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Joint Spin-off Report

of the executive boards

of

Continental Aktiengesellschaft

and

Vitesco Technologies Group Aktiengesellschaft

regarding the spin-off of the participations held in

Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG,

in

Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG,

in

Vitesco Technologies 1. Verwaltungs GmbH,

and in

Vitesco Technologies 2. Verwaltungs GmbH

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I. Introduction

The executive board of Continental Aktiengesellschaft, a German stock corporation with registered office in Hanover, registered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HRB 3527 (***Continental AG*** and, together with its dependent companies, collectively referred to as the ***Continental Group***), has resolved to have Vitesco Technologies GmbH with registered office in Hanover (registered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HRB 217030), together with its direct and indirect subsidiaries and shareholdings (collectively referred to as ***Vitesco Technologies***), listed on the stock exchange as an independent group by way of a spin-off by absorption (*Abspaltung zur Aufnahme*) in accordance with the German Transformation Act (*Umwandlungsgesetz* – ***UmwG***). It is intended that the supervisory board of Continental AG will approve this spin-off on March 16, 2021.

Vitesco Technologies mainly comprises the operationally and organizationally independent business activities of the group sector Powertrain Technologies and of the Powertrain business area of the Continental Group, as described in more detail below. The current shareholders of Vitesco Technologies GmbH are (i) Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, registered in the commercial register of the Frankfurt am Main Local Court (*Amtsgericht*) under HRA 51177 (***VT 1. Beteiligungs KG***) with a stake of 49.18%, (ii) Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, registered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HRA 204634 (***VT 2. Beteiligungs KG***) with a stake of 47.26% (VT 1. Beteiligungs KG and VT 2. Beteiligungs KG collectively referred to as ***VT 1. and 2. Beteiligungs KGs***), and (iii) Continental Automotive France S.A.S. (***CA France***) with a stake of 3.56%. VT 1. Beteiligungs KG was created by a change of legal form of Alfred Teves Beteiligungsgesellschaft mbH in 2019. All limited partnership interests in VT 1. and 2. Beteiligungs KGs are directly held by Continental AG, and the shares in CA France are indirectly held by Continental AG.

Vitesco Technologies focuses on the development and production of components and system solutions for the powertrain of hybrid and electric vehicles and for combustion engines. Its portfolio includes 48-volt electrification solutions, electric drives, and power electronics for hybrid and battery-electric vehicles. Furthermore, the product range counts electronic controls, sensors, actuators, turbochargers, hydraulic components and pumps as well as solutions for exhaust after-treatment. Vitesco Technologies has, in total, 51 locations worldwide. Of those, eight locations are pure manufacturing sites, 22 locations conduct mainly research and development (***R&D***) activities and 21 locations combine manufacturing and R&D activities. Vitesco Technologies has more than 40,000 employees worldwide (all figures as per December 31, 2020).

Already today, Vitesco Technologies offers a broad and comprehensive range of powertrain technologies, products and solutions for various types and classes of vehicles and serves almost all major automotive original equipment manufacturers (***OEMs***). The product portfolio comprises, in particular, technologies and products for electrified and pure electric vehicles.

The legal independence aims to give Vitesco Technologies greater flexibility in the further development of its business. At the same time, Continental AG intends to focus the retained business of the Continental Group after the spin-off on core areas with high potential for synergy in end markets and technologies.

In order to make Vitesco Technologies legally independent, the limited partnership interests held by Continental AG in VT 1. and 2. Beteiligungs KGs and the shares held by Continental AG in their respective general partners, Vitesco Technologies 1. Verwaltungs GmbH, registered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HRB 217510 (***VT 1. Verwaltungs GmbH***), and Vitesco Technologies 2. Verwaltungs GmbH, registered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HRB 217479 (***VT 2. Verwaltungs GmbH***), are intended to be transferred by way of a spin-off by absorption to Vitesco Technologies Group Aktiengesellschaft, a German stock corporation with registered office in Hanover, registered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HRB 219172 (***VT Group AG***). VT Group AG, in turn, is intended to become the listed parent company of the future Vitesco Technologies group (VT Group AG after the spin-off has taken effect, together with VT 1. and 2. Beteiligungs KGs, VT 1. Verwaltungs GmbH, VT 2. Verwaltungs GmbH and Vitesco Technologies, collectively referred to as the ***Vitesco Technologies Group***). All shares in VT Group AG are currently held by Continental AG.

