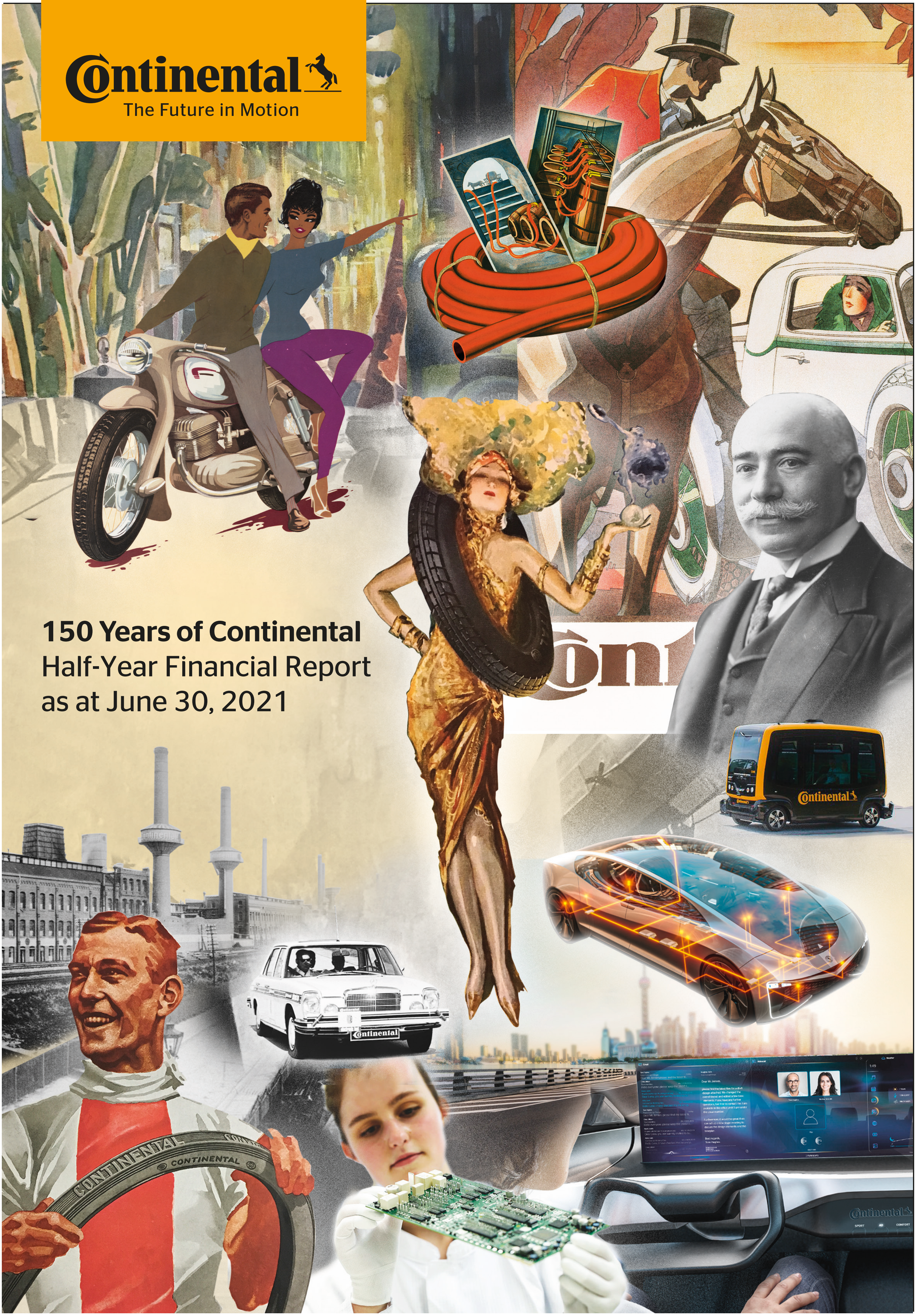
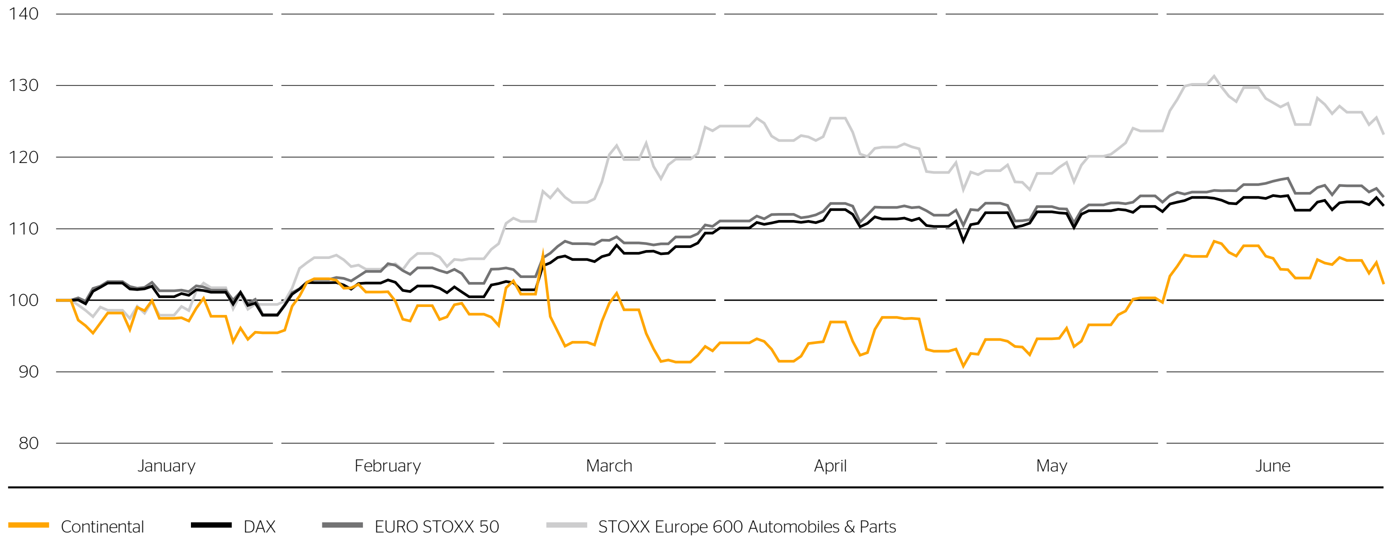
Continental
The Future in Motion

150 Years of Continental
Half-Year Financial Report as at June 30, 2021



Continental Shares and Bonds

Price performance of Continental shares in the reporting period versus selected stock indexes indexed to January 1, 2021



Positive trend on the stock markets
The trend on the stock markets was mostly positive in the first half of 2021, thanks to better economic data and corporate results than in the previous year. Accelerated vaccination campaigns to contain the coronavirus and declining cases in many countries also helped to raise investor confidence.

The DAX closed the first half of 2021 at 15,531.04 points. This represented an increase of 13.2% compared to the end of 2020, when it was quoted at 13,718.78 points. The EURO STOXX 50 followed a very similar trend, rising by 14.4% in the first half of the year to 4,064.30 points.

Sharp rise in automotive stocks
Over the course of the first half of 2021, automotive producers and tire manufacturers in particular benefited from a strong revival in demand in many markets coupled with short supply, causing their share prices to rise sharply.

The STOXX Europe 600 Automobiles & Parts rose to 649.33 points in the first half of 2021, an increase of 23.2% compared to the end of 2020.

Moderate performance by Continental shares
Continental shares initially followed the trend in the European automotive sector in the first half of 2021. At the beginning of March 2021, the announcement regarding the new annual guidance disappointed the expectations of many investors, with the price of Continental shares falling significantly as a result. Over the remainder of the reporting period, Continental shares again largely tracked the STOXX Europe 600 Automobiles & Parts.

At the end of June 2021, they were listed at €123.98, having risen 2.3% compared to the 2020 year-end price of €121.25.

Prices of Continental bonds virtually unchanged
Interest rates for European corporate bonds showed only slight fluctuations during the reporting period and remained at a very low level.

The prices of outstanding Continental bonds at the end of June 2021 also remained virtually unchanged compared with the end of 2020.

Continental's key bonds outstanding as at June 30, 2021

WKN/ISIN	Coupon	Maturity	Volume in € millions	Issue price	Price as at June 30, 2021	Price as at Dec. 31, 2020
A2YPE5/XS2051667181	0.000%	September 12, 2023	500.0	99.804%	100.206%	100.098%
A28XTQ/XS2178585423	2.125%	November 27, 2023	750.0	99.559%	105.066%	105.797%
A28YEC/XS2193657561	1.125%	September 25, 2024	625.0	99.589%	103.365%	103.589%
A2YPAE/XS2056430874	0.375%	June 27, 2025	600.0	99.802%	101.110%	100.852%
A28XTR/XS2178586157	2.500%	August 27, 2026	750.0	98.791%	111.069%	111.672%

Credit rating for Continental AG

	June 30, 2021	December 31, 2020
Standard & Poor's[1]		
Long-term	BBB	BBB
Short-term	A–2	A–2
Outlook	negative	negative
Fitch[2]		
Long-term	BBB	BBB
Short-term	F2	F2
Outlook	stable	stable
Moody's[3]		
Long-term	Baa2	Baa2
Short-term	P-2	P-2
Outlook	negative	negative

1 Contracted rating since May 19, 2000.
2 Contracted rating since November 7, 2013.
3 Contracted rating since January 1, 2019.

Credit rating for Continental AG unchanged

The rating agency Moody's confirmed its long-term credit rating of Baa2 on March 23, 2021 – after the publication of the Continental Group's annual report for 2020 – and maintained its outlook of negative.

The rating agencies Standard & Poor's and Fitch also left their respective credit ratings unchanged in the reporting period.

Investor Relations online

For more information about Continental shares, bonds and credit ratings, please visit www.continental-ir.com.

Key Figures for the Continental Group

The upcoming spin-off of parts of the Powertrain business area has resulted in the application of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. These parts make up most of the discontinued operations.

The following table shows the figures for the Continental Group as a whole, comprising continuing operations and discontinued operations, for the reporting and comparative periods.

Continuing operations and discontinued operations

	January 1 to June 30		Second Quarter	
€ millions	**2021**	2020	**2021**	2020
Sales	20,166.8	16,532.4	9,907.9	6,619.7
EBITDA	2,605.6	1,052.3	1,202.6	–108.1
in % of sales	12.9	6.4	12.1	–1.6
EBIT	1,338.3	–392.8	618.4	–829.1
in % of sales	6.6	–2.4	6.2	–12.5
Net income attributable to the shareholders of the parent	992.9	–448.8	545.3	–741.1
Basic earnings per share in €	4.96	–2.24	2.72	–3.70
Diluted earnings per share in €	4.96	–2.24	2.72	–3.70
Research and development expenses (net)	1,703.7	1,721.6	884.4	808.6
in % of sales	8.4	10.4	8.9	12.2
Depreciation and amortization[1]	1,267.3	1,445.1	584.2	721.0
thereof impairment[2]	62.0	56.8	32.8	34.2
Capital expenditure[3]	744.3	923.4	452.8	448.4
in % of sales	3.7	5.6	4.6	6.8
Operating assets as at June 30	20,826.5	24,480.5		
Number of employees as at June 30[4]	233,365	232,023		
Adjusted sales[5]	20,166.7	16,332.8	9,907.9	6,492.5
Adjusted operating result (adjusted EBIT)[6]	1,544.7	–201.3	710.9	–634.5
in % of adjusted sales	7.7	–1.2	7.2	–9.8
Free cash flow	919.2	–1,802.3	281.6	–1,812.7
Net indebtedness as at June 30	3,213.8	5,923.7		
Gearing ratio in %	25.7	41.1		

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2 Impairment also includes necessary reversal of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

The following table shows the figures for continuing operations for the reporting and comparative periods.

Continuing operations

	January 1 to June 30		Second Quarter	
€ millions	**2021**	2020	**2021**	2020
Sales	16,929.7	14,064.8	8,354.4	5,659.3
EBITDA	2,245.9	1,050.2	1,032.3	–34.2
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Capital expenditure[3]	623.2	762.0	380.2	379.5
in % of sales	3.7	5.4	4.6	6.7
Number of employees as at June 30[4]	193,754	193,548		
Adjusted sales[5]	16,929.6	13,865.2	8,354.4	5,532.1
Adjusted operating result (adjusted EBIT)[6]	1,257.0	-6.2	518.3	–467.7
in % of adjusted sales	7.4	0.0	6.2	-8.5
Free cash flow	764.4	–1,150.2	431.8	–1,248.6

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Key Figures for the Group Sectors

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The following tables on the key figures for the group sectors in the reporting and comparative periods show primarily continuing operations for Automotive Technologies, only continuing operations for Rubber Technologies and primarily discontinued operations for Powertrain Technologies.

