32.8

### 3. Interest-rate management

Variable interest agreements and, in principle, short-term financial instruments result in a risk of rising interest rates for interest-bearing financial liabilities and falling interest rates for interest-bearing financial investments. These interest-rate risks are valued and assessed as part of our interest-rate management activities, partly on the basis of continuous monitoring of current and anticipated long-term and short-term interest-rate developments, and are managed by means of derivative interest-rate hedging instruments as needed. The Continental Group's interest-bearing net indebtedness is the subject of these activities based on the reporting date. Interest-rate

hedges serve exclusively to manage identified interest-rate risks. Once a year, a range is determined for the targeted share of fixed-interest indebtedness in relation to total gross indebtedness. As in the previous year, there were no derivative instruments for hedging against interest-rate risks as at December 31, 2020. The Continental Group is not exposed to a risk of fluctuation in the fair value of long-term financial liabilities due to market changes in fixed interest rates, as the lenders do not have the right to demand early repayment in the event of changing rates and these liabilities are recognized at amortized cost.

### Interest-rate risk

The profile of interest-bearing financial instruments allocated to net indebtedness, taking into account the effect of the Continental Group's derivative instruments, is as follows:

€ millions	2020	2019
<b>Fixed-interest instruments</b>		
Financial assets	68.9	87.4
Financial liabilities	5,556.4	5,266.0
<b>Floating-rate instruments</b>		
Financial assets	3,056.3	3,452.4
Financial liabilities	1,762.5	2,339.7

### Fair value sensitivity analysis

In accordance with IFRS 7, effects of financial instruments on income and equity resulting from interest-rate changes must be presented using a sensitivity analysis. The main effects resulted from the changes in the US dollar and euro interest rates. There were no changes in equity in 2020 or in the previous year. The effects on the financial result are presented below; tax effects were not taken into account in the analysis:

- › An increase in US dollar interest rates of 100 basis points in 2020 would have led to a change in the financial result of €13.3 million (PY: —).
- › A decrease in US dollar interest rates of 100 basis points would have led to a change in the financial result of -€13.8 million (PY: —).
- › An increase in euro interest rates of 100 basis points in 2020 would have led to a change in the financial result of -€15.4 million (PY: —).
- › A decrease in euro interest rates of 100 basis points would have led to a change in the financial result of €16.0 million (PY: —).

### Cash flow sensitivity analysis

The following table shows the effects an increase or a decrease in interest rates of 100 basis points would have had on the financial result. The effects would essentially result from floating-rate financial instruments. In the scenario in which there is a decrease in the pertinent interest rates, the effects were calculated for individual groups of financial instruments taking account of their contractual arrangement (particularly the interest-rate floors agreed) and based on assumptions with regard to changes in the applicable interest rates for these financial instruments depending on changes in market interest rates. With regard to these assumptions, we consider it realistic, as in the previous year, that only contractually agreed interest-rate floors would limit a decrease in the relevant interest rates. As in the previous year, this analysis is based on the assumption that all other variables, and in particular exchange rates, remain unchanged.

€ millions	Interest-rate increase +100 basis points		Interest-rate decline -100 basis points	
	2020	2019	2020	2019
<b>Total</b>	<b>14.4</b>	<b>11.5</b>	<b>-16.9</b>	<b>-14.3</b>
thereof EUR	-3.5	-1.6	0.9	-1.3
thereof CNY	6.0	9.4	-6.0	-9.4
thereof USD	4.4	-0.8	-4.4	0.8
thereof INR	1.1	0.9	-1.1	-0.9
thereof BRL	1.1	0.9	-1.1	-0.9
thereof THB	0.8	0.3	-0.8	-0.3
thereof AUD	0.6	0.4	-0.6	-0.4
thereof JPY	0.6	0.4	-0.6	-0.4
thereof RON	0.5	0.5	-0.5	-0.5
thereof CAD	-0.8	-1.7	0.8	1.7

#### 4. Liquidity risks

Cost-effective, adequate financing is necessary for the subsidiaries' operating business. A liquidity forecast is therefore prepared by central cash management on a regular basis.

Various marketable financial instruments are used to meet the financial requirements. These comprise overnight money, term borrowing, the issue of commercial paper, sale-of-receivables programs, the syndicated loan with a committed nominal amount of €4.0 billion (PY: €4.0 billion), the additional syndicated loan with a committed volume of €3.0 billion (PY: –) that runs until May 2021,

and other bilateral loans. Furthermore, approximately 48% (PY: 37%) of gross indebtedness is financed on the capital market in the form of long-term bonds. Capital expenditure by subsidiaries is primarily financed through equity and loans from banks or subsidiaries. There are also cash-pooling arrangements with subsidiaries to the extent they are possible and justifiable in the relevant legal and tax situation. If events lead to unexpected financing requirements, the Continental Group can draw upon existing liquidity and fixed credit lines from banks. For detailed information on the existing utilized and unutilized loan commitments, please refer to Note 31.

The financial liabilities without lease liabilities of €13,019.0 million (PY: €14,093.0 million) result in the following undiscounted cash outflows over the next five years and thereafter:

Dec. 31, 2020/€ millions	2021	2022	2023	2024	2025	thereafter	Total
Other indebtedness incl. interest payments	1,894.0	332.4	1,314.2	1,008.5	637.2	816.1	<b>6,002.4</b>
Derivative instruments	15.5	–	–	–	–	–	<b>15.5</b>
Trade accounts payable	5,933.1	–	–	–	–	–	<b>5,933.1</b>
Other financial liabilities	1,287.9	6.6	–	–	–	–	<b>1,294.5</b>

Dec. 31, 2019/€ millions	2020	2021	2022	2023	2024	thereafter	Total
Other indebtedness incl. interest payments	3,937.5	219.9	277.3	510.4	345.7	661.9	<b>5,952.7</b>
Derivative instruments <sup>1</sup>	18.3	–	–	–	–	–	<b>18.3</b>
Trade accounts payable	7,111.0	–	–	–	–	–	<b>7,111.0</b>
Other financial liabilities	1,046.3	32.4	–	–	–	–	<b>1,078.7</b>

<sup>1</sup> Not including embedded derivatives, as they do not give rise to cash outflows.