In order to implement the spin-off, Continental AG and VT Group AG intend to enter into a notarized spin-off and transfer agreement (the ***Spin-off and Transfer Agreement***) prior to the shareholders' meeting of Continental AG convened for April 29, 2021. The draft Spin-off and Transfer Agreement is attached hereto as **Annex 1**.

The spin-off is intended to have, subject to a possible postponement pursuant to Chapter VI.6, retroactive economic effect as of January 1, 2021, 0:00 hrs (including a possible postponement, the ***Spin-off Effective Date***). It will take effect upon its registration in the commercial register for Continental AG. Upon registration, the limited partnership interests in VT 1. and 2. Beteiligungs KGs and the shares in the general partners, VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH, will be transferred in their entirety to VT Group AG by operation of law. The 3.56% stake held by CA France in Vitesco Technologies GmbH is intended to be sold at fair market value to VT 1. and 2. Beteiligungs KGs prior to the spin-off taking effect. The plan is that, after this sale, VT 1. Beteiligungs KG and VT 2. Beteiligungs KG will hold 51% and 49%, respectively, of the shares in Vitesco Technologies GmbH. As a result, when the spin-off takes effect, VT Group AG will indirectly acquire, through VT 1. and 2. Beteiligungs KGs, 100% of the shares in Vitesco Technologies GmbH, thus becoming the parent company of the newly established Vitesco Technologies Group.

The Spin-off and Transfer Agreement is subject to approval by the respective shareholders' meetings of both Continental AG and VT Group AG in order to be effective and is intended to be submitted to the annual shareholders' meeting of Continental AG on April 29, 2021. Due to the COVID-19 pandemic, the executive board of Continental AG resolved, with the approval of the supervisory board, to hold the shareholder's meeting as a virtual shareholders' meeting without the physical presence of shareholders or their proxy holders. The approval of the shareholders' meeting of VT Group AG will be granted by Continental AG as its sole shareholder prior to the shareholders' meeting of Continental AG.

In the present report, the executive boards of the two companies involved in the spin-off, Continental AG and VT Group AG, explain in detail and provide reasons for the planned spin-off and the Spin-off and Transfer Agreement in legal and economic terms in accordance with Section 127 sentence 1 UmwG (the ***Spin-off Report***). The executive boards of Continental AG and VT Group AG avail themselves of the possibility provided for in Section 127 sentence 1 last half sentence UmwG to issue a joint Spin-off Report.

This Spin-off Report is intended to provide information to the shareholders of Continental AG in preparation of their decision required under the UmwG and not for reaching a specific investment decision. In particular, this Spin-off Report is not a document deemed equivalent to a prospectus within the meaning of Section 9(4) of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). The admission of the shares of VT Group AG to stock exchange trading will be based on a separate securities prospectus.

II. Initial situation – the legal entities involved in the spin-off and the Continental Group prior to the spin-off

1. Overview of the Continental Group

In 1871, Continental AG was founded as Continental-Caoutchouc- und Gutta-Percha Compagnie in Hanover. Today, Continental AG, still headquartered in Hanover, Germany, is the parent company of the Continental Group. As of December 31, 2020, the Continental Group comprised, in addition to Continental AG, 563 companies, including non-controlled companies. As of December 31, 2020, the Continental Group had 236,386 employees at a total of 561 locations in 58 countries and markets. Added to this are the distribution locations, with 955 company-owned tire outlets and a total of around 5,000 franchises and other operations with a Continental brand presence.

Structure of the corporation

Continental Group
Sales: € 37.7 billion; Employees: 236,386

Automotive Technologies Sales: €15.3 billion Employees: 95,551		Rubber Technologies Sales: €15.6 billion Employees: 100,327		Powertrain Technologies Sales: €7.0 billion Employees: 40,102
Autonomous Mobility and Safety Sales: €7.5 billion Employees: 47,762	Vehicle Networking and Information Sales: €7.9 billion Employees: 47,789	Tires Sales: €10.2 billion Employees: 56,864	ContiTech Sales: €5.6 billion Employees: 43,463	Powertrain Sales: €7.0 billion Employees: 40,102

2. Continental AG as transferring entity

a) Registered office and fiscal year

The transferring entity, Continental AG, is a stock corporation under German law (*Aktiengesellschaft*) with registered office in Hanover, Germany. Continental AG is registered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HRB 3527. Its fiscal year is the calendar year.