	January 1 to June 30		Second Quarter	
Automotive Technologies in € millions	**2021**	2020	**2021**	2020
Sales	7,869.7	6,740.4	3,782.8	2,560.0
EBITDA	574.5	139.6	173.9	-287.3
in % of sales	7.3	2.1	4.6	-11.2
EBIT	62.3	-401.9	-77.3	-552.6
in % of sales	0.8	-6.0	-2.0	-21.6
Depreciation and amortization[1]	512.2	541.5	251.2	265.3
thereof impairment[2]	-1.9	4.4	-1.9	-0.2
Capital expenditure[3]	351.2	390.2	209.0	196.6
in % of sales	4.5	5.8	5.5	7.7
Operating assets as at June 30	8,119.5	9,980.4		
Number of employees as at June 30[4]	93,207	93,936		
Adjusted sales[5]	7,869.7	6,547.3	3,782.8	2,435.7
Adjusted operating result (adjusted EBIT)[6]	121.0	-387.5	-61.5	-463.8
in % of adjusted sales	1.5	-5.9	-1.6	-19.0

	January 1 to June 30		Second Quarter	
Rubber Technologies in € millions	**2021**	2020	**2021**	2020
Sales	8,584.6	6,933.2	4,349.2	2,961.5
EBITDA	1,769.5	942.3	901.2	291.3
in % of sales	20.6	13.6	20.7	9.8
EBIT	1,201.5	338.0	618.3	-8.4
in % of sales	14.0	4.9	14.2	-0.3
Depreciation and amortization[1]	568.0	604.3	282.9	299.7
thereof impairment[2]	1.3	1.4	0.2	1.4
Capital expenditure[3]	245.3	338.5	155.3	174.3
in % of sales	2.9	4.9	3.6	5.9
Operating assets as at June 30	9,592.0	10,925.4		
Number of employees as at June 30[4]	100,393	99,490		
Adjusted sales[5]	8,584.5	6,926.7	4,349.2	2,958.6
Adjusted operating result (adjusted EBIT)[6]	1,251.5	417.4	636.7	36.2
in % of adjusted sales	14.6	6.0	14.6	1.2

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Powertrain Technologies in € millions	January 1 to June 30 **2021**	January 1 to June 30 2020	Second Quarter **2021**	Second Quarter 2020
Sales	3,825.9	2,960.2	1,827.7	1,131.2
EBITDA	337.9	25.2	165.4	-91.3
in % of sales	8.8	0.9	9.0	-8.1
EBIT	153.9	-267.2	116.6	-244.3
in % of sales	4.0	-9.0	6.4	-21.6
Depreciation and amortization[1]	184.0	292.4	48.8	153.0
thereof impairment[2]	62.6	51.0	34.5	33.0
Capital expenditure[3]	123.1	164.2	75.3	60.0
in % of sales	3.2	5.5	4.1	5.3
Operating assets as at June 30	2,993.6	3,498.5		
Number of employees as at June 30[4]	39,312	38,150		
Adjusted sales[5]	3,825.9	2,960.2	1,827.7	1,131.2
Adjusted operating result (adjusted EBIT)[6]	250.5	-172.0	173.9	-183.9
in % of adjusted sales	6.5	-5.8	9.5	-16.3

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Consolidated Management Report

Personnel: Philip Nelles appointed to Continental's Executive Board; appointment of Christian Kötz extended
Philip Nelles, previously head of the Mobile Fluid Systems business unit in the ContiTech business area, was appointed to the Executive Board of Continental AG with effect from June 1, 2021. He is responsible for the ContiTech business area, succeeding Hans-Jürgen Duensing, whose appointment ended early on May 31, 2021, for personal reasons at his own request after more than 35 years at the company.

At its meeting on April 29, 2021, the Supervisory Board extended the appointment of Christian Kötz as Executive Board member by five years to April 2027. Christian Kötz was initially appointed to the company's Executive Board for a three-year term in March 2019. Since that time, in this function he has been responsible for the Tires business area and the Continental Group's purchasing operations.

Supervisory Board approves realignment
On March 16, 2021, the Supervisory Board of Continental AG agreed to a next phase of strategic realignment: from January 1, 2022, the Autonomous Mobility and Safety business area will be split into the two independent business areas, "Autonomous Mobility" and "Safety and Motion." This will provide structural clarity as well as more entrepreneurial freedom to define the separate and diverse strategies.

Annual Shareholders' Meeting agrees to spin-off of Vitesco Technologies
On April 29, 2021, the Annual Shareholders' Meeting approved the planned spin-off and subsequent listing of Vitesco Technologies, i.e. primarily the Powertrain business area. Continental continues to aim to spin off the powertrain business in September 2021. This independence will enable Vitesco Technologies to focus fully on the transition to electric mobility. With this step, both technology companies will be able to achieve their full potential.

New Contract Manufacturing group sector following spin-off of Vitesco Technologies
Currently, a total of 21 production sites still manufacture products for the Vitesco Technologies Group as well as automotive products for the rest of the Continental Group. This makes it necessary for Continental companies to manufacture products for Vitesco Technologies by way of contract manufacturing and vice versa. After the spin-off has been completed, contract manufacturing will be reported as a new group sector or new business area of the Continental Group under the name of Contract Manufacturing. This contract manufacturing is not intended to be a permanent situation. Instead, the aim is to continuously reduce the volume of contract manufacturing over the coming years in order to complete the separation of production operations.

Major order for display solution across entire cockpit width
Continental has received its first major order for a pillar-to-pillar display in a production vehicle from a global vehicle manufacturer. The integrated display solution from one A-pillar to another provides enough space for an increasing number of vehicle functions, digital services, and communication and infotainment applications, such as navigation, warning signs, movies, news, social networks, office applications or booking apps for planning your journey. It is scheduled to go into volume production in 2024, and is expected to generate sales of more than €1 billion.

Continental and Censtar expand collaboration
Continental and Chinese hydrogen specialist Censtar H2-Electricity Science & Technology are expanding their strategic collaboration for the Chinese market. The companies have signed an agreement aimed at developing dispensing hose solutions for hydrogen refueling stations. In the future, Continental and Censtar will work together to drive future mobility, thus further advancing carbon-neutrality. Since hydrogen has a very broad flammability range, safe and efficient dispensing is one of the key processes at hydrogen refueling stations. For this reason, strict requirements apply to the performance of hydrogen hose systems, for example in terms of higher chemical stability, lower permeability, and good resistance to high pressure.

Continental invests in the future of chips for autonomous vehicles
Continental has acquired a minority stake in the German-US startup Recogni. The company is working on a new chip architecture for object recognition in real time based on artificial intelligence (AI). The processors of the future are intended for use in Continental's high-performance vehicle computers, among other applications, where they will rapidly process sensor data for automated and autonomous driving. As a strategic investor, Continental is contributing to the further development of the chip design with its financial backing as well as its expertise in AI, vehicle sensors and advanced driver assistance systems. Continental experts predict that volume production featuring the new chip application could begin as early as 2026.

Six of the ten most successful electric vehicle manufacturers rely on Continental tires
Continental has further expanded its market share in the tire segment for fully electric vehicles. In 2020, six of the world's ten highest-volume manufacturers of electric vehicles relied on Continental technology for their original equipment. These included Tesla with its Model 3 and Model S, Volkswagen with its ID.3, as well as BYD, one of China's largest car producers. According to research by Continental, tires account for up to 20% of the total resistance faced by a vehicle. Accordingly, customers can gain additional range thanks to tires with optimized rolling resistance. Low rolling resistance is therefore in particular demand for electric cars, where efficient driving is a priority.

Economic Report

Macroeconomic development

According to the latest forecast by the World Bank, the global economy is expected to grow by 5.6% in 2021, with the growth in gross domestic product (GDP) anticipated to differ considerably from country to country. This is not only due to the varying extent of the economic downturn caused by the COVID-19 pandemic in the previous year, but also the respective levels of government support as well as the different speeds in the implementation of country-specific vaccination campaigns against the coronavirus.

According to the World Bank, the global outlook is subject to considerable downside risks, including the possibility of further far-reaching measures in connection with new virus variants. In addition, rising interest rates could trigger financial stress amid high debt levels in various countries.

Forecast economic growth (GDP) for 2021

	June 2021[1]	April 2021[2]	January 2021[3]
Europe			
Germany	3.7%[4]	3.6%	3.5%
Eurozone	4.2%	4.4%	4.2%
United Kingdom	6.8%[5]	5.3%	4.5%
Russia	3.2%	3.8%	3.0%
The Americas			
USA	6.8%	6.4%	5.1%
Brazil	4.5%	3.7%	3.6%
Asia			
China	8.5%	8.4%	8.1%
Japan	2.9%	3.3%	3.1%
India	8.3%	12.5%	11.5%
World	**5.6%**	**6.0%**	**5.5%**

Sources:
1 World Bank, Global Outlook, June 2021 (excl. Germany and the United Kingdom).
2 IMF, World Economic Outlook, April 2021.
3 IMF, World Economic Outlook Update, January 2021.
4 Deutsche Bundesbank, June 2021.
5 BCC – British Chambers of Commerce, June 2021.

Development of production of passenger cars and light commercial vehicles

	H1 2021	2021
Europe	29%	7% to 9%
North America	32%	10% to 12%
China	25%	4% to 6%
Worldwide	**29%**	**8% to 10%**

Source: IHS Markit Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey). Preliminary figures for H1 2021 and own estimates for 2021.

The production of passenger cars and light commercial vehicles weighing less than 6 metric tons continued to grow in the first half of 2021. Compared with the same period of the previous year, in which closures of automotive plants had a substantial impact, all three of Continental's core regions recorded a strong upturn in production. Global production volumes increased by 29% compared with the weak prior-year figure, according to preliminary data. Over the course of the reporting period, however, the worsening shortage of semiconductors in the second quarter of 2021 led to a decline in production volumes compared with the first quarter of 2021, particularly in Europe and North America.

Owing to this ongoing semiconductor shortage, we are lowering our forecast for the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons to between 8% and 10% (previously between 9% and 12%) for the year as a whole.

Development of production of medium and heavy commercial vehicles

	H1 2021	2021
Europe	44%	23% to 26%
North America	42%	21% to 24%
China	17%	-8% to -12%
Worldwide	**28%**	**2% to 5%**

Source: IHS Markit Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey). Preliminary figures for H1 2021 and own estimates for 2021.

In our three core regions, the economic upturn led to a significant increase in the production of medium and heavy commercial vehicles weighing more than 6 metric tons compared with the weak prior-year figures resulting from the pandemic. According to preliminary data, global production grew by 28% in the first half of 2021. In view of the different course of the COVID-19 pandemic in the previous year, China showed the strongest growth in the first quarter of 2021, while Europe and North America recorded the strongest growth in the second quarter.

For the year as a whole, we expect strong growth for commercial-vehicle production in Europe and North America. By contrast, we expect volumes in China in the second half of 2021 to be well below the record levels seen in the second half of 2020. For 2021 as a whole, we also expect a year-on-year decline. From the current perspective, however, this should not be as high as previously forecast. We now expect the global production of medium and heavy commercial vehicles to increase by 2% to 5% for 2021 as a whole (previously -7% to -11%).

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

	H1 2021	2021
Europe	22%	8% bis 10%
North America	35%	10% bis 12%
China	14%	6% bis 8%
Worldwide	**24%**	**8% bis 10%**

Source: Own estimates and preliminary figures.

According to preliminary data, thanks to the widespread market recovery, sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons rose by 24% in the reporting period, after having fallen sharply in the previous year in the wake of the COVID-19 pandemic. While demand picked up primarily in China in the first quarter of 2021, the growth in the second quarter of 2021 was attributable to Europe and North America.

We expect a significant decline in growth trends in all three core regions over the remainder of the year. For 2021 overall, however, we are raising our forecast for global sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons due to the strong first half of the year, and currently expect growth of 8% to 10% (previously 6% to 8%).

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

	H1 2021	2021
Europe	23%	6% bis 8%
North America	32%	13% bis 15%

Source: Own estimates and preliminary figures.

After the slump in sales volumes of replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons in the wake of the COVID-19 pandemic in the previous year, demand in our two core markets of Europe and North America increased significantly during the reporting period.

We expect a noticeable decline in growth trends in both regions over the remainder of the year. For 2021 overall, however, we expect sales volumes of replacement tires for medium and heavy commercial vehicles weighing more than 6 tons to rise very strongly in North America – by 13% to 15%. In Europe, sales volumes for the year as a whole are likely to rise by between 6% and 8%. Previously, we expected growth of 4% to 6% for both regions.

Earnings, Financial and Net Assets Position of the Continental Group

The upcoming spin-off of parts of the Powertrain business area has resulted in the application of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. These parts make up most of the discontinued operations.

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Gearing ratio in %	25.7	41.1		

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

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Continuing operations

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Earnings Position

Sales up 22.0%
Sales up 27.1% before changes in the scope of consolidation and exchange-rate effects

Consolidated sales for the first six months of 2021 rose by 22.0% year-on-year to €20,166.8 million (PY: €16,532.4 million). Continuing operations accounted for €16,929.7 million (PY: €14,064.8 million) of this. Before changes in the scope of consolidation and exchange-rate effects, sales were up 27.1% for the Continental Group's continuing and discontinued operations.

Adjusted EBIT up 867.4%

Adjusted EBIT for the Continental Group's continuing and discontinued operations rose by €1,746.0 million or 867.4% year-on-year to €1,544.7 million (PY: -€201.3 million) in the first six months of 2021, corresponding to 7.7% (PY: -1.2%) of adjusted sales.

EBIT up 440.7%

The Continental Group's EBIT rose by €1,731.1 million or 440.7% year-on-year to €1,338.3 million (PY: -€392.8 million) in the first six months of 2021. The return on sales increased to 6.6% (PY: -2.4%). Continuing operations accounted for a rise in EBIT of €1,241.3 million or 1,171.0% to €1,135.3 million (PY: -€106.0 million). The return on sales for continuing operations rose to 6.7% (PY: -0.8%).

Special effects in the first half of 2021

Total consolidated expense from special effects in the first six months of 2021 amounted to €126.1 million for continuing and discontinued operations. Of this, expenses of €26.8 million were attributable to Autonomous Mobility and Safety, €10.4 million to ContiTech, €95.2 million to Powertrain, and €1.1 million to the holding; while income of €0.4 million was attributable to Vehicle Networking and Information, and €7.0 million to Tires.

The transformation of the Powertrain business area into an independent legal entity resulted in expenses totaling €49.3 million (Autonomous Mobility and Safety €8.5 million; Vehicle Networking and Information €8.4 million; Powertrain €31.7 million; holding €0.7 million).

Impairment on property, plant and equipment resulted in expenses totaling €66.1 million (Autonomous Mobility and Safety €2.8 million; Vehicle Networking and Information €0.7 million; Tires €0.1 million; Powertrain €62.5 million). In addition, reversals of impairment losses on property, plant and equipment resulted in income totaling €5.5 million (Autonomous Mobility and Safety €5.4 million; Powertrain €0.1 million).

Severance payments resulted in a negative special effect totaling €50.3 million (Autonomous Mobility and Safety €18.6 million; Vehicle Networking and Information €7.0 million; Tires €10.2 million; ContiTech €7.5 million; Powertrain €6.6 million; holding €0.4 million).