In the analysis, foreign-currency amounts were translated into euros using the current closing rate as at the end of the reporting period. For floating-rate non-derivative financial instruments, the future interest payment flows were forecast using the most recently contractually fixed interest rates. Forward interest rates were used to determine floating-rate payments for derivative instruments. The analysis only includes cash outflows from financial liabilities. The

net payments are reported for derivative instruments that are liabilities as at the end of the reporting period. Cash inflows from financial assets were not included.

The cash outflows in the maturity analysis are not expected to occur at significantly different reference dates or in significantly different amounts.

### Global netting agreements and similar agreements

Continental AG concludes business in the form of derivative instruments on the basis of the German Master Agreement on Financial Derivatives Transactions (Deutscher Rahmenvertrag für Finanztermingeschäfte). Fundamentally, there is the option to combine the amounts owed by each counterparty under such agreements on the same day in respect of all outstanding transactions in the same currency into a single net amount to be paid by one party to another.

The German Master Agreement on Financial Derivatives Transactions does not meet the criteria for offsetting in the statement of financial position. This is due to the fact that Continental AG has

no legal right to the netting of the amounts recognized at the current time. According to the regulations of the German Master Agreement, the right to netting can be enforced only when future events occur, such as the insolvency of or default by a contractual party. In such cases, all outstanding transactions under the agreement are ended, the fair value is calculated as at this time, and just a single net amount is paid to settle all transactions.

At some Brazilian and South Korean subsidiaries, there are local framework agreements on the basis of which these companies have concluded derivative instruments. These agreements also do not meet the criteria for offsetting in the statement of financial position.

The following table shows the carrying amounts of the reported stand-alone derivative instruments, their offsetting in the statement of financial position, and any potential arising from the specified agreements subject to the occurrence of certain future events:

€ millions	December 31, 2020			December 31, 2019		
	Carrying amounts <sup>1</sup>	Respective financial instruments not netted	Net amount	Carrying amounts <sup>1</sup>	Respective financial instruments not netted	Net amount
Financial assets	70.1	11.1	59.0	7.5	2.3	5.2
Financial liabilities	15.5	11.1	4.4	13.2	2.3	10.9

<sup>1</sup> There were no amounts to be offset in accordance with IAS 32.42, Financial Instruments: Presentation, as at the reporting date and as at the same date in the previous year.

## 33. Other Financial Liabilities

€ millions	December 31, 2020		December 31, 2019	
	Short-term	Long-term	Short-term	Long-term
Liabilities to related parties	45.0	0.5	—	0.5
Interest payable	16.0	—	13.8	—
Liabilities for selling expenses	1,209.6	—	1,027.4	—
Purchase prices payable on company acquisitions	3.0	—	0.1	24.5
Miscellaneous financial liabilities	14.3	6.2	5.0	6.7
<b>Other financial liabilities</b>	<b>1,287.9</b>	<b>6.7</b>	<b>1,046.3</b>	<b>31.7</b>

The increase in liabilities to related parties results from capital commitments made to an associate.

Interest payable is due mainly to deferred interest for the bonds issued.

Liabilities for selling expenses relate in particular to obligations from bonus agreements with customers and deferred price reductions granted.

The decrease in purchase prices payable on company acquisitions mainly results from purchase price payments for acquisitions made in previous years in Germany and Czechia.

The increase in short-term miscellaneous financial liabilities mainly results from the outstanding dividend payments of a Japanese subsidiary.

## 34. Trade Accounts Payable

Trade accounts payable amounted to €5,933.1 million (PY: €7,111.0 million) as at the end of the fiscal year. The liabilities are measured at amortized cost. The full amount is due within one year. The liabilities do not include any amounts from the percent-

age-of-completion method. For information on liquidity risk, currency risk and the sensitivity analysis for trade accounts payable, please see Note 32.

## 35. Other Liabilities

€ millions	December 31, 2020		December 31, 2019	
	Short-term	Long-term	Short-term	Long-term
Liabilities for VAT and other taxes	289.8	—	320.9	—
Deferred income	17.5	38.3	25.3	8.3
Miscellaneous liabilities <sup>1</sup>	494.5	25.6	320.0	11.7
<b>Other liabilities</b>	<b>801.8</b>	<b>63.9</b>	<b>666.2</b>	<b>20.0</b>

<sup>1</sup> Miscellaneous liabilities also include other liabilities to related parties. Please see Note 41.

# Other Disclosures

## 36. Litigation and Compensation Claims

Continental AG and its subsidiaries are involved in lawsuits, regulatory investigations and proceedings worldwide. Such lawsuits, investigations and proceedings could also be initiated or claims asserted in other ways in the future.

### Product liability

In particular, Continental is constantly subject to product liability and other claims in which the company is accused of the alleged infringement of its duty of care, violations against warranty obligations or defects of material or workmanship. Claims from alleged breaches of contract resulting from product recalls or government proceedings are also asserted. Among other cases, claimants in the USA file lawsuits for property damage, personal injury and death caused by alleged defects in our products. Claims for material and non-material damages, and in some cases punitive damages, are being asserted. The outcome of individual proceedings, which are generally decided by a jury in a court of first instance, cannot be predicted with certainty. No assurance can be given that Continental will not incur substantial expenses as a result of the final judgments or settlements in some of these cases, or that these amounts will not exceed any provisions set up for these claims. Some subsidiaries in the USA are exposed to relatively limited claims for damages from purported health injuries allegedly caused by products containing asbestos. The total costs for dealing with all such claims and proceedings have amounted to less than €50 million per year since 2006.

### Disputes over industrial property rights

Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers.