b) Share capital and shares

On the date of signing of this Spin-off Report, the share capital of Continental AG amounts to €512,015,316.48 and is divided into 200,005,983 no-par value bearer shares, each share representing a pro rata amount of the share capital of €2.56. Each no-par value share carries one vote.

c) Share-based compensation plans and employee participation plans

The Continental Group had, and continues to have, different share-based compensation plans (***LTI Plans***) in place for its employees, executives and members of the executive board, the purpose of which is to reward their contribution to the company's growth and to further the long-term success of the company (for details on the compensation plans, see Chapter XII.1). All LTI Plans are settled in cash, and none of the LTI Plans grants a right to receive shares in Continental AG.

d) Shareholder structure and stock exchange trading

The shareholder structure of Continental AG is, in simplified terms, as follows:

46% of the shares are indirectly held by Georg F. W. Schaeffler and Maria-Elisabeth Schaeffler-Thumann. They mainly hold direct limited partnership interests in INA-Holding Schaeffler GmbH & Co. KG which is, in turn, the sole indirect shareholder of IHO Beteiligungs GmbH. IHO Beteiligungs GmbH is the sole shareholder of IHO Verwaltungs GmbH. IHO Verwaltungs GmbH and IHO Beteiligungs GmbH hold 35.99% and 10.01%, respectively, of the shares in Continental AG.

According to the voting rights notifications pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz* - ***WpHG***) which Continental AG has received by March 11, 2021 on the basis of the existing share capital of €512,015,316.48, the following statements can be made: Harris Associates Investment Trust, Boston, Massachusetts, U.S.A., informed Continental AG on October 27, 2020 in accordance with the provisions of the WpHG regarding shareholdings that the proportion of voting rights (pursuant to Section 33 WpHG) held by it was 2.99%. BlackRock, Inc., Wilmington, Delaware, U.S.A. informed Continental AG on January 6, 2020 that the proportion of voting rights attributed to it (voting rights pursuant to Sections 33, 34 WpHG and instruments pursuant to Section 38 WpHG) was 3.05%. Moreover, AVGP Limited, St. Helier, Jersey, informed Continental AG on December 2, 2020 that the proportion of voting rights attributed to it (voting rights pursuant to Section 34 WpHG) was 2.93%.

The Continental AG shares are admitted to trading on the Hamburg, Hanover, Stuttgart and Frankfurt Stock Exchanges on the regulated market and are represented in the DAX equity index at the Frankfurt Stock Exchange. They are also traded on other unofficial stock exchanges in Germany and other countries. In addition to being listed on European stock exchanges, the Continental AG shares are traded in the U.S.A. as part of a sponsored ADR program on the over-the-counter (OTC) market. They are not admitted to the U.S. stock market.

e) Executive board

Pursuant to article 7(1) of the articles of incorporation of Continental AG, the executive board consists of not less than two persons. The supervisory board may determine a larger number of members of the executive board.

The executive board of Continental AG currently comprises eight members:

- Nikolai Setzer (Chairman)
- Hans-Jürgen Duensing
- Frank Jourdan
- Christian Kötz
- Helmut Matschi
- Dr. Ariane Reinhart
- Wolfgang Schäfer
- Andreas Wolf

Pursuant to article 8 of the articles of incorporation, Continental AG is legally represented by two members of the executive board or by one member of the executive board jointly with a Prokurist (authorized signatory).

Mr. Wolf was appointed to the executive board of Continental AG on June 3, 2020, where he is responsible for the Powertrain business area. In view of the planned spin-off of Vitesco Technologies, his term of office will end upon registration of the spin-off in the commercial register for Continental AG and, at the latest, after three years. Furthermore, Mr. Wolf was appointed to the executive board of VT Group AG already on March 9, 2021 (see Chapter II.5.c)).

f) Supervisory board

The supervisory board of Continental AG consists of 20 members. It is composed of an equal number of ten shareholder representatives and ten employee representatives in accordance with the provisions of the German Co-Determination Act (*Mitbestimmungsgesetz* – ***MitbestG***).

The ten shareholder representatives on the supervisory board are currently:

- Prof. Dr.-Ing. Wolfgang Reitzle (Chairman)
- Dr. Gunter Dunkel
- Satish Khatu
- Isabel Corinna Knauf
- Sabine Neuß
- Prof. Dr. Rolf Nonnenmacher
- Klaus Rosenfeld
- Georg F.W. Schaeffler
- Maria-Elisabeth Schaeffler-Thumann
- Prof. TU Graz e.h. KR Ing. Siegfried Wolf

The ten shareholder representatives on the supervisory board were elected in the shareholders' meeting of Continental AG on April 26, 2019. Their term of office expires at the close of the annual shareholders' meeting to be held in 2024.