In the Autonomous Mobility and Safety business area, restructuring expenses of €0.2 million were incurred. In addition, the reversal of restructuring provisions no longer required resulted in income of €12.6 million.

In the Vehicle Networking and Information business area, the reversal of restructuring provisions no longer required resulted in income of €23.9 million.

In the Tires business area, restructuring expenses of €2.3 million were incurred. These restructuring expenses included impairment on property, plant and equipment in the amount of €0.9 million. The reversal of restructuring provisions no longer required also resulted in income of €19.6 million.

In the ContiTech business area, restructuring expenses of €6.6 million were incurred. These restructuring expenses included impairment on property, plant and equipment and intangible assets in the amount of €0.3 million. In addition, the reversal of restructuring provisions no longer required resulted in income of €5.4 million.

In the Powertrain business area, there were restructuring expenses of €1.2 million, of which €0.6 million were attributable to impairment on property, plant and equipment. In addition, the reversal of restructuring provisions no longer required resulted in income of €12.1 million. This income included reversals of impairment losses on property, plant and equipment in the amount of €0.4 million.

Restructuring-related expenses resulted in expense totaling €28.0 million (Autonomous Mobility and Safety €14.7 million; Vehicle Networking and Information €6.2 million; ContiTech €1.7 million; Powertrain €5.4 million).

The Vehicle Networking and Information business area recorded income of €0.3 million from the sale of an equity-accounted investee.

Also in the Vehicle Networking and Information business area, an expense of €1.5 million was incurred in connection with the preparations to repatriate the business from associate OSRAM CONTINENTAL GmbH, Munich, Germany.

Special effects in the first half of 2020
Total consolidated expense from special effects in the first six months of 2020 amounted to €98.0 million for continuing and discontinued operations. Of this, expenses of €48.8 million were attributable to Autonomous Mobility and Safety, €3.6 million to Tires, €19.7 million to ContiTech, €90.0 million to Powertrain, and €2.5 million to the holding, while income of €66.6 million was attributable to Vehicle Networking and Information.

The transformation of the Powertrain business area into an independent legal entity resulted in expenses totaling €37.6 million (Autonomous Mobility and Safety €4.9 million; Vehicle Networking and Information €5.2 million; Powertrain €25.1 million; holding €2.4 million).

Impairment on property, plant and equipment resulted in expense totaling €50.0 million (Autonomous Mobility and Safety €4.5 million; Powertrain €45.5 million; holding €0.0 million). A reversal of impairment losses on property, plant and equipment in the Vehicle Networking and Information business area resulted in income of €0.3 million.

In the first six months, severance payments resulted in a negative special effect totaling €22.9 million (Autonomous Mobility and Safety €4.3 million; Vehicle Networking and Information €4.7 million; Tires €3.4 million; ContiTech €6.2 million; Powertrain €4.2 million; holding €0.1 million).

In the Autonomous Mobility and Safety business area, restructuring expenses of €34.1 million were incurred. These expenses included impairment on property, plant and equipment in the amount of €0.2 million. The reversal of restructuring provisions no longer required also resulted in income of €2.9 million.

In the Vehicle Networking and Information business area, there were restructuring expenses of €80.0 million.

In the ContiTech business area, there were restructuring expenses of €13.5 million, of which €1.4 million were attributable to impairment on property, plant and equipment.

In addition, restructuring expenses of €13.6 million were incurred in the Powertrain business area. These restructuring expenses included impairment on property, plant and equipment in the amount of €5.5 million. In addition, the reversal of restructuring provisions no longer required resulted in income of €3.0 million.

In addition, restructuring-related expenses resulted in expense totaling €9.7 million (Autonomous Mobility and Safety €3.9 million; Vehicle Networking and Information €1.2 million; Powertrain €4.6 million).

For the Vehicle Networking and Information business area, the sale of an equity-accounted investee resulted in income of €157.4 million.

For the Tires business area, the disposal of companies and assets resulted in expense of €0.2 million.

Research and development
In the first six months of 2021, research and development expenses (net) for continuing operations fell by 3.0% compared with the same period of the previous year to €1,330.5 million (PY: €1,371.9 million), representing 7.9% (PY: 9.8%) of sales. For the Continental Group as a whole, there was a decline of 1.0% to €1,703.7 million (PY: €1,721.6 million), representing 8.4% (PY: 10.4%) of sales. €1,102.7 million (PY: €1,153.4 million) of this related to Automotive Technologies, corresponding to 14.0% (PY: 17.1%) of sales; €227.9 million (PY: €223.5 million) to Rubber Technologies, corresponding to 2.7% (PY: 3.2%) of sales; and €373.1 million (PY: €344.7 million) to Powertrain Technologies, corresponding to 9.8% (PY: 11.6%) of sales.

Financial result
The negative financial result for continuing operations rose by €0.7 million year-on-year to €22.6 million (PY: €21.9 million) in the first half of 2021.

Interest income decreased by €2.3 million year-on-year to €43.5 million (PY: €45.8 million) in the first half of 2021. Expected income from long-term employee benefits and from pension funds totaled €21.9 million (PY: €27.8 million). This did not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €118.3 million in the first half of 2021 and was thus €3.4 million lower than the previous year's figure of €121.7 million. The interest expense from long-term employee benefits totaled €43.1 million (PY: €56.3 million). This did not include the interest expense from the defined benefit obligations of the pension contribution funds. At €75.2 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was higher than the prior-year figure of €65.4 million.

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €25.5 million (PY: €19.6 million). The increase resulted primarily from the issue of euro bonds with a total volume of €2,125.0 million in the second quarter of 2020. A counter-effect is attributable to the repayment of the €750.0-million euro bond from Continental AG. The bond that matured on September 9, 2020, bore interest at a rate of 3.125%.

The effects from currency translation resulted in a negative contribution to earnings of €40.5 million (PY: positive contribution to earnings of €20.3 million) in the first half of 2021. This was countered by effects from changes in the fair value of derivative instruments, and other valuation effects, which resulted in earnings totaling €92.7 million (PY: €33.7 million).

Other valuation effects in the financial result accounted for income of €106.4 million (PY: expense of €0.4 million) in the reporting period. This resulted in particular from the complete reversal of allowances for doubtful accounts on loans to the associate OSRAM CONTINENTAL GmbH, Munich, Germany, and two of its subsidiaries, as well as the complete reversal of provisions for loan commitments to these companies. Taking into account exchange-rate effects, this resulted in income totaling €105.8 million.

Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in the first half of 2021 were negatively impacted by €54.2 million (PY: positively impacted by €54.4 million). A significant proportion of the effects in both years was attributable to the development of the Czech koruna and the Chinese renminbi in relation to the euro.

Income tax expense
Income tax expense in the first half of 2021 amounted to €199.7 million for continuing operations (PY: tax income of €6.2 million). The tax rate in the reporting period was 17.9% (PY: 4.8%).

Net income attributable to the shareholders of the parent
Net income attributable to the shareholders of the parent increased by 321.2% to €992.9 million in the first half of 2021 (PY: -€448.8 million). Basic earnings per share amounted to €4.96 (PY: -€2.24). Basic earnings per share from continuing operations, which must also be reported as of the current fiscal year, amounted to €4.45 for the first half of 2021 (PY: -€0.61). The figures for basic earnings per share were the same as for diluted earnings per share.

Financial Position

Reconciliation of cash flow
The following information on the reconciliation of cash flow relates to the continuing and discontinued operations of the Continental Group.

EBIT for the first six months of 2021 increased by €1,731.1 million year-on-year to €1,338.3 million (PY: -€392.8 million).

Interest payments increased by €16.0 million to €86.9 million (PY: €70.9 million).

Income tax payments rose by €55.0 million to €425.0 million (PY: €370.0 million).

At €1,267.3 million, depreciation, amortization, impairment and reversal of impairment losses decreased by €177.8 million from €1,445.1 million in the previous year.

At €654.0 million as at June 30, 2021, the net cash outflow arising from the increase in operating working capital was €877.4 million lower than the figure for the previous year of €1,531.4 million.

At €1,572.4 million as at June 30, 2021, the net cash inflow arising from operating activities was €2,746.4 million higher than the previous year's figure (PY: cash outflow of €1,174.0 million).

Cash flow arising from investing activities amounted to an outflow of €653.2 million (PY: €628.3 million) in the first six months of 2021.

Capital expenditure on property, plant and equipment, and software was down €184.6 million from €810.6 million to €626.0 million before leases and the capitalization of borrowing costs. The acquisition and disposal of interests in companies resulted in a total cash outflow of €28.3 million (PY: cash inflow of €270.0 million).

The free cash flow in the first half of 2021 resulted in an inflow of €919.2 million (PY: outflow of €1,802.3 million). The free cash flow thus increased by €2,721.5 million year-on-year.

Financing and indebtedness

The assets from discontinued operations are included in assets held for sale in the reporting period. The liabilities from discontinued operations are included in liabilities held for sale in the reporting period. The figures for the comparative periods have not been adjusted.

As at June 30, 2021, the Continental Group's net indebtedness amounted to €4,054.0 million. This fell by €1,869.7 million compared with the year-on-year figure of €5,923.7 million and by €85.1 million compared with the figure of €4,139.1 million as at December 31, 2020.

Two of the bonds issued by Continental AG were redeemed at a rate of 100.00%. These were a €750.0-million euro bond that matured on September 9, 2020, and a €200.0-million private placement that matured on April 12, 2021. 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 had a variable interest rate and a term of one year and six months. For details regarding the bonds, please refer to the comments in the 2020 annual report.

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, this credit line had not been utilized as at the end of June 2021. The syndicated credit line additionally agreed in May 2020 of €3,000.0 million with a term of 364 days expired in May 2021. For further details regarding the syndicated loans, please refer to the comments in the 2020 annual report.

As at June 30, 2021, the Continental Group had liquidity reserves totaling €6,933.7 million (PY: €10,144.4 million), consisting of cash and cash equivalents of €2,162.8 million (PY: €2,455.6 million) and committed, unutilized credit lines of €4,770.9 million (PY: €7,688.8 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 June 30, 2021, unrestricted cash and cash equivalents totaled €1,866.3 million (PY: €2,249.2 million).

In relation to continuing and discontinued operations, the Continental Group's net indebtedness amounted to €3,213.8 million as at June 30, 2021, €2,709.9 million lower than the previous year's figure of €5,923.7 million. The gearing ratio fell to 25.7% (PY: 41.1%).

Reconciliation of net indebtedness

€ millions	June 30, 2021	December 31, 2020	June 30, 2020
Long-term indebtedness	4,691.5	5,144.4	5,217.2
Short-term indebtedness	1,866.4	2,190.0	3,425.7
Long-term derivative instruments and interest-bearing investments	-146.6	-142.6	-107.9
Short-term derivative instruments and interest-bearing investments	-194.5	-114.0	-155.7
Cash and cash equivalents	-2,162.8	-2,938.7	-2,455.6
Net indebtedness	**4,054.0**	**4,139.1**	**5,923.7**

Reconciliation of change in net indebtedness

	January 1 to June 30		Second Quarter	
€ millions	2021	2020	2021	2020
Net indebtedness of continuing and discontinued operations at the beginning of the reporting period	**4,139.1**	**4,071.7**	**3,561.7**	**3,995.6**
Cash flow arising from operating activities	1,572.4	-1,174.0	686.3	-1,443.1
Cash flow arising from investing activities	-653.2	-628.3	-404.7	-369.6
Cash flow before financing activities (free cash flow)	**919.2**	**-1,802.3**	**281.6**	**-1,812.7**
Dividends paid	–	–[1]	–	–[1]
Dividends paid to and cash changes from equity transactions with non-controlling interests	-26.8	-19.7	-11.7	-11.7
Non-cash changes	4.3	-22.4	76.3	-89.5
Other	–	-2.8	–	–
Exchange-rate effects	28.6	-4.8	1.7	-14.2
Change in net indebtedness	**925.3**	**-1,852.0**	**347.9**	**-1,928.1**
Net indebtedness of continuing and discontinued operations at the end of the reporting period	**3,213.8**	**5,923.7**	**3,213.8**	**5,923.7**
Less net indebtedness of discontinued operations	-840.2	–	-840.2	–
Net indebtedness of continuing operations at the end of the reporting period	**4,054.0**	**–**	**4,054.0**	**–**

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

1 A dividend of €3.00 per share was resolved at the Annual Shareholders' Meeting on July 14, 2020. A total of €600.0 million was paid out on July 17, 2020.

Capital expenditure (additions)

In the first half of 2021, capital expenditure on property, plant and equipment, and software for the Continental Group's continuing and discontinued operations amounted to €744.3 million (PY: €923.4 million). The Tires, Vehicle Networking and Information, and Powertrain business areas in particular contributed to the decline of €179.1 million. The capital expenditure ratio after six months was 3.7% (PY: 5.6%).

A total of €351.2 million (PY: €390.2 million) of this capital expenditure was attributable to the Automotive Technologies group sector, representing 4.5% (PY: 5.8%) of sales. Investments were made primarily in production equipment for the manufacture of new products and the implementation of new technologies, with production capacity being increased at European best-cost locations, as well as in Germany, Mexico and China. An investment was also made in Novi Sad, Serbia, in the construction of a new plant. In the Autonomous Mobility and Safety business area, there were major additions relating to production facilities for the Vehicle Dynamics and Advanced Driver Assistance Systems business units. In the Vehicle Networking and Information business area, investments were made in particular in the Human Machine Interface and Connected Car Networking business units.

The Rubber Technologies group sector invested €245.3 million (PY: €338.5 million), equivalent to 2.9% (PY: 4.9%) of sales. In the Tires business area, an investment was made in the demand-driven adjustment of production capacity at existing plants in European best-cost locations, as well as in Germany, Thailand, Mexico and China. Quality assurance and cost-cutting measures were also implemented. In the ContiTech business area, production capacity was expanded at European best-cost locations, as well as in

Germany, the USA and China. There were major additions relating to the expansion of production capacity in selected growth markets for the Mobile Fluid Systems, Surface Solutions, Advanced Dynamics Solutions and Conveying Solutions business units. In addition, investments were made in all business units to rationalize production processes.