### Regulatory proceedings

In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €1.9 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.7 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision

and remanded the matter. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €24 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US \$4.0 million (approximately €3.3 million) in 2015. In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US \$5.0 million (around €4.1 million) were concluded in the USA in 2018 and Can \$0.6 million (around €0.4 million) in Canada in 2020. The risk of investigations into this matter by other antitrust authorities and claims for damages by further alleged victims remains unaffected by the fines imposed.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany; and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Continental has set aside provisions that cover this fine. Continental cannot rule out the possibility that customers will claim for damages with reference to the commission's decision. At this point in time, it is not possible to say whether such claims will be submitted and, if they are, how much the damages will be – irrespective of whether or not the claims are justified. As a result, it cannot be ruled out that the resulting expenses will exceed the provisions that have been set aside for this purpose. In accordance with IAS 37.92, *Provisions, Contingent Liabilities and Contingent Assets*, no further disclosures will be made with regard to the proceedings and the related measures so as not to adversely affect the company's interests.

The public prosecutor's office in Hanover searched locations of Continental AG and certain subsidiaries as part of investigations in connection with the use of illegal defeat devices in VW diesel engines. Continental is cooperating fully with the Hanover public prosecutor's office. There is a risk that fines will be imposed on these

companies as a result of the allegations. The amount of such fines is unknown from the current perspective, but could be significant. Also in view of the full cooperation of Continental, no further disclosures can be made with regard to the ongoing investigations, so as not to adversely affect the company's interests.

## 37. Contingent Liabilities and Other Financial Obligations

€ millions	December 31, 2020	December 31, 2019
Liabilities on guarantees	19.2	20.3
Liabilities on warranties	53.6	24.7
Risks from taxation and customs	39.9	14.6
Other financial obligations	16.1	17.7
Other contingent liabilities	5.2	10.0
<b>Contingent liabilities and other financial obligations</b>	<b>134.0</b>	<b>87.3</b>

As in previous years, contingent liabilities related to guarantees for the liabilities of affiliated companies and third parties not included in consolidation and to contractual warranties. To the best of our knowledge, the underlying obligations will be fulfilled in all cases. Utilization is not anticipated.

The other financial obligations relate in part to the acquisition of companies now owned by the Continental Group.

The Continental Group could be subject to obligations relating to environmental issues under governmental laws and regulations, or

as a result of various claims and proceedings that are pending or that might be made or initiated against it. Estimates of future expenses in this area are naturally subject to many uncertainties, such as the enactment of new laws and regulations, the development and application of new technologies and the identification of contaminated land or buildings for which the Continental Group is legally liable.

Open purchase commitments for property, plant and equipment amounted to €569.9 million (PY: €781.9 million).

## 38. Earnings per Share

Basic earnings per share rose in 2020 to -€4.81 (PY: -€6.13), the same amount as diluted earnings per share. In both the period under review and the previous year, there were no dilutive effects

such as interest savings on convertible bonds or warrant-linked bonds (after taxes). There were also no dilutive effects from stock option plans or the assumed exercise of convertible bonds.

€ millions/millions of shares	2020	2019
Net income attributable to the shareholders of the parent	-961.9	-1,225.0
Weighted average number of shares issued	200.0	200.0
<b>Basic earnings per share in €</b>	<b>-4.81</b>	<b>-6.13</b>



## 39. Events After the End of the Reporting Period

There were no significant events after December 31, 2020.

## 40. Auditor's Fees

For fiscal 2020, a global fee of €14.6 million (PY: €13.4 million) was agreed for the audit of the consolidated financial statements and the separate financial statements of the subsidiaries.

The following fees were recognized in corporate expenses for the auditor elected by the Annual Shareholders' Meeting.

The following fees relate only to services directly connected with Continental AG and its German subsidiaries:

€ millions	2020	2019
Audit of financial statements	6.5	5.9
Other assurance services	2.8	5.4
Tax advisory services	0.3	0.2
Other services provided to the parent company or its subsidiaries	0.0	0.0
<b>Total</b>	<b>9.6</b>	<b>11.5</b>

The values to be disclosed according to Section 314 (1) No. 9 *HGB* are determined pursuant to IDW RS HFA 36 in the new version dated September 8, 2016. KPMG AG Wirtschaftsprüfungsgesellschaft and its registered branches are deemed the auditor.

## 41. Transactions with Related Parties

### Remuneration of the Executive Board and the Supervisory Board

The remuneration of the Continental Group's key management personnel that must be disclosed in accordance with IAS 24, *Related Party Disclosures*, comprises the remuneration of the active members of the Executive Board and the Supervisory Board.

The remuneration of the active members of the Executive Board in the respective years was as follows:

€ thousands	2020	2019
Short-term benefits	8,723	8,757
Service cost relating to post-employment benefits	7,593	6,227
Termination benefits	516	977
Share-based payment	6,171	-5,700
<b>Total</b>	<b>23,003</b>	<b>10,261</b>

The basic elements of the Executive Board remuneration system and the amounts granted to the Executive Board and the Supervisory Board in the year under review are explained in the remuneration report, which supplements the corporate governance report and is part of the combined management report with the Continental Group.

The total remuneration granted to the Executive Board of Continental AG in 2020 amounted to €15.8 million (PY: €16.9 million). That

total remuneration also includes, in addition to short-term benefits of €8.7 million (PY: €8.8 million), a newly granted long-term incentive plan totaling €6.6 million (PY: €7.1 million) and the equity deferral of the performance bonus of €0.5 million. In 2020, in accordance with the old remuneration system, the long-term component of the variable remuneration from 2019 (amounting to €1.0 million) was converted into 11,789 virtual shares of the company.

Moreover, former members of the Executive Board and their surviving dependents received payments totaling €7.1 million (PY: €7.5 million). Provisions for pension obligations for former members of the Executive Board and their surviving dependents amounted to €170.4 million (PY: €147.5 million). Remuneration paid to the members of Continental AG's Supervisory Board, including meeting fees, totaled €4.8 million in the past fiscal year (PY: €3.7 million).