The ten employee representatives on the supervisory board are currently:

- Christiane Benner (Vice chairperson)
- Hasan Allak
- Francesco Grioli
- Michael Iglhaut
- Dirk Nordmann
- Lorenz Pfau
- Jörg Schönfelder
- Stefan Scholz
- Kirsten Vörkel
- Elke Volkmann

The ten employee representatives on the supervisory board were elected on March 20, 2019 in accordance with the provisions of the MitbestG. Their term of office will also expire at the close of the annual shareholders' meeting to be held in 2024. The term of office of Kirsten Vörkel will expire at the time when the spin-off takes effect because she is employed by Vitesco Technologies GmbH. Since the companies of the future Vitesco Technologies Group will no longer be consolidated companies of Continental AG after the spin-off has taken effect, the term of office of those employee representatives on the supervisory board of Continental AG whose employer companies are part of the future Vitesco Technologies Group will expire pursuant to Section 24(1) MitbestG (for more details, see XII.3).

3. Group sectors of the Continental Group

Since January 1, 2020, the Continental Group has been organized into the group sectors “Automotive Technologies”, “Rubber Technologies” and “Powertrain Technologies”. These comprise five business areas with a total of 21 business units (since January 1, 2021). A business area and business unit is classified according to product requirements, market trends, customer groups and distribution channels. The business areas and business units have overall responsibility for their business, including their results.

Since October 1, 2019, the Powertrain business area, after having been made operationally and organizationally independent, has operated in external relations under the name “Vitesco Technologies” (for details on the Carve-Out, see Chapter V). This has no effect on the financial reporting of the Powertrain business area within the Continental Group.

Overall responsibility for the management of the Continental Group is borne by the executive board of Continental AG. The five business areas are represented by one executive board member each in the executive board. As a result of the Carve-Out (for details on the Carve-Out, see Chapter V), the managing directors of Vitesco Technologies GmbH have been responsible for the Powertrain business area since January 1, 2019; however, this does not affect the ultimate responsibility of the executive board of Continental AG – and the responsibility of Mr. Andreas Wolf for the area entrusted to him on the executive board of Continental AG.

For maintaining a unified business strategy, the Automotive Board has been established in the Automotive Technologies group sector since April 1, 2019 with the chairman of the executive board Nikolai Setzer as chairman. The Automotive Board aims, among other things, to speed up decision-making processes and to generate synergies from the closer links between the Autonomous Mobility and Safety business area and the Vehicle Networking and Information business area.

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

The structure of the Continental Group is as follows:

Structure of the corporation 2020

Continental Group				
Automotive Technologies		Rubber Technologies		Powertrain Technologies
Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Powertrain

a) Automotive Technologies

aa) Autonomous Mobility and Safety

The Autonomous Mobility and Safety business area develops, produces and integrates active and passive safety technologies and controls vehicle dynamics. The product portfolio ranges from electronic and hydraulic brake and chassis control systems to sensors, advanced driver assistance systems, airbag electronics and sensorics as well as electronic air suspension systems all the way to windscreen washer systems and headlight cleaning nozzles. Autonomous Mobility and Safety has a high level of systems expertise in the field of interconnectivity of individual components. In this way, products and system functions are created along the “SensePlanAct” chain of effects. These make driving safer and easier and pave the way for autonomous mobility. The business area is divided into four business units:

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

bb) Vehicle Networking and Information

The Vehicle Networking and Information business area with its vision “Always On” sees the vehicle of the future as a partner that supports its passengers with intelligent and secure solutions – seamlessly networked, userfriendly, comfortable and intelligent. The business area develops and integrates components and end-to-end systems for connected mobility, i.e. architectures, hardware, software and services. Through solutions for connectivity, human-machine interaction, user experience, high-performance computing, digital services and system integration for passenger cars, commercial vehicles and fleets, Vehicle Networking and Information ensures stable and secure connectivity and a seamless flow of information for connected mobility. The business area is divided into three business units:

- Commercial Vehicles and Services
- Connected Car Networking

- Human Machine Interface

b) Rubber Technologies

aa) Tires

With its premium portfolio of passenger, truck, bus, two-wheeler and specialty tires, the Tires business area stands for innovative peak performance in tire technology. Other main areas of activity include services for retail customers and fleet operators as well as digital tire monitoring systems. The Tires business area aims to contribute to safe, cost-effective and sustainable mobility. In the reporting year 2020, 23% of sales related to business with vehicle manufacturers, and 77% related to the replacement business.