The Powertrain Technologies group sector invested €123.1 million (PY: €164.2 million), equivalent to 3.2% (PY: 5.5%) of sales. The capital expenditure was primarily attributable to production equipment for the manufacture of new products and the implementation of new technologies, with investments being made in production facilities at existing plants in Germany, China, Czechia, Hungary and the USA. Significant investments were made in the expansion of production capacity for the Electronic Controls and Sensing and Actuation business units.

Net Assets Position

The assets from discontinued operations are included in assets held for sale in the reporting period. The liabilities from discontinued operations are included in liabilities held for sale in the reporting period. The figures for the comparative periods have not been adjusted.

Compared to June 30, 2020, goodwill was down by €1,467.8 million to €3,605.6 million (PY: €5,073.4 million). Other intangible assets fell by €534.8 million to €1,116.6 million (PY: €1,651.4 million). Property, plant and equipment fell by €3,010.8 million to €11,090.8 million (PY: €14,101.6 million). Deferred tax assets were up €315.9 million at €2,542.5 million (PY: €2,226.6 million). Inventories fell by €298.3 million to €4,548.4 million (PY: €4,846.7 million), and trade accounts receivable fell by €328.5 million to €6,144.5 million (PY: €6,473.0 million). Short-term derivative instruments and interest-bearing investments increased by €38.8 million to €194.5 million (PY: €155.7 million). At €2,162.8 million, cash and cash equivalents were down €292.8 million from €2,455.6 million on the same date in the previous year. Assets held for sale climbed by €7,308.5 million to €7,326.7 million (PY: €18.2 million). At €41,309.8 million (PY: €39,852.8 million), total assets as at June 30, 2021, were €1,457.0 million higher than on the same date in the previous year.

Equity including non-controlling interests was down €1,904.3 million at €12,512.6 million as compared to €14,416.9 million as at June 30, 2020. This was due primarily to the decrease in retained earnings of €2,257.8 million. Other comprehensive income changed by €402.8 million to -€3,367.6 million (PY: -€3,770.4 million). Liabilities held for sale climbed to €3,777.3 million (PY: –).

In relation to continuing and discontinued operations, the gearing ratio changed from 41.1% as at June 30, 2020, to 25.7% as at June 30, 2021. The equity ratio fell to 30.3% (PY: 36.2%).

Compared to December 31, 2020, property, plant and equipment fell by €2,669.8 million to €11,090.8 million (PY: €13,760.6 million) and trade accounts receivable by €1,208.7 million to €6,144.5 million (PY: €7,353.2 million). Goodwill was also down by €756.0 million to €3,605.6 million (PY: €4,361.6 million). Assets held for sale climbed by €7,303.9 million to €7,326.7 million (PY: €22.8 million). Compared to December 31, 2020, total assets increased by €1,671.8 million to €41,309.8 million (PY: €39,638.0 million).

Equity including non-controlling interests was down €126.5 million at €12,512.6 million as compared to €12,639.1 million at the end of 2020. Net income attributable to the shareholders of the parent resulted in a rise of €992.9 million. As at June 30, 2021, a spin-off commitment was recorded in the amount of €2,137.6 million. Other comprehensive income changed by €997.8 million to -€3,367.6 million (PY: -€4,365.4 million). Liabilities held for sale climbed to €3,777.3 million (PY: –).

In relation to continuing and discontinued operations, the gearing ratio changed from 32.7% as at December 31, 2020, to 25.7% as at June 30, 2021.

Employees

As at the end of the second quarter of 2021, the Continental Group as a whole had 233,365 employees, representing a decline of 3,021 in comparison to the end of 2020. Productivity gains and adjustments to lower production volumes led to an overall reduction of 2,344 employees in the Automotive Technologies group sector. In the Rubber Technologies group sector, the implementation of structural and efficiency programs as well as increasing production volumes led to a slight rise in the total number of employees by 66. Counter to further expansion in research and development, the implementation of structural changes in the Powertrain Technologies group sector led to a reduction in the number of employees by 790. Compared to the reporting date for the previous year, the number of employees in the Continental Group was up by a total of 1,342.

Reconciliation to operating assets for continuing and discontinued operations as at June 30, 2021

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Total assets	**7,373.2**	**6,620.1**	**9,418.5**	**4,442.0**	**5,753.7**	**7,702.3**	**41,309.8**
Cash and cash equivalents	–	–	–	–	–	3,134.6	3,134.6
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	357.4	357.4
Other financial assets	28.2	37.9	17.5	2.3	40.3	16.3	142.5
Less financial assets	**28.2**	**37.9**	**17.5**	**2.3**	**40.3**	**3,508.3**	**3,634.5**
Less other non-operating assets	**29.0**	**2.2**	**52.9**	**0.6**	**-29.8**	**953.7**	**1,008.6**
Deferred tax assets	–	–	–	–	–	2,782.1	2,782.1
Income tax receivables	–	–	–	–	–	243.0	243.0
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**3,025.1**	**3,025.1**
Segment assets	**7,316.0**	**6,580.0**	**9,348.1**	**4,439.1**	**5,743.2**	**215.2**	**33,641.6**
Total liabilities and provisions	**4,545.3**	**4,287.6**	**3,794.9**	**2,179.1**	**3,724.2**	**10,266.1**	**28,797.2**
Short- and long-term indebtedness	–	–	–	–	–	6,705.8	6,705.8
Interest payable and other financial liabilities	–	–	–	–	–	2,178.6	2,178.6
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**8,884.4**	**8,884.4**
Deferred tax liabilities	–	–	–	–	–	301.0	301.0
Income tax payables	–	–	–	–	–	713.4	713.4
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,014.4**	**1,014.4**
Less other non-operating liabilities	**1,747.3**	**1,312.2**	**993.5**	**785.4**	**974.6**	**270.3**	**6,083.3**
Segment liabilities	**2,798.0**	**2,975.4**	**2,801.4**	**1,393.7**	**2,749.6**	**97.0**	**12,815.1**
Operating assets	**4,518.0**	**3,604.6**	**6,546.7**	**3,045.4**	**2,993.6**	**118.2**	**20,826.5**

Reconciliation to operating assets for continuing and discontinued operations as at June 30, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Total assets	**7,023.7**	**7,185.2**	**9,456.4**	**4,534.6**	**5,632.3**	**6,020.6**	**39,852.8**
Cash and cash equivalents	–	–	–	–	–	2,455.6	2,455.6
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	–	263.6	263.6
Other financial assets	14.4	26.2	13.9	5.6	22.0	31.9	114.0
Less financial assets	**14.4**	**26.2**	**13.9**	**5.6**	**22.0**	**2,751.1**	**2,833.2**
Less other non-operating assets	**22.2**	**-6.2**	**1.5**	**-0.4**	**-12.6**	**586.1**	**590.6**
Deferred tax assets	–	–	–	–	–	2,226.6	2,226.6
Income tax receivables	–	–	–	–	–	322.4	322.4
Less income tax assets	**–**	**–**	**–**	**–**	**–**	**2,549.0**	**2,549.0**
Segment assets	**6,987.1**	**7,165.2**	**9,441.0**	**4,529.4**	**5,622.9**	**134.4**	**33,880.0**
Total liabilities and provisions	**3,535.5**	**3,297.5**	**2,817.5**	**1,798.5**	**2,919.5**	**11,067.4**	**25,435.9**
Short- and long-term indebtedness	–	–	–	–	–	8,642.9	8,642.9
Interest payable and other financial liabilities	–	–	–	–	–	38.7	38.7
Less financial liabilities	**–**	**–**	**–**	**–**	**–**	**8,681.6**	**8,681.6**
Deferred tax liabilities	–	–	–	–	–	278.8	278.8
Income tax payables	–	–	–	–	–	832.7	832.7
Less income tax liabilities	**–**	**–**	**–**	**–**	**–**	**1,111.5**	**1,111.5**
Less other non-operating liabilities	**1,559.2**	**1,105.4**	**876.0**	**694.9**	**795.1**	**1,212.7**	**6,243.3**
Segment liabilities	**1,976.3**	**2,192.1**	**1,941.5**	**1,103.6**	**2,124.4**	**61.6**	**9,399.5**
Operating assets	**5,010.8**	**4,973.1**	**7,499.5**	**3,425.8**	**3,498.5**	**72.8**	**24,480.5**

Development of the Business Areas

The development of the business areas is presented below. Autonomous Mobility and Safety and Vehicle Networking and Information mainly comprise continuing operations. Tires and ContiTech exclusively report continuing operations, and Powertrain mainly accounts for discontinued operations.

	January 1 to June 30		Second Quarter	
Autonomous Mobility and Safety in € millions	**2021**	2020	**2021**	2020
Sales	3,882.2	3,316.5	1,846.9	1,256.2
EBITDA	307.9	89.7	90.1	-61.6
in % of sales	7.9	2.7	4.9	-4.9
EBIT	45.6	-182.1	-37.5	-193.9
in % of sales	1.2	-5.5	-2.0	-15.4
Depreciation and amortization[1]	262.3	271.8	127.6	132.3
thereof impairment[2]	-2.6	4.7	-2.5	0.1
Capital expenditure[3]	169.3	176.8	108.4	91.5
in % of sales	4.4	5.3	5.9	7.3
Operating assets as at June 30	4,518.0	5,010.8		
Number of employees as at June 30[4]	46,811	46,495		
Adjusted sales[5]	3,882.2	3,203.9	1,846.9	1,162.7
Adjusted operating result (adjusted EBIT)[6]	72.4	-125.9	-25.3	-185.9
in % of adjusted sales	1.9	-3.9	-1.4	-16.0

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversal of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Autonomous Mobility and Safety (AMS)

Sales volumes

In the Vehicle Dynamics business unit, the number of electronic brake systems sold in the reporting period was markedly higher than in the previous year. In the Hydraulic Brake Systems business unit, sales figures for brake boosters increased, and the sales volume of brake calipers with integrated electric parking brakes rose considerably. The sales volume of airbag control units in the Passive Safety and Sensorics business unit and sales figures for advanced driver assistance systems increased significantly. The rise in sales volumes in the business units was primarily attributable to the negative impact of the COVID-19 pandemic in the previous year and the resulting low basis for comparison. This was countered by negative effects due to the shortages and supply problems in the semiconductor industry.

Sales up 17.1%
Sales up 25.3% before changes in the scope of consolidation and exchange-rate effects

Sales of the Autonomous Mobility and Safety business area were up 17.1% at €3,882.2 million (PY: €3,316.5 million) in the first six months of 2021 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 25.3%.

Adjusted EBIT up 157.5%

Adjusted EBIT for the Autonomous Mobility and Safety business area increased by €198.3 million or 157.5% year-on-year to €72.4 million (PY: -€125.9 million) in the first six months of 2021, corresponding to 1.9% (PY: -3.9%) of adjusted sales.

EBIT up 125.0%

Compared with the same period of the previous year, the Autonomous Mobility and Safety business area reported an increase in EBIT of €227.7 million or 125.0% to €45.6 million (PY: -€182.1 million) in the first six months of 2021. The return on sales rose to 1.2% (PY: -5.5%).

Special effects

Please see our comments starting on page 11 regarding the special effects for 2021 and 2020.

	January 1 to June 30		Second Quarter	
Vehicle Networking and Information in € millions	**2021**	2020	**2021**	2020
Sales	4,041.3	3,449.6	1,960.8	1,315.1
EBITDA	267.1	50.9	84.1	-225.4
in % of sales	6.6	1.5	4.3	-17.1
EBIT	17.0	-218.9	-39.5	-358.5
in % of sales	0.4	-6.3	-2.0	-27.3
Depreciation and amortization[1]	250.1	269.8	123.6	133.1
thereof impairment[2]	0.7	-0.3	0.6	-0.3
Capital expenditure[3]	181.9	213.4	100.6	105.1
in % of sales	4.5	6.2	5.1	8.0
Operating assets as at June 30	3,604.6	4,973.1		
Number of employees as at June 30[4]	46,396	47,441		
Adjusted sales[5]	4,041.3	3,369.1	1,960.8	1,284.3
Adjusted operating result (adjusted EBIT)[6]	48.9	-260.7	-35.9	-277.7
in % of adjusted sales	1.2	-7.7	-1.8	-21.6

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversal of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Vehicle Networking and Information (VNI)

Sales volumes
Global sales volumes in all business units were above the previous year's level in the first half of 2021. This development was primarily attributable to the negative impact of the COVID-19 pandemic in the previous year and the resulting low basis for comparison. In the Commercial Vehicles and Services business unit, the commercial-vehicles business recorded slightly higher sales than the replacement-parts and aftermarket business. From the second quarter onward, negative effects on sales volumes increased due to the shortages and supply problems in the semiconductor industry.

Sales up 17.2%
Sales up 22.5% before changes in the scope of consolidation and exchange-rate effects
Sales of the Vehicle Networking and Information business area were up 17.2% at €4,041.3 million (PY: €3,449.6 million) in the first six months of 2021 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 22.5%.

Adjusted EBIT up 118.8%
Adjusted EBIT for the Vehicle Networking and Information business area increased by €309.6 million or 118.8% year-on-year to €48.9 million (PY: -€260.7 million) in the first six months of 2021, corresponding to 1.2% (PY: -7.7%) of adjusted sales.

EBIT up 107.8%
Compared with the same period of the previous year, the Vehicle Networking and Information business area reported an increase in EBIT of €235.9 million or 107.8% to €17.0 million (PY: -€218.9 million) in the first six months of 2021. The return on sales rose to 0.4% (PY: -6.3%).

Special effects
Please see our comments starting on page 11 regarding the special effects for 2021 and 2020.