As in 2019, no advances or loans were granted to members of Continental AG's Executive Board or Supervisory Board in 2020.

The table below shows the transactions with related parties other than subsidiaries:

€ millions	Income		Expenses		Accounts receivable		Accounts payable	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Non-consolidated companies</b>								
Ordinary business activities	18.7	16.9	4.8	5.9	5.8	6.0	2.7	3.2
Others	0.7	0.5	0.0	0.0	5.1	5.8	2.1	0.6
<b>Equity-accounted investees</b>								
Ordinary business activities	163.8	351.2	65.0	93.8	107.4	116.0	211.9	154.6
Financing	5.0	2.6	0.3	108.5	48.5	51.6	108.3	171.4
Others	0.0	0.0	45.0	0.0	0.1	0.1	–	0.0
<b>Schaeffler Group</b>								
Ordinary business activities	90.7	94.3	90.6	104.9	19.5	23.0	20.1	22.5
Others	–	0.0	–	0.0	–	0.0	–	0.0
<b>Other related parties</b>								
Ordinary business activities	–	–	0.0	0.0	–	–	–	–
<b>Total</b>	<b>278.9</b>	<b>465.5</b>	<b>205.7</b>	<b>313.1</b>	<b>186.4</b>	<b>202.5</b>	<b>345.1</b>	<b>352.3</b>

Transactions with related parties other than subsidiaries were conducted on an arm's-length basis. Ordinary business activities comprise the purchase or sale of goods and other assets as well as rendered or received services.

Expenses from other transactions with related companies are primarily the result of the creation of a provision for capital commitments to an associate in the amount of €45.0 million.

#### Notices in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz - WpHG*)

From the start of the fiscal year to the time of the preparation of the financial statements, we received the following notifications in accordance with Section 40 (1) *WpHG* on holdings in Continental AG. In the event of the same party reaching, exceeding or falling below the threshold stated in this provision on multiple occasions, only the most recent notification is shown. Notifications from earlier fiscal years about the existence of voting rights shares of at

least 3% are still disclosed as at the end of the reporting period. The provisions for notifications from fiscal years prior to 2018 relate to the version of the *WpHG* valid until January 2, 2018.

BlackRock, Inc., Wilmington, Delaware, USA, notified us that its share of voting rights in Continental AG on December 31, 2019, amounted to 3.05%.

- > 2.95% of these voting rights (5,896,808 voting rights) are attributed to the company in accordance with Section 34 *WpHG*.
- > 0.09% of these voting rights (187,188 voting rights) are attributed to the company as instruments in accordance with Section 38 (1) No. 1 *WpHG* (Lent Securities).
- > 0.01% of these voting rights (23,532 voting rights) are attributed to the company as instruments in accordance with Section 38 (1) No. 2 *WpHG* (Contract for Difference).



Harris Associates Investment Trust, Boston, Massachusetts, USA, notified us that its share of voting rights in Continental AG on October 23, 2020, amounted to 2.99%.

AVGP Limited, St Helier, Jersey, notified us that its share of voting rights in Continental AG on December 1, 2020, amounted to 2.93%.

- › 2.93% of these voting rights (5,859,732 voting rights) are attributed to the company in accordance with Section 34 *WpHG*.

By way of a letter dated January 4, 2016, we received notification that:

- › the share of voting rights in Continental AG held by Schaeffler Familienholding Eins GmbH, Herzogenaurach, Germany, fell below the threshold of 3% of voting rights on December 31, 2015, due to restructuring within the corporation and amounted to 0.00% at this time.
- › the share of voting rights in Continental AG held by Schaeffler Familienholding Zwei GmbH, Herzogenaurach, Germany, fell below the threshold of 3% of voting rights on December 31, 2015, due to restructuring within the corporation and amounted to 0.00% at this time.
- › the share of voting rights in Continental AG held by IHO Verwaltungs GmbH (still operating as Schaeffler Verwaltung Zwei GmbH as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, amounted to 35.99%.
- › the share of voting rights in Continental AG held by IHO Beteiligungs GmbH (still operating as Schaeffler Verwaltungs GmbH as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, amounted to 10.01%. Another 35.99% of the voting rights in Continental AG are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- › 46.00% of the voting rights in Continental AG are attributed to IHO Holding GmbH & Co. KG (still operating as Schaeffler Holding GmbH & Co. KG as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- › 46.00% of the voting rights in Continental AG are attributed to IHO Management GmbH (still operating as Schaeffler Management GmbH as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

- › 46.00% of the voting rights in Continental AG are attributed to INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

- › 46.00% of the voting rights in Continental AG are attributed to Schaeffler Holding LP, Dallas, Texas, USA, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

- › 46.00% of the voting rights in Continental AG are attributed to Mrs. Maria-Elisabeth Schaeffler-Thumann on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

- › 46.00% of the voting rights in Continental AG are attributed to Mr. Georg F. W. Schaeffler on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

As a result of the withdrawal of Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, from Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, Germany, on December 31, 2015, the investment held by Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, Germany, in Continental AG accrued to IHO Verwaltungs GmbH (still operating as Schaeffler Verwaltung Zwei GmbH as at December 31, 2015), Herzogenaurach, Germany. The investment held by Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, as well as the investment by its co-owner; by Schaeffler Familienholding Eins GmbH, Herzogenaurach, Germany; and by Schaeffler Familienholding Zwei GmbH, Herzogenaurach, Germany, in Continental AG accordingly ceased to exist. As a result of a subsequent further accrual and termination without liquidation of Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, this company's notification obligation in accordance with *WpHG* ceased to apply on January 1, 2016.

In 2020 and until February 19, 2021, inclusively, the members of the Executive Board held shares representing a total interest of less than 1% of the share capital of the company. Shares representing 46.00% of the voting share capital of the company were attributable to the members of the Supervisory Board Mrs. Maria-Elisabeth Schaeffler-Thumann and Mr. Georg F. W. Schaeffler. In 2020 and until February 19, 2021, inclusively, the other members of the Supervisory Board held shares representing a total interest of less than 1% of the share capital of the company.