The Tires business area was reorganized as of January 1, 2021. In order to allow greater customer centricity while increasing the overall efficiency of the organizations, the passenger and truck businesses were merged into a single overarching business unit. The Tires business area is now divided into the following five business units:

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

bb) ContiTech

The ContiTech business area focuses on “Smart & Sustainable Solutions Beyond Rubber” and develops digital and intelligent solutions for future-oriented sectors. In doing so, ContiTech draws on its long-standing knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. The products, systems and solutions developed by ContiTech are used in the automotive industry as well as in rail engineering, machine and plant engineering, mining, agriculture and other important sectors of the future. In the reporting year 2020, 48% of sales related to business with automotive manufacturers, and 52% related to business with other industries and to the automotive replacement business.

As of January 1, 2021, the business units Air Spring Systems and Vibration Control were merged into the business unit Advanced Dynamics Solutions. The business area now comprises the following six business units:

- Advanced Dynamic Solutions

- Conveying Solutions
- Industrial Fluid Solutions
- Mobile Fluid Systems
- Power Transmission Group
- Surface Solutions

c) Powertrain Technologies

The group sector Powertrain Technologies consists of the Powertrain business area which, after having been made operationally and organizationally independent, operates in external relations under the name "Vitesco Technologies". The business area brings together the full spectrum of drivetrain technology expertise for all types of vehicle. Powertrain's aim is to develop innovative, efficient electrification technologies for all types of vehicle. Its portfolio includes 48-volt electrification solutions, electric drives, and power electronics for hybrid and battery-electric vehicles. Furthermore, Powertrain develops and produces high voltage boxes, electronic controls, sensors, actuators, turbochargers, hydraulic components and pumps as well as solutions for exhaust after-treatment. The business area comprises three business units:

- Electronic Controls (EC)
- Electrification Technology (ET)
- Sensing & Actuation (S&A)

4. Other business activities of the Continental Group

Contract manufacturing has been in place between Vitesco Technologies and the other companies of the Continental Group already prior to the spin-off taking effect. After the spin-off has taken effect, contract manufacturing will be reported as a new group sector or new business area of the Continental Group under the name "Contract Manufacturing" (***Continental Contract Manufacturing*** or ***Continental CM***). Contract manufacturing is described in more detail in Chapter XI.1.a).

5. VT Group AG as acquiring entity

VT Group AG is the acquiring entity in this spin-off by absorption. When the spin-off takes effect, VT Group AG will become the parent company of the Vitesco Technologies Group.

a) General corporate information

VT Group AG was established by notarial deed dated November 15, 2019 as a stock corporation (*Aktiengesellschaft*) under German law with the name "Vitesco Technologies EINS Aktiengesellschaft" in Hanover and registered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HRB 219172 on December 11, 2019. The founder of the company is Continental

AG, which holds all shares in the company. The fiscal year is the calendar year. The current object of the company is to hold, manage and sell participations in existing or newly established enterprises of any permitted legal form and with any permitted business objects in Germany and abroad, in particular in enterprises of the technology sector. For details on the amendment of the articles of association and of the object of the company in connection with the spin-off, see Chapter IX.3.c).

The company has not commenced business operations and does not have any employees yet. By resolution of the shareholders' meeting of December 17, 2019, the company was renamed "Vitesco Technologies Group Aktiengesellschaft". The name change was registered in the commercial register on January 3, 2020.

b) Share capital and shares, shareholder structure

The share capital of VT Group AG currently still amounts to €50,000, divided into 20,000 registered no-par value shares (registered shares). This means that each share represents a pro rata amount of €2.50 in the share capital. The shares have not yet been listed. All shares are currently held by Continental AG.

c) Executive board

VT Group AG currently has an executive board consisting of three members. The members are:

- Andreas Wolf (Chairman)
- Werner Volz
- Ingo Holstein

The members of the executive board were appointed by resolution of the supervisory board of March 9, 2021 with immediate effect for a term of office until September 30, 2024.