Tires in € millions	January 1 to June 30 **2021**	2020	Second Quarter **2021**	2020
Sales	5,631.1	4,395.7	2,888.2	1,912.2
EBITDA	1,373.9	713.4	723.1	241.8
in % of sales	24.4	16.2	25.0	12.6
EBIT	967.6	287.6	520.1	31.0
in % of sales	17.2	6.5	18.0	1.6
Depreciation and amortization[1]	406.3	425.8	203.0	210.8
thereof impairment[2]	1.0	–	–	–
Capital expenditure[3]	163.3	255.2	113.4	139.2
in % of sales	2.9	5.8	3.9	7.3
Operating assets as at June 30	6,546.7	7,499.5		
Number of employees as at June 30[4]	57,081	56,266		
Adjusted sales[5]	5,631.0	4,395.7	2,888.2	1,912.2
Adjusted operating result (adjusted EBIT)[6]	969.8	300.8	514.5	37.0
in % of adjusted sales	17.2	6.8	17.8	1.9

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversal of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Tires

Sales volumes

Sales figures for passenger and light truck tires in the first six months of 2021 were significantly above 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 considerably above the level of the previous year. This was primarily attributable to the negative effects of the COVID-19 pandemic in the previous year and the resulting low basis for comparison.

Sales up 28.1%
Sales up 32.9% before changes in the scope of consolidation and exchange-rate effects

Sales of the Tires business area were up 28.1% at €5,631.1 million (PY: €4,395.7 million) in the first six months of 2021 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 32.9%.

Adjusted EBIT up 222.4%

Adjusted EBIT for the Tires business area increased by €669.0 million or 222.4% year-on-year to €969.8 million (PY: €300.8 million) in the first six months of 2021, corresponding to 17.2% (PY: 6.8%) of adjusted sales.

EBIT up 236.4%

Compared with the same period of the previous year, the Tires business area reported an increase in EBIT of €680.0 million or 236.4% to €967.6 million (PY: €287.6 million) in the first six months of 2021. The return on sales rose to 17.2% (PY: 6.5%).

Special effects

Please see our comments starting on page 11 regarding the special effects for 2021 and 2020.

ContiTech in € millions	January 1 to June 30		Second Quarter	
	2021	2020	**2021**	2020
Sales	3,012.0	2,584.6	1,491.3	1,063.7
EBITDA	395.6	229.0	178.0	49.6
in % of sales	13.1	8.9	11.9	4.7
EBIT	233.9	50.5	98.1	-39.3
in % of sales	7.8	2.0	6.6	-3.7
Depreciation and amortization[1]	161.7	178.5	79.9	88.9
thereof impairment[2]	0.3	1.4	0.2	1.4
Capital expenditure[3]	82.0	83.3	41.9	35.1
in % of sales	2.7	3.2	2.8	3.3
Operating assets as at June 30	3,045.4	3,425.8		
Number of employees as at June 30[4]	43,312	43,224		
Adjusted sales[5]	3,012.0	2,578.1	1,491.3	1,060.8
Adjusted operating result (adjusted EBIT)[6]	281.7	116.7	122.1	-0.7
in % of adjusted sales	9.4	4.5	8.2	-0.1

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversal of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

ContiTech

Sales up 16.5%
Sales up 20.4% before changes in the scope of consolidation and exchange-rate effects
Sales of the ContiTech business area were up 16.5% at €3,012.0 million (PY: €2,584.6 million) in the first six months of 2021 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 20.4%. Sales in both automotive original equipment and the industrial and replacement business increased significantly year-on-year. This was primarily attributable to the negative effects of the COVID-19 pandemic in the previous year and the resulting low basis for comparison.

Adjusted EBIT up 141.4%
Adjusted EBIT for the ContiTech business area increased by €165.0 million or 141.4% year-on-year to €281.7 million (PY: €116.7 million) in the first six months of 2021, corresponding to 9.4% (PY: 4.5%) of adjusted sales.

EBIT up 363.2%
Compared with the same period of the previous year, the ContiTech business area reported an increase in EBIT of €183.4 million or 363.2% to €233.9 million (PY: €50.5 million) in the first six months of 2021. The return on sales rose to 7.8% (PY: 2.0%).

Special effects
Please see our comments starting on page 11 regarding the special effects for 2021 and 2020.

	January 1 to June 30		Second Quarter	
Powertrain in € millions	**2021**	2020	**2021**	2020
Sales	3,825.9	2,960.2	1,827.7	1,131.2
EBITDA	337.9	25.2	165.4	-91.3
in % of sales	8.8	0.9	9.0	-8.1
EBIT	153.9	-267.2	116.6	-244.3
in % of sales	4.0	-9.0	6.4	-21.6
Depreciation and amortization[1]	184.0	292.4	48.8	153.0
thereof impairment[2]	62.6	51.0	34.5	33.0
Capital expenditure[3]	123.1	164.2	75.3	60.0
in % of sales	3.2	5.5	4.1	5.3
Operating assets as at June 30	2,993.6	3,498.5		
Number of employees as at June 30[4]	39,312	38,150		
Adjusted sales[5]	3,825.9	2,960.2	1,827.7	1,131.2
Adjusted operating result (adjusted EBIT)[6]	250.5	-172.0	173.9	-183.9
in % of adjusted sales	6.5	-5.8	9.5	-16.3

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversal of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Powertrain

Sales volumes

In the Electronic Controls business unit, sales volumes of transmission control units, engine control units, turbochargers, pumps and injectors increased year-on-year in the first six months of 2021. In the Electrification Technology business unit, sales figures for power electronics and electric motors, power stabilization products and 48-volt drive systems were up significantly year-on-year, while sales volumes of battery systems fell year-on-year. In the Sensing and Actuation business unit, sales figures for catalytic converters and SCR systems, fuel delivery modules and mechatronic sensors for combustion engines were up year-on-year. The year-on-year rise in sales figures in the business units was primarily attributable to the negative effects of the COVID-19 pandemic in the previous year and the resulting low basis for comparison.

Sales up 29.2%
Sales up 32.2% before changes in the scope of consolidation and exchange-rate effects

Sales of the Powertrain business area were up 29.2% at €3,825.9 million (PY: €2,960.2 million) in the first six months of 2021 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 32.2%.

Adjusted EBIT up 245.6%

Adjusted EBIT for the Powertrain business area increased by €422.5 million or 245.6% year-on-year to €250.5 million (PY: -€172.0 million) in the first six months of 2021, corresponding to 6.5% (PY: -5.8%) of adjusted sales.

EBIT up 157.6%

Compared with the same period of the previous year, the Powertrain business area reported an increase in EBIT of €421.1 million or 157.6% to €153.9 million (PY: -€267.2 million) in the first six months of 2021. The return on sales rose to 4.0% (PY: -9.0%).

Special effects

Please see our comments starting on page 11 regarding the special effects for 2021 and 2020.

Report on Risks and Opportunities

Due to the ongoing COVID-19 pandemic and the associated restrictions on production both within the Continental Group and at its customers and suppliers, there is a risk of significant negative effects on the Continental Group's sales and procurement markets. There are also risks due to the ongoing shortages and supply problems in the semiconductor industry. Due to the economic consequences that can be expected as a result, there may be negative effects on the earnings, financial and net assets position.

Other than this, there were no material changes in risks and opportunities. For details of the other main risks and opportunities, please refer to our comments in the 2020 annual report.

Report on Expected Developments and Outlook

As mentioned on pages 8 and 9 of the economic report, Continental continues to expect an increase in the production of passenger cars and commercial vehicles and an upturn in the replacement-tire markets in 2021 compared with the previous year. We expect the industrial business to grow at a slower pace. Based on all of the assumptions mentioned as well as current exchange rates, Continental expects the following key financial figures for continuing operations in fiscal 2021:

- **Consolidated sales** of around €33.5 billion to €34.5 billion (previously €32.5 billion to €34.5 billion), an adjusted EBIT margin of around 6.5% to 7.0% (previously 6% to 7%) and negative special effects amounting to around €300 million. These effects relate to the Transformation 2019–2029 structural program, among other factors.

- For **Automotive Technologies**, sales of around €16.0 billion to €16.5 billion (previously €16 billion to €17 billion) and an adjusted EBIT margin in the range of around 0.5% to 1.0% (previously 1% to 2%). This includes higher supply chain costs as well as the additional expenses for research and development announced on March 9, 2021, in the Autonomous Mobility and Safety business area.

- For **Rubber Technologies**, sales of around €17.2 billion to €17.8 billion (previously €16.5 billion to €17.5 billion) and an adjusted EBIT margin of around 12.5% to 13.0% (previously 11.5% to 12.5%). This includes the impact expected from higher raw material costs.

- For the new **Contract Manufacturing** group sector created by the spin-off of Vitesco Technologies, sales of around €250 million and an adjusted EBIT margin of around 2% to 3%.

- Amortization from purchase price allocations of below €200 million, primarily for the ContiTech and Vehicle Networking and Information business areas.

- A negative financial result before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects of around €180 million (previously €220 million) and a tax rate of around 27%.

- A capital expenditure ratio of around 7% of sales.

- Taking into account the currently anticipated effects of the spin-off of Vitesco Technologies, a free cash flow before acquisitions, divestments and carve-out effects of around €1.1 billion to €1.5 billion.

Consolidated Financial Statements

Consolidated Statement of Income

The upcoming spin-off of parts of the Powertrain segment has resulted in the application of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. These parts make up most of the discontinued operations.

The individual items in the consolidated statement of income show the figures for continuing operations in the reporting and comparative periods. Net income comprises earnings after tax from continuing operations and discontinued operations.

	January 1 to June 30		Second Quarter	
€ millions	**2021**	2020	**2021**	2020
Sales	**16,929.7**	**14,064.8**	**8,354.4**	**5,659.3**
Cost of sales	-12,734.5	-11,150.3	-6,320.6	-4,724.8
Gross margin on sales	**4,195.2**	**2,914.5**	**2,033.8**	**934.5**
Research and development expenses	-1,700.9	-1,647.5	-883.7	-770.9
Selling and logistics expenses	-1,167.0	-1,147.6	-598.6	-526.4
Administrative expenses	-511.8	-463.2	-269.3	-212.0
Other income	752.3	631.8	384.3	172.9
Other expenses	-444.9	-397.5	-201.2	-203.2
Income from equity-accounted investees	12.0	3.1	7.0	0.9
Other income from investments	0.4	0.4	0.4	0.4
EBIT	**1,135.3**	**-106.0**	**472.7**	**-603.8**
Interest income	43.5	45.8	26.6	21.6
Interest expense	-118.3	-121.7	-60.2	-61.4
Effects from currency translation	-40.5	20.3	-36.5	40.6
Effects from changes in the fair value of derivative instruments, and other valuation effects	92.7	33.7	132.1	-62.2
Financial result	**-22.6**	**-21.9**	**62.0**	**-61.4**
Earnings before tax from continuing operations	**1,112.7**	**-127.9**	**534.7**	**-665.2**
Income tax expense	-199.7	6.2	-72.5	139.2
Earnings after tax from continuing operations	**913.0**	**-121.7**	**462.2**	**-526.0**
Earnings after tax from discontinued operations	**102.2**	**-323.4**	**100.5**	**-211.5**
Net income	**1,015.2**	**-445.1**	**562.7**	**-737.5**
Non-controlling interests	-22.3	-3.7	-17.4	-3.6
Net income attributable to the shareholders of the parent	992.9	-448.8	545.3	-741.1
Earnings per share (in €) relating to				
Basic earnings per share from continuing operations	4.45	-0.61	2.22	-2.64
Consolidated basic earnings per share	4.96	-2.24	2.72	-3.70
Diluted earnings per share from continuing operations	4.45	-0.61	2.22	-2.64
Consolidated diluted earnings per share	4.96	-2.24	2.72	-3.70

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

Consolidated Statement of Comprehensive Income

The upcoming spin-off of parts of the Powertrain segment has resulted in the application of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. These parts make up most of the discontinued operations.

The individual items in the consolidated statement of comprehensive income show the figures for the Continental Group as a whole in the reporting and comparative periods. In addition, comprehensive income is shown separately for continuing operations and discontinued operations.

	January 1 to June 30		Second Quarter	
€ millions	**2021**	2020	**2021**	2020
Net income	**1,015.2**	**-445.1**	**562.7**	**-737.5**
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans[1]	644.7	-295.0	-22.0	-173.3
Fair value adjustments[1]	659.1	-303.7	-26.5	-182.7
Currency translation[1]	-14.4	8.7	4.5	9.4
Other investments	113.8	–	114.2	–
Fair value adjustments[1]	114.1	–	114.1	–
Currency translation[1]	-0.3	–	0.1	–
Tax on other comprehensive income	-165.9	-23.9	5.3	-49.4
Items that may be reclassified subsequently to profit or loss				
Currency translation[1]	421.5	-672.5	64.1	-131.1
Difference from currency translation[1]	423.1	-672.5	65.7	-131.1
Reclassification adjustments to profit and loss[1]	-1.6	–	-1.6	–
Other comprehensive income	**1,014.1**	**-991.4**	**161.6**	**-353.8**
Comprehensive income	**2,029.3**	**-1,436.5**	**724.3**	**-1,091.3**
Attributable to non-controlling interests	-34.5	12.3	-21.8	-0.7
Attributable to the shareholders of the parent	1,994.8	-1,424.2	702.5	-1,092.0
The share of comprehensive income attributable to the shareholders of the parent is as follows:				
Continuing operations	1,756.6	-913.8	623.4	-736.5
Discontinued operations	238.2	-510.4	79.1	-355.5

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

1 Including non-controlling interests.

Consolidated Statement of Financial Position

The upcoming spin-off of parts of the Powertrain segment has resulted in the application of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. These parts make up most of the discontinued operations.

The assets from discontinued operations are included in assets held for sale in the reporting period. The liabilities from discontinued operations are included in liabilities held for sale in the reporting period. The figures for the comparative periods have not been adjusted.