## 42. List of Shareholdings of the Continental Group

Further information on equity investments can be found in the list of the Continental Group's shareholdings in accordance with Section 313 of the German Commercial Code (*Handelsgesetzbuch - HGB*), which is published as part of the consolidated financial statements in the German Federal Gazette (*Bundesanzeiger*). The consolidated financial statements with the list of the Continental Group's shareholdings are also made available for inspection by the shareholders in the business premises at the company's headquarters from the date on which the Annual Shareholders' Meeting is

convened, and from that point in time are available together with the additional documents and information in accordance with Section 124a of the German Stock Corporation Act (*Aktiengesetz - AktG*) online at [www.continental-ir.com](https://www.continental-ir.com).

### Statutory exemption provisions applying to German companies

The following German companies and partnerships utilized the exemption provisions of Section 264 (3) *HGB* and Section 264b *HGB*:

Company	Registered office
ADC Automotive Distance Control Systems GmbH	Lindau
A-Z Formen- und Maschinenbau GmbH	Runding-Langwitz
balance GmbH, Handel und Beratungsservice im Gesundheitswesen	Hanover
Benecke-Kaliko AG	Hanover
CAS München GmbH	Hanover
CAS-One Holdinggesellschaft mbH	Hanover
Conseo GmbH	Hamburg
Conti Temic microelectronic GmbH	Nuremberg
Conti Versicherungsdienst Versicherungsvermittlungsges. mbH	Hanover
Continental Advanced Antenna GmbH	Hildesheim
Continental Aftermarket & Services GmbH	Schwalbach am Taunus
Continental Automotive GmbH	Hanover
Continental Automotive Grundstücksges. mbH	Frankfurt am Main
Continental Caoutchouc-Export-GmbH	Hanover
Continental Engineering Services & Products GmbH	Ingolstadt
Continental Engineering Services GmbH	Frankfurt am Main
Continental Finance GmbH	Hanover
Continental Reifen Deutschland GmbH	Hanover
Continental Safety Engineering International GmbH	Alzenau
Continental Teves AG & Co. oHG	Frankfurt am Main
Continental Trading GmbH	Schwalbach am Taunus
ContiTech AG	Hanover
ContiTech Antriebssysteme GmbH	Hanover
ContiTech Elastomer-Beschichtungen GmbH	Hanover
ContiTech Kühner Beteiligungsgesellschaft mbH	Hanover
ContiTech Kühner GmbH & Cie. KG	Oppenweiler
ContiTech Luftfedersysteme GmbH	Hanover
ContiTech MGW GmbH	Hannoversch Münden
ContiTech Schlauch GmbH	Hanover
ContiTech Techno-Chemie GmbH	Karben
ContiTech Transportbandsysteme GmbH	Hanover
ContiTech Vibration Control GmbH	Hanover
ContiTech-Universe Verwaltungs-GmbH	Hanover
co-pace GmbH	Hanover
Eddelbüttel + Schneider GmbH	Hamburg
Elektrobit Automotive GmbH	Erlangen
Formpolster GmbH	Hanover

Company	Registered office
Hornschuch Group GmbH	Weißbach
Hornschuch-Markt GmbH	Weißbach
Hornschuch Stolzenau GmbH	Weißbach
inotec Innovative Technologie GmbH	Kohren-Sahlis
kek-Kaschierungen GmbH	Herbolzheim
Konrad Hornschuch AG	Weißbach
MISA-Beteiligungs GmbH	Hanover
MISA GmbH & Co. KG	Hanover
OTA Grundstücks- und Beteiligungsverwaltung GmbH	Frankfurt am Main
Phoenix Beteiligungsgesellschaft mbH	Hamburg
Phoenix Compounding Technology GmbH	Hamburg
Phoenix Conveyor Belt Systems GmbH	Hamburg
Phoenix Service GmbH & Co. KG	Hamburg
Phoenix Vermögensverwaltungsgesellschaft mbH	Hamburg
Präzisionstechnik Geithain GmbH	Geithain
REG Reifen-Entsorgungsgesellschaft mbH	Hanover
Senior Experts Services GmbH	Hanover
STEINEBRONN BETEILIGUNGS-GMBH	Oppenweiler
TON Tyres Over Night Trading GmbH	Schondra-Schildeck
UMG Beteiligungsgesellschaft mbH	Hanover
Union-Mittelland-Gummi-GmbH & Co. Grundbesitz KG	Hanover
Vergölst GmbH	Bad Nauheim
Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG	Frankfurt am Main
Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG	Hanover

## 43. German Corporate Governance Code/Declaration in Accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz - AktG*)

The declaration required in accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz - AktG*) was issued by the Executive Board and the Supervisory Board in December 2020, and is available to our shareholders online at [www.continental.com](https://www.continental.com) in the Company section under Corporate Governance.

## 44. Report on Subsequent Events

As at February 19, 2021, there were no events or developments that could have materially affected the measurement and presentation of individual asset and liability items as at December 31, 2020.

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# Responsibility Statement by the Company's Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the earnings, financial and net assets position of the Continental Group, and the consolidated management report includes a fair review of the development and performance of the business and the position of the Continental Group, together

with a description of the principal opportunities and risks associated with the expected development of the Continental Group.