Pursuant to § 5 of the articles of association of VT Group AG in their current version, the executive board is legally represented by two members of the executive board or by one member of the executive board jointly with a Prokurist (authorized signatory). For an overview of the key areas of responsibility after the spin-off has taken effect and the planned appointment of further executive board members, see Chapter IX.3.d).

d) Supervisory board

The supervisory board of VT Group AG currently consists of three members. Since VT Group AG does not have any employees to date, its supervisory board is currently not subject to co-determination of the employees. The members of the supervisory board of VT Group AG are currently the following employees of Continental AG:

- Johannes Suttmeyer (Chairman)

- Cornelia Stiewing
- Holger Siebenthaler

For details on the members of the supervisory board after the spin-off has taken effect, see Chapter IX.3.e).

e) Resolutions of the shareholders' meeting

By resolution of December 17, 2019, the shareholders' meeting of VT Group AG approved the name change from Vitesco Technologies EINS Aktiengesellschaft to Vitesco Technologies Group Aktiengesellschaft.

In the annual shareholders' meeting held on February 27, 2020, the actions of the then members of the executive board and of the supervisory board in the fiscal year 2019 were ratified and a resolution on the appropriation of net income was adopted. Furthermore, the previous members of the supervisory board were elected for the next term of office. By resolution of March 5, 2020, the shareholders' meeting of VT Group AG amended the articles of association. VT Group AG's share capital in the amount of €50,000, which was divided into 50,000 no-par value shares, was divided into 20,000 no-par value shares (§ 4(1) of the articles of association) by way of a consolidation of shares without a capital decrease. Every five no-par value shares were consolidated into two no-par value shares. The pro rata amount of the share capital represented by each no-par value share was increased accordingly to €2.50. Furthermore, the shareholders' meeting resolved that the executive board shall have at least two members instead of two members (§ 5 of the articles of association).

By resolution of the shareholders' meeting, KPMG AG Wirtschaftsprüfungsgesellschaft, Hanover, was appointed as auditor for the fiscal year 2020 on September 14, 2020.

By resolution of February 15, 2021, the shareholders' meeting amended § 10(1) of the current version of the articles of association by providing that a management report shall be prepared only if required by law.

The annual shareholders' meeting of VT Group AG held on March 9, 2021 approved the remuneration system for the members of the executive board of VT Group AG, which was resolved by the supervisory board of VT Group AG in its meeting of March 9, 2021, ratified the actions of the members of the executive board and of the supervisory board in the fiscal year 2020 and adopted a resolution on the appropriation of net income.

It is intended that the Spin-off and Transfer Agreement and the spin-off capital increase necessary for the spin-off by absorption will be approved by the shareholders' meeting of Vitesco Technologies AG, i.e. by Continental AG as the sole shareholder of VT Group AG, prior to the annual shareholders' meeting of Continental AG scheduled for April 29, 2021 (see Chapters VI.8 and VI.9). By entering into the Spin-off and Transfer Agreement, VT Group AG agrees, in particular, to bear half of the costs for the joint spin-off report, the spin-off audit, the audits in connection with the capital increase against contributions in kind and the post-formation acquisition as well as the costs of the planned stock exchange listing and the related evidenced costs for advisers (in particular, lawyers and auditors), banks and other service providers, if and to the extent incurred after October 22, 2019 (see Chapter XIII.1.p)). This cost-bearing obligation is subject to the condition precedent that the spin-off takes effect, and will be settled out of the assets of VT Group AG after the capital increase against contributions in kind has taken effect. Nonetheless, provisions have to be set up in respect of these future liabilities upon signing of the Spin-off and Transfer Agreement. Such provisions will cause a loss in the amount of half of the current share capital within the meaning of Section 92 of the German Stock Corporation Act (*Aktiengesetz – AktG*). Following effectiveness of the spin-off, VT Group AG's share capital will amount to EUR 100,052,990. Notwithstanding this, for reasons of legal precaution, the executive board of VT Group AG will notify the shareholders' meeting without undue delay that a loss of half of the share capital pursuant to Section 92 AktG has been incurred.

It is further planned to relocate the registered office of VT Group AG to Regensburg, Germany, shortly after the spin-off taking effect. For this purpose, the annual shareholders' meeting of VT Group AG will adopt a relevant resolution on amending the articles of association before the spin-off taking effect, and the executive board will be instructed not to file such amendment to the articles of association for registration in the commercial register prior to the spin-off taking effect.