Assets in € millions	**June 30, 2021**	*December 31, 2020*	June 30, 2020
Goodwill	3,605.6	*4,361.6*	5,073.4
Other intangible assets	1,116.6	*1,346.9*	1,651.4
Property, plant and equipment	11,090.8	*13,760.6*	14,101.6
Investment property	11.8	*12.2*	11.4
Investments in equity-accounted investees	336.1	*351.3*	383.9
Other investments	119.7	*123.4*	167.3
Deferred tax assets	2,542.5	*2,751.4*	2,226.6
Defined benefit assets	81.4	*82.7*	10.1
Long-term contract assets	–	–	0.1
Long-term derivative instruments and interest-bearing investments	146.6	*142.6*	107.9
Long-term other financial assets	301.0	*161.0*	124.8
Long-term other assets	16.7	*24.2*	24.9
Non-current assets	**19,368.8**	***23,117.9***	**23,883.4**
Inventories	4,548.4	*4,238.2*	4,846.7
Trade accounts receivable	6,144.5	*7,353.2*	6,473.0
Short-term contract assets	99.9	*119.1*	130.1
Short-term other financial assets	129.2	*146.8*	147.8
Short-term other assets	1,116.0	*1,352.5*	1,419.9
Income tax receivables	219.0	*234.8*	322.4
Short-term derivative instruments and interest-bearing investments	194.5	*114.0*	155.7
Cash and cash equivalents	2,162.8	*2,938.7*	2,455.6
Assets held for sale	7,326.7	*22.8*	18.2
Current assets	**21,941.0**	***16,520.1***	**15,969.4**
Total assets	**41,309.8**	***39,638.0***	**39,852.8**

Equity and liabilities in € millions	June 30, 2021	December 31, 2020	June 30, 2020
Subscribed capital	512.0	512.0	512.0
Capital reserves	4,155.6	4,155.6	4,155.6
Retained earnings	10,815.5	11,960.2	13,073.3
Other comprehensive income	-3,367.6	-4,365.4	-3,770.4
Equity attributable to the shareholders of the parent	**12,115.5**	**12,262.4**	**13,970.5**
Non-controlling interests	397.1	376.7	446.4
Total equity	**12,512.6**	**12,639.1**	**14,416.9**
Long-term employee benefits	4,750.4	6,109.9	5,852.2
Deferred tax liabilities	244.6	168.6	278.8
Long-term provisions for other risks and obligations	888.5	1,242.6	722.7
Long-term indebtedness	4,691.5	5,144.4	5,217.2
Long-term other financial liabilities	6.9	6.7	31.3
Long-term contract liabilities	6.8	7.0	14.0
Long-term other liabilities	62.9	63.9	35.0
Non-current liabilities	**10,651.6**	**12,743.1**	**12,151.2**
Short-term employee benefits	1,146.6	1,236.5	1,289.5
Trade accounts payable	5,132.0	5,933.1	4,522.6
Short-term contract liabilities	185.6	291.0	270.7
Income tax payables	630.5	790.1	832.7
Short-term provisions for other risks and obligations	1,209.1	1,725.4	1,258.3
Short-term indebtedness	1,866.4	2,190.0	3,425.7
Short-term other financial liabilities	3,351.3	1,287.9	915.2
Short-term other liabilities	846.8	801.8	770.0
Liabilities held for sale	3,777.3	–	–
Current liabilities	**18,145.6**	**14,255.8**	**13,284.7**
Total equity and liabilities	**41,309.8**	**39,638.0**	**39,852.8**

Consolidated Statement of Cash Flows

The upcoming spin-off of parts of the Powertrain segment has resulted in the application of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. These parts make up most of the discontinued operations.

The individual items in the consolidated statement of cash flows show the figures for the Continental Group as a whole in the reporting and comparative periods. In addition, cash flow arising from operating activities, investing activities and financing activities is shown separately for continuing operations and discontinued operations.

	January 1 to June 30		Second Quarter	
€ millions	**2021**	2020	**2021**	2020
Net income	**1,015.2**	**-445.1**	**562.7**	**-737.5**
Income tax expense	308.5	-10.7	129.7	-144.8
Financial result	14.6	63.0	-74.0	53.2
EBIT	**1,338.3**	**-392.8**	**618.4**	**-829.1**
Interest paid	-86.9	-70.9	-55.7	-49.7
Interest received	25.8	18.2	17.8	7.0
Income tax paid	-425.0	-370.0	-276.6	-104.8
Dividends received	0.9	10.9	0.9	0.7
Depreciation, amortization, impairment and reversal of impairment losses	1,267.3	1,445.1	584.2	721.0
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	0.0	-3.4	5.0	-1.2
Gains/losses from the disposal of assets, companies and business operations	-11.4	-171.8	-7.0	-27.7
Changes in				
inventories	-954.9	-293.6	-488.9	293.3
trade accounts receivable	-11.2	1,211.0	484.0	866.8
trade accounts payable	312.1	-2,448.8	-15.8	-2,226.2
employee benefits and other provisions	176.7	159.4	-171.5	-162.5
other assets and liabilities	-59.3	-267.3	-8.5	69.3
Cash flow arising from operating activities	**1,572.4**	**-1,174.0**	**686.3**	**-1,443.1**
Cash flow arising from operating activities – continuing operations	1,308.5	-688.6	766.4	-951.5
Cash flow arising from operating activities – discontinued operations	263.9	-485.4	-80.1	-491.6
Cash flow from the disposal of assets	36.6	31.4	19.9	16.2
Capital expenditure on property, plant and equipment, and software	-626.0	-810.6	-389.5	-374.6
Capital expenditure on intangible assets from development projects and miscellaneous	-35.5	-119.1	-14.7	-57.1
Cash flow from the disposal of companies and business operations	2.8	284.5	2.3	50.1
Acquisition of companies and business operations	-31.1	-14.5	-22.7	-4.2
Cash flow arising from investing activities	**-653.2**	**-628.3**	**-404.7**	**-369.6**
Cash flow arising from investing activities – continuing operations	-544.1	-461.6	-334.6	-297.1
Cash flow arising from investing activities – discontinued operations	-109.1	-166.7	-70.1	-72.5

	January 1 to June 30		Second Quarter	
€ millions	**2021**	2020	**2021**	2020
Cash flow before financing activities (free cash flow)	**919.2**	**–1,802.3**	**281.6**	**–1,812.7**
Change in indebtedness	–751.9	1,004.2	–274.7	1,743.8
Successive purchases	—	–2.8	—	—
Dividends paid	—	—[1]	—	—[1]
Dividends paid to and cash changes from equity transactions with non-controlling interests	–26.8	–19.7	–11.7	–11.7
Cash flow arising from financing activities	**–778.7**	**981.7**	**–286.4**	**1,732.1**
Cash flow arising from financing activities – continuing operations	–766.6	986.5	–285.7	1,739.9
Cash flow arising from financing activities – discontinued operations	–12.1	–4.8	–0.7	–7.8
Change in cash and cash equivalents	**140.5**	**–820.6**	**–4.8**	**–80.6**
Cash and cash equivalents at the beginning of the reporting period	2,938.7	3,341.8	3,142.4	2,555.0
Effect of exchange-rate changes on cash and cash equivalents	55.4	–65.6	–3.0	–18.8
Cash and cash equivalents at the end of the reporting period	3,134.6	2,455.6	3,134.6	2,455.6
Less cash and cash equivalents from discontinued operations	–971.8	—	–971.8	—
Cash and cash equivalents from continuing operations at the end of the reporting period	**2,162.8**	**—**	**2,162.8**	**—**

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

1 A dividend of €3.00 per share was resolved at the Annual Shareholders' Meeting on July 14, 2020. A total of €600.0 million was paid out on July 17, 2020.

Consolidated Statement of Changes in Equity

€ millions	Subscribed capital[1]	Capital reserves	Retained earnings	Successive purchases[2]	Difference from remeasurement of defined benefit plans	Difference from currency translation	Difference from financial instruments[3]	Subtotal	Non-controlling interests	Total
As at January 1, 2020	**512.0**	**4,155.6**	**13,522.1**	**-187.4**	**-2,366.4**	**-233.1**	**-7.5**	**15,395.3**	**480.4**	**15,875.7**
Net income	–	–	-448.8	–	–	–	–	-448.8	3.7	**-445.1**
Comprehensive income	–	–	–	–	-318.9	-656.5	–	-975.4	-16.0	**-991.4**
Net profit for the period	**–**	**–**	**-448.8**	**–**	**-318.9**	**-656.5**	**–**	**-1,424.2**	**-12.3**	**-1,436.5**
Dividends paid/resolved[4]	–	–	–	–	–	–	–	–	-19.4	**-19.4**
Successive purchases	–	–	–	-0.6	–	–	–	-0.6	-2.3	**-2.9**
Other changes	–	–	–	–	–	–	–	–	–	**–**
As at June 30, 2020	**512.0**	**4,155.6**	**13,073.3**	**-188.0**	**-2,685.3**	**-889.6**	**-7.5**	**13,970.5**	**446.4**	**14,416.9**
As at January 1, 2021	**512.0**	**4,155.6**	**11,960.2**	**-302.1**	**-2,817.0**	**-1,232.7**	**-13.6**	**12,262.4**	**376.7**	**12,639.1**
Net income	–	–	992.9	–	–	–	–	992.9	22.3	**1,015.2**
Comprehensive income	–	–	–	–	478.6	409.5	113.8	1,001.9	12.2	**1,014.1**
Net profit for the period	**–**	**–**	**992.9**	**–**	**478.6**	**409.5**	**113.8**	**1,994.8**	**34.5**	**2,029.3**
Dividends paid/resolved	–	–	–	–	–	–	–	–	-14.2	**-14.2**
Non-cash dividends due to the resolved spin-off	–	–	-2,137.6	–	–	–	–	-2,137.6	–	**-2,137.6**
Successive purchases	–	–	–	0.1	–	–	–	0.1	–	**0.1**
Other changes[5]	–	–	–	-4.2	–	–	–	-4.2	0.1	**-4.1**
As at June 30, 2021	**512.0**	**4,155.6**	**10,815.5**	**-306.2**	**-2,338.4**	**-823.2**	**100.2**	**12,115.5**	**397.1**	**12,512.6**

1 Divided into 200,005,983 shares outstanding.
2 Includes an amount of €0.1 million (PY: -€0.6 million) from successive purchases of shares in fully consolidated companies and an amount of -€4.2 million (PY: –) relating to effects from the first-time consolidation of previously non-consolidated subsidiaries.
3 The change in the difference arising from financial instruments, including deferred taxes, was due to other investments of €113.8 million (PY: –).
4 A dividend of €3.00 per share was resolved at the Annual Shareholders' Meeting on July 14, 2020. A total of €600.0 million was paid out on July 17, 2020.
5 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

Explanatory Notes to the Consolidated Financial Statements

The upcoming spin-off of parts of the Powertrain segment has resulted in the application of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. These parts make up most of the discontinued operations.

All the segment report tables for the reporting and comparative periods show primarily continuing operations for Autonomous Mobility and Safety as well as Vehicle Networking and Information, only continuing operations for Tires and ContiTech, and primarily discontinued operations for Powertrain.

Segment report for the period from January 1 to June 30, 2021

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
External sales	3,845.1	4,015.5	5,587.8	2,979.2	3,739.2	–	20,166.8
Intercompany sales	37.1	25.8	43.3	32.8	86.7	-225.7	–
Sales (total)	**3,882.2**	**4,041.3**	**5,631.1**	**3,012.0**	**3,825.9**	**-225.7**	**20,166.8**
EBIT (segment result)	45.6	17.0	967.6	233.9	153.9	-79.7	1,338.3
in % of sales	1.2	0.4	17.2	7.8	4.0	–	6.6
Depreciation and amortization[1]	262.3	250.1	406.3	161.7	184.0	2.9	1,267.3
thereof impairment[2]	-2.6	0.7	1.0	0.3	62.6	–	62.0
Capital expenditure[3]	169.3	181.9	163.3	82.0	123.1	24.7	744.3
in % of sales	4.4	4.5	2.9	2.7	3.2	–	3.7
Operating assets as at June 30	4,518.0	3,604.6	6,546.7	3,045.4	2,993.6	118.2	20,826.5
Number of employees as at June 30[4]	46,811	46,396	57,081	43,312	39,312	453	233,365
Adjusted sales[5]	3,882.2	4,041.3	5,631.0	3,012.0	3,825.9	-225.7	20,166.7
Adjusted operating result (adjusted EBIT)[6]	72.4	48.9	969.8	281.7	250.5	-78.6	1,544.7
in % of adjusted sales	1.9	1.2	17.2	9.4	6.5	–	7.7

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversal of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Segment report for the period from January 1 to June 30, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
External sales	3,302.3	3,425.3	4,366.7	2,552.8	2,885.3	–	16,532.4
Intercompany sales	14.2	24.3	29.0	31.8	74.9	-174.2	–
Sales (total)	**3,316.5**	**3,449.6**	**4,395.7**	**2,584.6**	**2,960.2**	**-174.2**	**16,532.4**
EBIT (segment result)	-182.1	-218.9	287.6	50.5	-267.2	-62.7	-392.8
in % of sales	-5.5	-6.3	6.5	2.0	-9.0	–	-2.4
Depreciation and amortization[1]	271.8	269.8	425.8	178.5	292.4	6.8	1,445.1
thereof impairment[2]	4.7	-0.3	–	1.4	51.0	0.0	56.8
Capital expenditure[3]	176.8	213.4	255.2	83.3	164.2	30.5	923.4
in % of sales	5.3	6.2	5.8	3.2	5.5	–	5.6
Operating assets as at June 30	5,010.8	4,973.1	7,499.5	3,425.8	3,498.5	72.8	24,480.5
Number of employees as at June 30[4]	46,495	47,441	56,266	43,224	38,150	447	232,023
Adjusted sales[5]	3,203.9	3,369.1	4,395.7	2,578.1	2,960.2	-174.2	16,332.8
Adjusted operating result (adjusted EBIT)[6]	-125.9	-260.7	300.8	116.7	-172.0	-60.2	-201.3
in % of adjusted sales	-3.9	-7.7	6.8	4.5	-5.8	–	-1.2

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversal of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Reconciliation of consolidated sales and consolidated EBIT, in accordance with the segment reporting, to the sales and EBIT from continuing operations, in accordance with the consolidated statement of income

	January 1 to June 30	
€ millions	**2021**	2020
Consolidated sales (total) in accordance with the segment reporting	**20,166.8**	**16,532.4**
Less sales from discontinued operations	3,237.1	2,467.6
Sales from continuing operations in accordance with the consolidated statement of income	**16,929.7**	**14,064.8**
Consolidated EBIT in accordance with the segment reporting	**1,338.3**	**-392.8**
Less EBIT from discontinued operations	203.0	-286.8
EBIT from continuing operations in accordance with the consolidated statement of income	**1,135.3**	**-106.0**