Hanover, February 19, 2021

Continental AG  
The Executive Board

# Members of the Executive Board and Their Directorships

List of the positions held by the Executive Board members on statutory supervisory boards and on comparable controlling bodies of companies in Germany and abroad in accordance with Section 285 No. 10 of the German Commercial Code (*Handelsgesetzbuch – HGB*):

## Nikolai Setzer

**Chairman (since December 1, 2020)**

**Chairman of the Automotive Board (since December 1, 2020)**

**Group Communications and Public Affairs  
(since December 1, 2020)**

**Group Total Quality Management (since December 1, 2020)**

**Group Strategy (since December 1, 2020)**

**co-pace (start-up organization, since December 1, 2020)**

**Automotive Central Functions**

**Spokesman of the Automotive Board**

**(until November 30, 2020)**

› ContiTech AG, Hanover\* (Chairman, since December 1, 2020)

› Vitesco Technologies GmbH, Hanover\* (since December 1, 2020)

## Dr. Elmar Degenhart

**Chairman (until November 30, 2020)**

**Group Communications and Public Affairs  
(until November 30, 2020)**

**Group Total Quality Management (until November 30, 2020)**

**Group Strategy (from January 1 until November 30, 2020)**

**co-pace (start-up organization, from January 1 until  
November 30, 2020)**

› ContiTech AG, Hanover\* (Chairman, until November 30, 2020)

› Vitesco Technologies GmbH, Hanover\*  
(until November 30, 2020)

## Hans-Jürgen Duensing

**ContiTech Business Area**

› Benecke-Kaliko AG, Hanover\* (Chairman)

› ContiTech Antriebssysteme GmbH, Hanover\* (Vice Chairman)

› ContiTech Elastomer-Beschichtungen GmbH, Hanover\*  
(Vice Chairman)

› ContiTech Luftfedersysteme GmbH, Hanover\* (Vice Chairman)

› ContiTech MGW GmbH, Hann. Münden\* (Vice Chairman)

› ContiTech Schlauch GmbH, Hanover\* (Vice Chairman)

› ContiTech Techno-Chemie GmbH, Karben\* (Vice Chairman)

› ContiTech Transportbandsysteme GmbH, Hanover\*  
(Vice Chairman)

› ContiTech Vibration Control GmbH, Hanover\* (Vice Chairman)

› Phoenix Compounding Technology GmbH, Hamburg\*  
(Vice Chairman)

› EPD Holdings, Inc., Wilmington, Delaware, USA\*

› ContiTech USA, Inc., Fairlawn, Ohio, USA\*

## Frank Jourdan

**Autonomous Mobility and Safety Business Area**

› Continental Automotive Corporation, Yokohama, Japan\*

› Continental Automotive Mexicana, S. de R.L. de C.V., Morelos,  
Mexico\* (until September 24, 2020)

› Conti Automotive Servicios, S. A. de C.V., Silao Guanajuato,  
Mexico\*

› Continental Automotive Bajio, S. A. de C.V., Silao Guanajuato,  
Mexico\*

› Continental Automotive Maquila Mexico S. de R.L. de C.V., Silao,  
Mexico\* (until September 24, 2020)

› ContiTech Fluid Mexicana Servicios, S. A. de C.V., Tlalnepantla,  
Mexico\*

› ContiTech Fluid Monterrey Servicios, S. A. de C.V., Tlajomulco de  
Zuniga, Mexico\*

› Continental Automotive SLP, S. A. de C.V., San Luis Potosi, Mexico\*

## Christian Kötz

**Tires Business Area**

**Group Purchasing**

› Continental Reifen Deutschland GmbH, Hanover\* (Chairman)

› Continental Tire Holding US LLC, Wilmington, Delaware, USA\*

› Continental Tire the Americas, LLC, Columbus, Ohio, USA\*

## Helmut Matschi

**Vehicle Networking and Information Business Area**

› Continental Automotive GmbH, Hanover\* (Chairman)

› Argus Cyber Security Ltd, Tel Aviv, Israel\* (Chairman)

## Dr. Ariane Reinhart

**Group Human Relations**

**Director of Labor Relations**

**Group Sustainability**

› Vonovia SE, Düsseldorf

› Vitesco Technologies GmbH, Hanover\*

## Wolfgang Schäfer

**Group Finance and Controlling**

**Group Compliance, Law and Intellectual Property**

**Group Information Technology**

› Continental Reifen Deutschland GmbH, Hanover\*

› Continental Automotive, Inc., Wilmington, Delaware, USA\*

› Continental Rubber of America, Corp., Wilmington, Delaware, USA\*

› Vitesco Technologies GmbH, Hanover\* (Chairman)

## Andreas Wolf

**Powertrain Technologies Business Area (since June 3, 2020)**

\* Companies pursuant to Section 100 (2) of the German Stock Corporation Act  
(Aktiengesetz – AktG).



# Members of the Supervisory Board and Their Directorships

Memberships of other statutory supervisory boards and of comparable controlling bodies of companies in Germany and abroad in accordance with Section 285 No. 10 of the German Commercial Code (*Handelsgesetzbuch – HGB*):

## **Prof. Dr.-Ing. Wolfgang Reitzle, Chairman**

- > Ivoclar Vivadent AG, Schaan, Liechtenstein
- > Axel Springer SE, Berlin
- > Linde plc, Dublin, Ireland (Chairman)

## **Christiane Benner\*, Vice Chairperson Second Chairperson, IG Metall**

- > BMW AG, Munich

## **Hasan Allak\***

**Chairman of the Corporate Works Council of Continental AG  
and Chairman of the Works Council of Continental Reifen  
Deutschland GmbH, Stöcken, Hanover**

- > Continental Reifen Deutschland GmbH, Hanover

## **Dr. Gunter Dunkel**

**Chairman European Private Debt, Muzinich & Co, London,  
United Kingdom**

- > DEVnet AG, Munich

## **Francesco Grioli\***

**Member of the Central Board of Executive Directors,  
IG Bergbau, Chemie, Energie (Mining, Chemical and Energy  
Industries Union)**

- > Gerresheimer AG, Düsseldorf (Vice Chairman)