III. Decision to make Vitesco Technologies independent

1. Reasons for the decision to make Vitesco Technologies independent

With regard to the reasons for the decision to make Vitesco Technologies independent, a distinction is made in the following between the interests of Vitesco Technologies itself and the interests of Continental AG.

a) Reasons in the interest of Vitesco Technologies

The decision to transform Vitesco Technologies into an independent group is essentially based on changes in the (global) powertrain business. This business is determined, among other things, by regulatory emission limit requirements, which vary in the markets that are important to Continental AG. Rapid adaptability is essential in order to succeed in this business. It is precisely this adaptability which is to be enhanced by the transformation into an independent group and the spin-off.

Moreover, the automotive industry is seeking to adapt its business to the global effort to reduce emissions and improve fuel economy. The automotive industry is experiencing more stringent environment protection regulations that aim to reduce emissions of carbon dioxide (***CO_2***), particulate matter, or nitrogen dioxide (***NOx***). Also, limited city access through driving bans or sanctions for high emission is incentivizing drivers to use less-polluting vehicles. On the other hand, the influence of social trends and activism is rising and is driving increasing consumer demand for environmentally friendly and sustainable products. These factors are behind the ongoing fundamental changes in the global powertrain market in which Vitesco Technologies is active.

In the light of these changes in the powertrain market, the industry as a whole and, in particular, Vitesco Technologies is placing an increased focus on electric mobility. Electric mobility is regarded as a key concept for making private transportation more sustainable in the future. Experts expect the market for electric mobility to grow significantly each year between 2020 and 2025. For example, around a third of those surveyed in Germany said they would consider buying an electric car in the future, compared with just 17% in 2013. In other markets, surveys show that electric mobility has achieved an even higher acceptance. In addition, Continental AG believes that a legally independent business of Vitesco Technologies is in a better position to actively support the expected long-term consolidation process in these markets.

As a separate and independent corporate group, the Vitesco Technologies Group will be better equipped to react to these different market developments. As a result of shorter decision-making channels, the Vitesco Technologies Group will be able to increase its speed and agility. Its clear focus is on electrification, e-mobility and electronics, supported by an independent brand presence aligned with this focus.

The legal transformation of Vitesco Technologies into an independent group provides the necessary independence and flexibility in order to be able to assume a leading role in the dynamic market environment for drivetrain technologies. The spin-off also provides all stakeholders with clear guidance on future planning so that they can focus on the actual business, its profitable growth and successful technological expansion.

The direct access to the capital market will give Vitesco Technologies the flexibility to directly access external sources for financing. This will be made possible by the public listing of the shares in VT Group AG subsequent to the spin-off. In the Continental Group, the raising of external capital is generally subject to the approval of the relevant central corporate functions and, depending on the amount and duration of the financing, also requires the approval of the executive board and of the supervisory board of Continental AG. Therefore, Vitesco Technologies is currently not able to independently raise external capital and must rely on the allocation of funds within the Continental Group. Direct access to the capital market will now give the Vitesco Technologies Group as an independent corporate group the general possibility to access financing in a manner appropriate for its situation and to decide on the uses of the financing without the constraints of a broad-based corporate group such as the Continental Group.

b) Reasons in the interest of Continental AG

The transformation of Vitesco Technologies into an independent group is also advantageous for Continental AG. First of all, it is also in the interest of Continental AG to optimize the structuring of the group sectors and business areas and to fully leverage their potential. In view of the changes in the market environment, this can only be achieved by establishing the planned structures which will increase agility and flexibility after the spin-off.

However, the change to electric mobility in the industry requires, in addition to changes in the structure and orientation of Vitesco Technologies, considerable investments. Such investments have already been made, and increased investments will be necessary in the future. It is in the interest of Continental AG to no longer need to finance future investments for Vitesco Technologies or to participate in such financings. From a financial and strategic perspective, it would be advantageous for Continental AG if the Vitesco Technologies Group will raise funds on its own responsibility by availing itself of its own financing opportunities after the spin-off.

2. Decision in favor of the spin-off

The transformation of Vitesco Technologies into an independent group was initially planned as a partial separation by way of a public offering of shares to investors (so-called "initial public offering", ***IPO***). This plan was announced by Continental AG on July 18, 2018.

On October 22, 2019, the executive board of Continental AG decided to no longer pursue the preparations for a potential partial IPO of Vitesco Technologies and to implement instead a spin-off and subsequent stock exchange listing of Vitesco Technologies. The main reason for this decision was the largely unpredictable market conditions for a partial IPO. The executive board of Continental AG was advised and is advised by several investment banks in connection with the spin-off and subsequent stock exchange listing.