Presentation of consolidated operating assets from continuing operations and discontinued operations, in accordance with the segment reporting

€ millions	June 30, 2021
Consolidated operating assets as at June 30 in accordance with the segment reporting	**20,826.5**
Operating assets as at June 30 from discontinued operations	2,992.5
Operating assets as at June 30 from continuing operations	17,834.0

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to June 30, 2021

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Sales	**3,882.2**	**4,041.3**	**5,631.1**	**3,012.0**	**3,825.9**	**–225.7**	**20,166.8**
Changes in the scope of consolidation[1]	–	–	-0.1	–	–	–	-0.1
Adjusted sales	**3,882.2**	**4,041.3**	**5,631.0**	**3,012.0**	**3,825.9**	**–225.7**	**20,166.7**
EBITDA	**307.9**	**267.1**	**1,373.9**	**395.6**	**337.9**	**–76.8**	**2,605.6**
Depreciation and amortization[2]	–262.3	–250.1	–406.3	–161.7	–184.0	–2.9	–1,267.3
EBIT	**45.6**	**17.0**	**967.6**	**233.9**	**153.9**	**–79.7**	**1,338.3**
Amortization of intangible assets from purchase price allocation (PPA)	–	32.3	9.1	37.4	1.4	–	80.2
Changes in the scope of consolidation[1]	–	–	0.1	–	–	–	0.1
Special effects							
Impairment on goodwill	–	–	–	–	–	–	–
Impairment[3]	-2.6	0.7	0.1	–	62.4	–	60.6
Restructuring[4]	-12.4	-23.9	-17.3	1.2	-10.9	–	-63.3
Restructuring-related expenses	14.7	6.2	–	1.7	5.4	–	28.0
Severance payments	18.6	7.0	10.2	7.5	6.6	0.4	50.3
Gains and losses from disposals of companies and business operations	–	-0.3	–	–	–	–	-0.3
Other[5]	8.5	9.9	–	–	31.7	0.7	50.8
Adjusted operating result (adjusted EBIT)	**72.4**	**48.9**	**969.8**	**281.7**	**250.5**	**–78.6**	**1,544.7**

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.
4 In addition to adjustments to restructuring measures, this includes impairment losses totaling €1.8 million (Tires €0.9 million; ContiTech €0.3 million; Powertrain €0.6 million) and a reversal of impairment losses of €0.4 million in the Powertrain segment.
5 Mainly includes expenses totaling €49.3 million from the transformation of the Powertrain segment into an independent legal entity.

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to June 30, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain	Other/ Holding/ Consolidation	Continental Group
Sales	**3,316.5**	**3,449.6**	**4,395.7**	**2,584.6**	**2,960.2**	**-174.2**	**16,532.4**
Changes in the scope of consolidation[1]	-112.6	-80.5	–	-6.5	–	–	-199.6
Adjusted sales	**3,203.9**	**3,369.1**	**4,395.7**	**2,578.1**	**2,960.2**	**-174.2**	**16,332.8**
EBITDA	**89.7**	**50.9**	**713.4**	**229.0**	**25.2**	**-55.9**	**1,052.3**
Depreciation and amortization[2]	-271.8	-269.8	-425.8	-178.5	-292.4	-6.8	-1,445.1
EBIT	**-182.1**	**-218.9**	**287.6**	**50.5**	**-267.2**	**-62.7**	**-392.8**
Amortization of intangible assets from purchase price allocation (PPA)	–	33.2	9.6	46.4	5.2	–	94.4
Changes in the scope of consolidation[1]	7.4	-8.4	–	0.1	–	–	-0.9
Special effects							
Impairment on goodwill	–	–	–	–	–	–	–
Impairment[3]	4.5	-0.3	–	–	45.5	0.0	49.7
Restructuring[4]	31.2	80.0	0.0	13.5	10.6	–	135.3
Restructuring-related expenses	3.9	1.2	–	–	4.6	–	9.7
Severance payments	4.3	4.7	3.4	6.2	4.2	0.1	22.9
Gains and losses from disposals of companies and business operations	–	-157.4	0.2	0.0	–	–	-157.2
Other[5]	4.9	5.2	–	–	25.1	2.4	37.6
Adjusted operating result (adjusted EBIT)	**-125.9**	**-260.7**	**300.8**	**116.7**	**-172.0**	**-60.2**	**-201.3**

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.
4 In addition to adjustments to restructuring measures, this includes impairment losses totaling €7.1 million (Autonomous Mobility and Safety €0.2 million; ContiTech €1.4 million; Powertrain €5.5 million).
5 Includes expenses totaling €37.6 million from the transformation of the Powertrain segment into an independent legal entity.

Reconciliation of EBIT to net income

	January 1 to June 30		Second Quarter	
€ millions	**2021**	2020	**2021**	2020
Autonomous Mobility and Safety	45.6	-182.1	-37.5	-193.9
Vehicle Networking and Information	17.0	-218.9	-39.5	-358.5
Tires	967.6	287.6	520.1	31.0
ContiTech	233.9	50.5	98.1	-39.3
Powertrain	153.9	-267.2	116.6	-244.3
Other/Holding/Consolidation	-79.7	-62.7	-39.4	-24.1
EBIT	**1,338.3**	**-392.8**	**618.4**	**-829.1**
Financial result	-14.6	-63.0	74.0	-53.2
Earnings before tax	**1,323.7**	**-455.8**	**692.4**	**-882.3**
Income tax expense	-308.5	10.7	-129.7	144.8
Net income	**1,015.2**	**-445.1**	**562.7**	**-737.5**
Non-controlling interests	-22.3	-3.7	-17.4	-3.6
Net income attributable to the shareholders of the parent	**992.9**	**-448.8**	**545.3**	**-741.1**

The additional information relating to the second quarter of 2021 was not part of the auditor's review.

Segment reporting
Information on the development of the Continental Group's five segments or business areas can be found in the consolidated management report as at June 30, 2021.

Accounting principles
These interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period and endorsed by the European Union. These also include the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor, the International Financial Reporting Interpretations Committee (IFRIC), and the former Standing Interpretations Committee (SIC). The interim financial statements were prepared in condensed form in compliance with IAS 34, *Interim Financial Reporting*. The same accounting policies have been applied in the interim financial statements as in the consolidated financial statements for 2020. These accounting policies are described in detail in the 2020 annual report. In addition, the IFRS amendments and new regulations effective as at June 30, 2021, have also been applied in the interim financial statements. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2020 annual report.

The IFRS amendments and new regulations effective as at June 30, 2021, had no material effect on the reporting of the Continental Group.

Income tax expense is calculated based on the estimated, weighted average tax rate expected for the year as a whole. Tax effects of specific significant items that can only be allocated to the respective period under review are taken into account.

Although certain elements of the Continental Group's business are seasonal, the overall comparability of the consolidated financial reports is not compromised. All significant effects in the current period are shown in this report. Changes in the recognition or measurement of assets and liabilities within the scope of company acquisitions are presented retrospectively once the final purchase price allocation has been determined.

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
It is currently still difficult 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 in the reporting period, an analysis of the effects on the accounting of the Continental Group was carried out as at June 30, 2021.

- 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, in the assessment of credit management, the more probable scenario is that 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 June 30, 2021.

- 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, there was no need for adjustment as at June 30, 2021.

- 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 by the Continental Group and accounted for in accordance with the requirements of IFRS 16. As at June 30, 2021, 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 June 30, 2021.

The Continental Group will continuously review the possible effects on accounting with respect to further developments of the COVID-19 pandemic.

Companies consolidated

In addition to the parent company, the number of companies consolidated includes 551 (PY: 565) domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10, *Consolidated Financial Statements*, or that are classified as joint arrangements or associates. Of these, 434 (PY: 449) are fully consolidated and 117 (PY: 116) are accounted for using the equity method.

The number of companies consolidated has decreased by a total of 12 since December 31, 2020. Two companies were founded. The number of companies consolidated also decreased by 14 as a result of one disposal, nine mergers and four liquidations.

Since June 30, 2020, the number of companies consolidated has decreased by a total of 14. Companies no longer included in the scope of consolidation are mostly attributable to mergers and liquidations.

Acquisition and disposal of companies and business operations

In the Vehicle Networking and Information segment, the sale of an equity-accounted investee resulted in income of €0.3 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at June 30, 2021.

Discontinued operations

With the approval of the Annual Shareholders' Meeting on April 29, 2021, Continental resolved the upcoming spin-off of parts of the Powertrain segment. For the parts to be spun off, the criteria of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, for recognition as discontinued operations from the end of the first quarter of 2021 were met. The parts of the Powertrain segment to be spun off make up most of the discontinued operations. The Autonomous Mobility and Safety and Vehicle Networking and Information segments mainly consist of continuing operations. The Tires and ContiTech segments exclusively consist of continuing operations.

For the discontinued operations, in accordance with IFRS 5, all expenses and income are recognized separately in the income statement in the current reporting period, and all cash flows separately in the statement of cash flows, and the statement for the comparative period has been adjusted accordingly. In the statement of financial position, the assets and liabilities attributed to the discontinued operations are only recognized separately as at the current reporting date. Upon classification as held for sale, the depreciation of assets within discontinued operations was ceased.

With the approval of the Annual Shareholders' Meeting, Continental recognized a spin-off commitment under short-term other liabilities. As at June 30, 2021, this spin-off commitment amounted to €2,137.6 million in accordance with the book value method applied. Retained earnings thus declined by the same amount.

The assets and liabilities from discontinued operations as at June 30, 2021, are shown in the following tables:

Assets in € millions	June 30, 2021
Goodwill	793.1
Other intangible assets	170.4
Property, plant and equipment	2,416.1
Investments in equity-accounted investees	31.1
Other investments	0.1
Deferred tax assets	239.6
Defined benefit assets	3.9
Long-term derivative instruments and interest-bearing investments	13.3
Long-term other financial assets	27.7
Long-term other assets	5.3
Non-current assets	**3,700.6**
Inventories	731.8
Trade accounts receivable	1,377.7
Short-term contract assets	2.8
Short-term other financial assets	42.8
Short-term other assets	442.1
Income tax receivables	24.0
Short-term derivative instruments and interest-bearing investments	3.1
Cash and cash equivalents	971.8
Current assets	**3,596.1**
Assets held for sale	**7,296.7**

Equity and liabilities in € millions	June 30, 2021
Long-term employee benefits	875.1
Deferred tax liabilities	56.5
Long-term provisions for other risks and obligations	325.2
Long-term indebtedness	116.6
Long-term contract liabilities	15.2
Long-term other liabilities	5.9
Non-current liabilities	**1,394.5**
Short-term employee benefits	248.0
Trade accounts payable	1,232.1
Short-term contract liabilities	105.0
Income tax payables	82.8
Short-term provisions for other risks and obligations	462.4
Short-term indebtedness	31.4
Short-term other financial liabilities	136.3
Short-term other liabilities	84.8
Current liabilities	**2,382.8**
Liabilities held for sale	**3,777.3**

Earnings from discontinued operations are as follows:

	January 1 to June 30	
€ millions	**2021**	2020
Sales	3,237.1	2,467.6
Expenses	–3,026.1	–2,795.5
Earnings before tax from discontinued operations	**211.0**	**–327.9**
Income tax expense	–108.8	4.5
Earnings after tax from discontinued operations	**102.2**	**–323.4**

Revenue from contracts with customers

The following tables show the breakdown of sales in accordance with IFRS 15, *Revenue from Contracts with Customers*, into main geographical markets, segments and customer groups. The tables for the reporting and comparative periods show primarily continuing operations for Autonomous Mobility and Safety as well as Vehicle Networking and Information, only continuing operations for Tires and ContiTech, and primarily discontinued operations for Powertrain.

Sales from contracts with customers from January 1 to June 30, 2021

€ millions	**Autonomous Mobility and Safety**	**Vehicle Networking and Information**	**Tires**	**ContiTech**	**Powertrain**	**Other/ Holding/ Consolidation**	**Continental Group**
Germany	698.2	971.2	722.6	589.5	760.7	–121.1	3,621.1
Europe excluding Germany	965.1	1,254.4	2,236.4	821.8	1,119.4	–27.1	6,370.0
North America	912.1	866.7	1,482.2	837.3	802.0	–53.3	4,847.0
Asia	1,225.5	852.6	844.4	579.8	1,091.8	–17.7	4,576.4
Other countries	81.3	96.4	345.5	183.6	52.0	–6.5	752.3
Sales by region	**3,882.2**	**4,041.3**	**5,631.1**	**3,012.0**	**3,825.9**	**–225.7**	**20,166.8**
Automotive original-equipment business	3,881.4	3,576.6	1,283.0	1,502.6	3,663.4	–134.8	13,772.2
Industrial/replacement business	0.8	464.7	4,348.1	1,509.4	162.5	–90.9	6,394.6
Sales by customer type	**3,882.2**	**4,041.3**	**5,631.1**	**3,012.0**	**3,825.9**	**–225.7**	**20,166.8**

Sales from contracts with customers from January 1 to June 30, 2020

€ millions	**Autonomous Mobility and Safety**	**Vehicle Networking and Information**	**Tires**	**ContiTech**	**Powertrain**	**Other/ Holding/ Consolidation**	**Continental Group**
Germany	571.4	975.3	623.6	492.3	581.2	–96.4	3,147.4
Europe excluding Germany	720.3	936.8	1,761.1	660.8	784.6	–23.2	4,840.4
North America	798.9	747.3	1,135.5	778.7	630.2	–35.5	4,055.1
Asia	1,185.1	736.0	640.1	490.2	932.4	–16.8	3,967.0
Other countries	40.8	54.2	235.4	162.6	31.8	–2.3	522.5
Sales by region	**3,316.5**	**3,449.6**	**4,395.7**	**2,584.6**	**2,960.2**	**–174.2**	**16,532.4**
Automotive original-equipment business	3,316.1	3,045.7	992.1	1,169.5	2,845.9	–104.7	11,264.6
Industrial/replacement business	0.4	403.9	3,403.6	1,415.1	114.3	–69.5	5,267.8
Sales by customer type	**3,316.5**	**3,449.6**	**4,395.7**	**2,584.6**	**2,960.2**	**–174.2**	**16,532.4**

Impairment

The Continental Group immediately reviews other intangible assets and property, plant and equipment, investment property, financial investments and goodwill as soon as there is an indication of impairment (triggering event). No significant impairment resulted from these reviews in the reporting period.