## **Michael Iglhaut\***

**Chairman of the Works Council for the Frankfurt Location**

## **Satish Khatu**

**Management Advisor**

## **Isabel Corinna Knauf**

**Member of the Group Management Committee at the  
Knauf Group**

- > Schmolz+Bickenbach AG, Lucerne, Switzerland  
(until April 28, 2020)
- > Skillet Fork Farms LLP, Wayne City, Illinois, USA (Chairperson)
- > Compagnie Marocaine de Plâtre et d'Enduit S. A., Safi, Morocco
- > Knauf S. r.l., Milan, Italy\*\*
- > Knauf Gipsopiia ABEE, Athens, Greece\*\* (Chairperson)
- > Knauf Cyprus Ltd., Limassol, Cyprus\*\* (Chairperson)
- > Knauf İnşaat Ve Yapı Elemanları San. Ve Tic. A.Ş., Ankara, Turkey\*\*  
(Chairperson)
- > PFT Siva Sistemleri San. Ve Tic. A.Ş., Ankara, Turkey\*\*  
(Chairperson)
- > Knauf Platres Tunisiens S. A., Fouchena, Tunisia\*\* (Chairperson)

- > Knauf Iran PJSC, Tehran, Iran\*\* (Chairperson, until March 7, 2020)
- > Knauf Gatch PSJC, Tehran, Iran\*\* (until March 7, 2020)

## **Sabine Neuß**

**Member of the Board of Management of Jungheinrich AG  
(since January 1, 2020)**

- > JULI Motorenwerk s. r.o., Moravany, Czechia (since April 1, 2020)
- > MAGAZINO GmbH, Munich (since November 12, 2020)
- > Atlas Copco AB, Nacka, Sweden (until May 18, 2020)

## **Prof. Dr. Rolf Nonnenmacher**

**Certified Accountant, self-employed, Berg**

- > ProSiebenSat.1 Media SE, Unterföhring
- > Covestro AG, Leverkusen
- > Covestro Deutschland AG, Leverkusen

## **Dirk Nordmann\***

**Chairman of the Works Council for the Vahrenwald Plant,  
ContiTech Antriebssysteme GmbH, Hanover**

- > ContiTech Luftfedersysteme GmbH, Hanover

## **Lorenz Pfau\***

**Chairman of the Central Works Council of Continental  
Automotive GmbH**

## **Klaus Rosenfeld**

**Chief Executive Officer of Schaeffler AG, Herzogenaurach**

- > Schaeffler India Limited, Vadodara, India\*\*
- > Siemens Gamesa Renewable Energy S. A., Zamudio, Spain

## **Georg F. W. Schaeffler**

**Co-owner of INA-Holding Schaeffler GmbH & Co. KG,  
Herzogenaurach**

**Managing Director of IHO Verwaltungs GmbH**

- > Schaeffler AG, Herzogenaurach\*\* (Chairman)
- > ATESTEO Management GmbH, Herzogenaurach\*\* (Chairman)

## **Maria-Elisabeth Schaeffler-Thumann**

**Co-owner of INA-Holding Schaeffler GmbH & Co. KG,  
Herzogenaurach**

**Managing Director of IHO Verwaltungs GmbH**

- > Schaeffler AG, Herzogenaurach\*\* (Vice Chairperson)

**Jörg Schönfelder\***

**Chairman of the Works Council for the Korbach Plant and  
Chairman of the European Works Council**

- › Continental Reifen Deutschland GmbH, Hanover

**Stefan Scholz\***

**Head of Finance & Treasury**

- › Phoenix Pensionskasse von 1925, Hamburg
- › Pensionskasse für Angestellte der Continental Aktiengesellschaft VVaG, Hanover

**Kirsten Vörkel\***

**Chairperson of the Works Council of Vitesco Technologies  
GmbH, Dortmund**

**Chairperson of the Central Works Council of Vitesco  
Technologies GmbH, Hanover**  
**Member of the Corporate Works Council of Continental AG,  
Hanover**

**Elke Volkmann\***

**Second Authorized Representative of IG Metall Nordhessen,  
Administrative Office for North Hesse, Kassel**

- › Krauss-Maffei Wegmann Verwaltungs GmbH, Munich

**Prof. TU Graz e.h. KR Ing. Siegfried Wolf**

**Entrepreneur**

- › Porsche Automobil Holding SE, Stuttgart
- › Banque Eric Sturdza SA, Geneva, Switzerland (until March 31, 2020)
- › SBERBANK Europe AG, Vienna, Austria (Chairman)
- › Schaeffler AG, Herzogenaurach
- › MIBA AG Mitterbauer Beteiligungs AG, Laakirchen, Austria
- › OJSC GAZ Group, Nizhny Novgorod, Russia (since June 19, 2020)

**Members of the Supervisory Board Committees:****1. Chairman's Committee**

- › Prof. Dr.-Ing. Wolfgang Reitzle (Chairman)
- › Christiane Benner
- › Georg F. W. Schaeffler
- › Jörg Schönfelder

**2. Audit Committee**

- › Prof. Dr. Rolf Nonnenmacher (Chairman)
- › Francesco Grioli
- › Michael Iglhaut
- › Dirk Nordmann
- › Klaus Rosenfeld
- › Georg F. W. Schaeffler

**3. Nomination Committee**

- › Prof. Dr.-Ing. Wolfgang Reitzle (Chairman)
- › Prof. Dr. Rolf Nonnenmacher
- › Georg F. W. Schaeffler
- › Maria-Elisabeth Schaeffler-Thumann

**4. Mediation Committee required under Section 27 (3) of the  
German Co-determination Act (*Mitbestimmungsgesetz*)**

- › Prof. Dr.-Ing. Wolfgang Reitzle (Chairman)
- › Christiane Benner
- › Georg F. W. Schaeffler
- › Jörg Schönfelder

**5. Committee for Related Party Transactions (RPT Committee)**

- › Prof. Dr.-Ing. Wolfgang Reitzle (Chairman)
- › Prof. Dr. Rolf Nonnenmacher

\* Employee representative.

\*\* Companies pursuant to Section 100 (2) of the German Stock Corporation Act  
(Aktiengesetz – AktG).

# Ten-Year Review – Continental Group

		2020	2019 <sup>1</sup>	2018 <sup>2</sup>	2017	2016	2015	2014	2013	2012 <sup>3</sup>	2011
<b>Statement of financial position</b>											
Non-current assets	€ millions	23,117.9	24,724.5	23,658.7	22,038.4	21,321.0	19,666.6	16,923.3	15,569.5	15,685.7	15,075.5
Current assets	€ millions	16,520.1	17,843.7	16,786.7	15,402.1	14,853.9	13,169.1	13,317.8	11,251.3	11,764.4	10,962.9
Total assets	€ millions	39,638.0	42,568.2	40,445.4	37,440.5	36,174.9	32,835.7	30,241.1	26,820.8	27,450.1	26,038.4
Shareholders' equity (excl. non-controlling interests)	€ millions	12,262.4	15,395.3	17,850.4	15,828.4	14,270.0	12,786.3	10,672.1	9,011.2	7,779.0	7,146.1
Non-controlling interests	€ millions	376.7	480.4	482.9	461.9	464.8	427.6	352.5	311.0	377.4	397.2
Total equity (incl. non-controlling interests)	€ millions	12,639.1	15,875.7	18,333.3	16,290.3	14,734.8	13,213.9	11,024.6	9,322.2	8,156.4	7,543.3
Equity ratio <sup>4</sup>	%	31.9	37.3	45.3	43.5	40.7	40.2	36.5	34.8	29.7	29.0
Capital expenditure <sup>5</sup>	€ millions	2,232.2	3,308.6	3,124.4	2,854.4	2,593.0	2,178.8	2,045.4	1,981.1	2,019.4	1,711.3
Free cash flow	€ millions	878.7	761.7	1,351.0	1,752.8	1,771.3	1,443.6	2,014.9	1,818.3	1,652.5	490.5
Net indebtedness	€ millions	4,139.1	4,071.7	1,661.3	2,047.6	2,797.8	3,541.9	2,823.5	4,289.3	5,319.9	6,772.1
Gearing ratio	%	32.7	25.6	9.1	12.6	19.0	26.8	25.6	46.0	65.2	89.8
<b>Income statement</b>											
Sales	€ millions	37,722.3	44,478.4	44,404.4	44,009.5	40,549.5	39,232.0	34,505.7	33,331.0	32,736.2	30,504.9
Share of foreign sales	%	82.0	81.2	80.1	79.7	79.3	78.6	76.6	76.2	75.4	73.7
Cost of sales <sup>6</sup>	%	77.2	76.2	75.0	74.2	73.4	74.1	74.9	76.6	78.3	79.0
Research and development expenses (net) <sup>6</sup>	%	9.0	7.6	7.2	7.1	6.9	6.2	6.2	5.6	5.3	5.3
Selling and logistics expenses <sup>6</sup>	%	6.4	6.1	5.6	5.5	5.6	5.6	5.3	5.0	4.8	4.7
Administrative expenses <sup>6</sup>	%	3.1	2.5	2.6	2.6	2.5	2.4	2.2	2.1	2.0	2.1
EBITDA	€ millions	3,033.8	4,977.2	6,235.7	6,678.9	6,057.4	6,001.4	5,133.8	5,095.0	4,967.4	4,228.0
EBITDA <sup>6</sup>	%	8.0	11.2	14.0	15.2	14.9	15.3	14.9	15.3	15.2	13.9
EBIT	€ millions	-718.1	-268.3	4,027.7	4,561.5	4,095.8	4,115.6	3,344.8	3,263.7	3,186.2	2,596.9
EBIT <sup>6</sup>	%	-1.9	-0.6	9.1	10.4	10.1	10.5	9.7	9.8	9.7	8.5
ROCE	%	-3.2	-1.0	17.0	20.6	20.0	20.9	20.0	19.4	18.8	16.2
Personnel expenses	€ millions	11,768.7	11,750.0	11,125.3	10,687.3	9,695.7	9,164.6	7,757.2	7,124.5	6,813.7	6,354.3
Depreciation and amortization <sup>7</sup>	€ millions	3,751.9	5,245.5	2,208.0	2,117.4	1,961.6	1,885.8	1,789.0	1,831.3	1,781.2	1,631.1
Net income attributable to the shareholders of the parent	€ millions	-961.9	-1,225.0	2,897.3	2,984.6	2,802.5	2,727.4	2,375.3	1,923.1	1,905.2	1,242.2
<b>Dividend and earnings per share</b>											
Dividend for the fiscal year	€ millions	— <sup>8</sup>	600.0	950.0	900.0	850.0	750.0	650.0	500.0	450.0	300.0
Number of shares as at December 31	millions	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Dividend per share	€	— <sup>8</sup>	3.00	4.75	4.50	4.25	3.75	3.25	2.50	2.25	1.50
Net income (per share) attributable to the shareholders of the parent	€	-4.81	-6.13	14.49	14.92	14.01	13.64	11.88	9.62	9.53	6.21
<b>Employees</b>											
Annual average	thousands	235.5	244.1	242.8	230.7	216.0	204.7	186.0	175.4	169.0	159.7

1 IFRS 16, Leases, has been applied since 2019.

2 IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, have been applied since 2018.

3 IAS 19 (revised 2011), Employee Benefits, has been applied since 2012.

4 Including non-controlling interests.

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

6 As a percentage of sales.

7 Excluding impairment on financial investments.

8 Subject to the approval of the Annual Shareholders' Meeting on April 29, 2021.

# Financial Calendar

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## 2021

Annual Financial Press Conference	March 9
Analyst and Investor Conference Call	March 9
Annual Shareholders' Meeting	April 29
Quarterly Statement as at March 31, 2021	May 6
Half-Year Financial Report as at June 30, 2021	August 5
Quarterly Statement as at September 30, 2021	November 10

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## 2022

Annual Financial Press Conference	March
Analyst and Investor Conference Call	March
Annual Shareholders' Meeting	April 29
Quarterly Statement as at March 31, 2022	May
Half-Year Financial Report as at June 30, 2022	August
Quarterly Statement as at September 30, 2022	November

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