Reversal of impairment on interest-bearing investments and of provisions for loan commitments

With the approval of the relevant antitrust authorities in May 2021, all conditions precedent for the repatriation of the business units incorporated from the associate OSRAM CONTINENTAL GmbH, Munich, Germany, were met. By the closing date in the fourth quarter of 2021, we expect repayment of the shareholder loans granted to OSRAM CONTINENTAL GmbH, Munich, Germany, and two of its subsidiaries. For this reason, the allowances for doubtful accounts on loans to associates and the provisions for loan commitments to these companies were completely reversed. Taking into account exchange-rate effects, this resulted in income totaling €105.8 million, which is reported in the financial result under effects from changes in the fair value of derivative financial instruments, and other valuation effects.

Income tax expense

Income tax expense in the first half of 2021 amounted to €199.7 million for continuing operations (PY: tax income of €6.2 million). The tax rate in the reporting period was 17.9% (PY: 4.8%).

Leases

The following table shows the right-of-use assets as at June 30, 2021, for continuing operations; and in the comparative period, the right-of-use assets for continuing and discontinued operations:

€ millions	**June 30, 2021**	December 31, 2020
Land and buildings	1,194.8	1,402.9
Technical equipment and machinery	4.5	5.8
Other equipment, factory and office equipment	67.8	78.4
Total right-of-use assets	**1,267.1**	**1,487.1**

The following table shows the lease liabilities as at June 30, 2021, for continuing operations; and in the comparative period, the lease liabilities for continuing and discontinued operations:

€ millions	**June 30, 2021**	December 31, 2020
Lease liabilities	**1,332.4**	**1,543.0**
Current	290.9	319.0
Non-current	1,041.5	1,224.0

Long-term employee benefits

Compared to December 31, 2020, the remeasurement of defined benefit pension plans as at June 30, 2021, led to a €477.1 million increase (PY: €217.6 million decrease) in other comprehensive income, which resulted from a rise in discount rates (PY: decline in discount rates). The corresponding increase in equity contrasted with a decline in long-term employee benefits of €642.8 million (PY: rise of €304.4 million).

Cash changes in pension and similar obligations

Pension funds exist solely for pension obligations – particularly in Germany, the USA, Canada and the UK – and not for other benefit obligations. These pension funds qualify as plan assets. In the period from January 1 to June 30, 2021, the companies of the Continental Group made regular payments of €14.8 million (PY: €29.8 million) into these pension funds.

Payments for pension obligations totaled €119.6 million (PY: €115.8 million) in the period from January 1 to June 30, 2021. Payments for obligations similar to pensions totaled €7.1 million (PY: €7.7 million).

The net pension cost for continuing and discontinued operations can be summarized as follows:

	January 1 to June 30, 2021						January 1 to June 30, 2020					
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Total
Current service cost	151.9	2.4	1.0	1.2	19.1	**175.6**	138.1	2.0	0.9	1.2	14.0	156.2
Interest on defined benefit obligations	26.2	13.6	1.5	3.1	4.6	**49.0**	34.5	18.8	1.8	4.0	4.9	64.0
Expected return on the plan assets	-5.5	-13.8	-1.3	-2.9	-2.2	**-25.7**	-7.7	-17.6	-1.5	-3.9	-2.3	-33.0
Effect of change of asset ceiling	–	–	0.0	–	0.0	**0.0**	–	–	–	–	0.0	0.0
Other pension income and expenses	–	0.9	0.2	–	-0.6	**0.5**	–	0.8	0.2	–	0.0	1.0
Net pension cost	**172.6**	**3.1**	**1.4**	**1.4**	**20.9**	**199.4**	**164.9**	**4.0**	**1.4**	**1.3**	**16.6**	**188.2**

The net cost of healthcare and life-insurance benefit obligations for continuing and discontinued operations in the USA and Canada consists of the following:

	January 1 to June 30	
€ millions	**2021**	2020
Current service cost	0.7	0.8
Interest on healthcare and life-insurance benefit obligations	2.4	3.4
Net cost of obligations similar to pensions	**3.1**	**4.2**

Financing and indebtedness

The assets from discontinued operations are included in assets held for sale in the reporting period. The liabilities from discontinued operations are included in liabilities held for sale in the reporting period. The figures for the comparative periods have not been adjusted.

As at June 30, 2021, the Continental Group's net indebtedness amounted to €4,054.0 million. This fell by €1,869.7 million compared with the year-on-year figure of €5,923.7 million and by €85.1 million compared with the figure of €4,139.1 million as at December 31, 2020.

Two of the bonds issued by Continental AG were redeemed at a rate of 100.00%. These were a €750.0-million euro bond that matured on September 9, 2020, and a €200.0-million private placement that matured on April 12, 2021. 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 had a variable interest rate and a term of one year and six months. For details regarding the bonds, please refer to the comments in the 2020 annual report.

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, this credit line had not been utilized as at the end of June 2021. The syndicated credit line additionally agreed in May 2020 of €3,000.0 million with a term of 364 days expired in May 2021. For further details regarding the syndicated loans, please refer to the comments in the 2020 annual report.

As at June 30, 2021, the Continental Group had liquidity reserves totaling €6,933.7 million (PY: €10,144.4 million), consisting of cash and cash equivalents of €2,162.8 million (PY: €2,455.6 million) and committed, unutilized credit lines of €4,770.9 million (PY: €7,688.8 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 June 30, 2021, unrestricted cash and cash equivalents totaled €1,866.3 million (PY: €2,249.2 million).

In relation to continuing and discontinued operations, the Continental Group's net indebtedness amounted to €3,213.8 million as at June 30, 2021, €2,709.9 million lower than the previous year's figure of €5,923.7 million. The gearing ratio fell to 25.7% (PY: 41.1%).

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. Continuing and discontinued operations are shown separately. In addition, the relevant measurement 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 June 30, 2021**	**Fair value as at June 30, 2021**	thereof Level 1	thereof Level 2	thereof Level 3
Other investments	FVOCIwoR	109.6	109.6	–	–	109.6
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	59.6	59.6	–	59.6	–
Debt instruments	FVPL	78.6	78.6	78.6	–	–
Debt instruments	at cost	202.9	202.9	–	–	–
Trade accounts receivable without lease receivables						
Trade accounts receivable	at cost	5,849.8	5,849.8	–	–	–
Bank drafts	FVOCIwR	286.1	286.1	–	286.1	–
Trade accounts receivable	FVPL	7.5	7.5	–	7.5	–
Other financial assets without lease receivables						
Other financial assets	FVPL	80.5	80.5	–	80.5	–
Other financial assets	FVOCIwoR	147.6	147.6	147.6	–	–
Other financial assets	at cost	194.5	194.5	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	1,924.8	1,924.8	–	–	–
Cash and cash equivalents	FVPL	238.0	238.0	238.0	–	–
Financial assets without lease receivables		**9,179.5**	**9,179.5**	**464.2**	**433.7**	**109.6**
Assets held for sale without lease receivables						
Derivative instruments not accounted for as effective hedging instruments	FVPL	0.5	0.5	–	0.5	–
Debt instruments	FVPL	13.3	13.3	–	13.3	–
Debt instruments	at cost	2.6	2.6	–	–	–
Trade accounts receivable	at cost	1,293.5	1,293.5	–	–	–
Bank drafts	FVOCIwR	84.2	84.2	–	84.2	–
Other financial assets	at cost	70.5	70.5	–	–	–
Cash and cash equivalents	at cost	645.6	645.6	–	–	–
Cash and cash equivalents	FVPL	326.2	326.2	326.2	–	–
Financial assets held for sale without lease receivables		**2,436.4**	**2,436.4**	**326.2**	**98.0**	**–**
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	18.3	18.3	–	18.3	–
Other indebtedness	at cost	5,207.2	5,390.6	3,374.7	472.7	–
Trade accounts payable	at cost	5,132.0	5,132.0	–	–	–
Other financial liabilities	at cost	3,358.2	3,358.2	–	–	–
Financial liabilities without lease liabilities		**13,715.7**	**13,899.1**	**3,374.7**	**491.0**	**–**
Liabilities held for sale without lease liabilities						
Other indebtedness	at cost	0.0	0.0	–	–	–
Trade accounts payable	at cost	1,232.1	1,232.1	–	–	–
Other financial liabilities	at cost	136.3	136.3	–	–	–
Financial liabilities held for sale without lease liabilities		**1,368.4**	**1,368.4**	**–**	**–**	**–**

€ 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	FVOCIwoR	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 without lease receivables						
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 without lease receivables						
Other financial assets	FVPL	63.9	63.9	–	63.9	–
Other financial assets	FVOCIwoR	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	–	–
Financial assets without lease receivables		**10,965.5**	**10,965.5**	**415.3**	**551.8**	**142.7**
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	–	–	–
Financial liabilities without lease liabilities		**13,019.0**	**13,220.0**	**3,384.1**	**961.3**	**–**

Aggregated by category in accordance with IFRS 9, the financial instruments for continuing and discontinued operations are as follows:

€ millions	**Carrying amount as at June 30, 2021**	Carrying amount as at Dec. 31, 2020
Financial assets (FVOCIwR)	370.3	399.8
Financial assets (FVOCIwoR)	257.2	142.7
Financial assets (FVPL)	804.2	567.3
Financial assets (at cost)	10,184.2	9,855.7
Financial liabilities (FVPL)	18.3	15.5
Financial liabilities (at cost)	15,065.8	13,003.5

Abbreviations:

- at cost: measured at amortized cost
- FVOCIwR: 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

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 based on non-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 major non-observable input factors and continuously checked for changes in value.

The following table shows the changes to financial instruments at Level 3:

€ millions	Other investments	Other financial assets	Subtotal
As at January 1, 2020	**182.9**	**—**	**182.9**
Disposals	-29.7	–	-29.7
Exchange-rate effects	0.0	–	0.0
As at June 30, 2020	**153.2**	**—**	**153.2**
As at January 1, 2021	**109.2**	**33.5**	**142.7**
Reclassified to Level 1	–	-33.5	-33.5
Exchange-rate effects	0.4	–	0.4
As at June 30, 2021	**109.6**	**—**	**109.6**

In the previous year, the fair value of other financial assets in the amount of €33.5 million was determined based on non-observable market data (Level 3). As a reliable quoted market price has since become available for these instruments, they are now measured using the market price and assigned to Level 1.

Of the financial instruments remaining at Level 3, there were no indications of any significant change in the value of the financial investments as at the reporting date. For reasons of materiality, a sensitivity analysis is not required.

Litigation and compensation claims

As disclosed in the 2020 annual report, 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 concerning specific brake components. On March 2, 2021, the Brazilian antitrust authority CADE announced that an investigation would be initiated against Continental Teves AG & Co. oHG and other parties for alleged violations of Brazilian antitrust law based on the issues addressed by the European Commission. No further disclosures will be made with regard to these proceedings so as not to adversely affect the company's interests.

Other than this, there were no significant new findings or developments in the reporting period with regard to the litigation and compensation claims described in the 2020 annual report.

Contingent liabilities and other financial obligations

As at June 30, 2021, there were no material changes in the contingent liabilities and other financial obligations described in the 2020 annual report.

Appropriation of net income

As at December 31, 2020, Continental AG reported net retained earnings of €6,038.9 million (PY: €5,856.0 million). On April 29, 2021, the Annual Shareholders' Meeting resolved to suspend the payment of a dividend for fiscal 2020. Retained earnings were carried forward to new account.

Earnings per share

Basic earnings per share rose to €4.96 (PY: -€2.24) in the first half of 2021 and to €2.72 (PY: -€3.70) for the period from April 1 to June 30, 2021. Basic earnings per share from continuing operations, which must also be reported as of the current fiscal year, amounted to €4.45 for the first half of 2021 and €2.22 for the period from April 1 to June 30, 2021. The figures for basic earnings per share were the same as for diluted earnings per share.

Transactions with related parties
In the period under review, there were no material changes in transactions with related parties compared to December 31, 2020. For further information, please refer to the comments in the 2020 annual report.

German Corporate Governance Code
The annual declaration by the Executive Board and Supervisory Board of Continental AG on the German Corporate Governance Code, in accordance with Section 161 of the German Stock Corporation Act *(Aktiengesetz – AktG)*, is made permanently available to shareholders on the Continental Group's website. Earlier declarations in accordance with Section 161 *AktG* can also be found there.

Significant Events after June 30, 2021

In July 2021, as part of several transactions, Continental sold a minority stake that had been acquired as a purely financial investment. The cumulative sales price amounted to €125.3 million. This listed investment was reported under other financial assets as having a fair value of €147.6 million as at June 30, 2021.

Hanover, July 23, 2021

Continental Aktiengesellschaft
The Executive Board

Responsibility Statement by the Company's Legal Representatives

To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the earnings, financial and net assets position of the Continental Group, and the interim consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Hanover, July 23, 2021

Continental Aktiengesellschaft
The Executive Board

Review Report

To Continental Aktiengesellschaft, Hanover

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the explanatory notes to the consolidated interim financial statements – and the interim consolidated management report of Continental Aktiengesellschaft, Hanover, for the period from January 1 to June 30, 2021, which are part of the half-year financial report pursuant to § (Article) 115 *WpHG* ("*Wertpapierhandelsgesetz*": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim consolidated management report in accordance with the provisions of the German Securities Trading Act applicable to interim consolidated management reports is the responsibility of the parent company's Executive Board. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim consolidated management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim consolidated management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim consolidated management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim consolidated management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim consolidated management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim consolidated management reports.

Hanover, August 3, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Kayser	Sven Rosorius
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial Calendar

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

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

Publication Details

The annual report, the annual financial statements, the half-year financial report, and the quarterly statements are available online at: **www.continental-ir.com**

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