Furthermore, the executive board of Continental AG decided on October 22, 2019 to submit the Spin-off and Transfer Agreement, subject to prior approval of the supervisory board, to the annual shareholders' meeting of Continental AG for resolution. Initially, the plan was that the shareholders' meeting would adopt the resolution still in 2020. Due to the COVID-19 pandemic and the ongoing economic uncertainty caused by it, the executive board of Continental AG decided on April 30, 2020 not to implement the planned spin-off in 2020 but to continue preparing the spin-off as planned. It is now intended to submit the Spin-off and Transfer Agreement, subject to prior approval of the supervisory board, to the annual shareholders' meeting of Continental AG to be held on April 29, 2021 for resolution. The reasons for the transformation of Vitesco Technologies into an independent group have not significantly changed.

a) Reasons for the spin-off

In the opinion of the executive board of Continental AG, it is in the best interests of Continental AG and its shareholders to transform Vitesco Technologies into an independent group by way of the spin-off. This view is based on the following reasons:

- The successful implementation of the spin-off does not depend on a positive capital market environment to the same degree as would be the case with a public offering of the shares by way of an IPO. Subject to the approval of the shareholders' meeting of Continental AG, the admission of the shares of VT Group AG to stock exchange trading after the spin-off has taken effect will follow a defined timeline which constitutes a clear and reliable basis for planning.

- The direct allocation of the shares in VT Group AG to the shareholders of Continental AG gives them the freedom to separately decide about two independent investment profiles. They can decide on their own whether they wish to remain invested in the value reflected in the price of the VT Group AG shares on the stock exchange after the stock exchange listing or realize this value by selling the shares allocated to them.

b) Reasons against an IPO

The executive board of Continental has carefully examined a sale of Vitesco Technologies by way of a partial IPO as an alternative to the spin-off. In the opinion of the executive board, the conditions for a potential partial IPO are largely unpredictable. As a consequence, such a partial IPO cannot be implemented in a manner which would be in the interest of Continental AG and its shareholders. A stock exchange listing by way of a public offering is subject to a placement risk resulting from volatility, external business influences and discounts in pricing. As a result of this prevailing uncertainty in the capital market, the transformation of Vitesco Technologies into an independent group by way of a partial IPO would not be feasible with the required transaction certainty.

c) Reasons against an M&A transaction

Prior to its decision, the executive board of Continental AG also considered options for a complete or partial non-public divestment of Vitesco Technologies by way of a company sale and, after careful examination, decided not to pursue these options. In the opinion of the executive board of Continental AG, the objectives pursued with the transformation of Vitesco Technologies into an independent group would not have been achievable with such an M&A transaction. Especially the objective of a (later) stock exchange listing of the Vitesco Technologies Group would not have been achievable. This would have meant that, in particular, Vitesco Technologies' independent access to the capital market – one of the main reasons for the transformation into an independent group – would not have been certain (see Chapter III.1.a)).

d) Reasons against a distribution in the form of a dividend in kind

Also the option of a separation of Vitesco Technologies by way of distribution of a dividend in kind was not pursued further by the executive board of Continental AG. An issuance of shares in Vitesco Technologies GmbH (after the change of legal form into a stock corporation) would not have any material advantages in comparison with a spin-off under the planned structure. However, there would be serious disadvantages both under corporate law and under tax law:

- The transaction certainty would not be the same as in the case of a spin-off because, in the event that actions are brought against the resolution of the shareholders' meeting on the dividend in kind, German stock corporation law does not provide for the possibility to initiate judicial clearance proceedings (*Freigabeverfahren*). Even without the requirement of registration in the commercial register, a need to deal with actions to set aside brought against the resolution on the dividend in kind would add to legal uncertainty.

- Also under tax considerations, a dividend in kind would not be an appropriate alternative for the shareholders of Continental AG because a dividend in kind is, as any other dividend, treated as taxable income at the level of the shareholders and therefore would, as a rule, be subject to withholding tax. Unlike in the case of a spin-off, at least shareholders in Germany would not have the possibility to avoid a taxable gain under certain conditions by a carryover of the acquisition costs for tax purposes or book values, allocated between the new shares and the existing shares (see Chapter VIII.2.a)).

3. Decision in favor of a complete spin-off

The executive board of Continental AG decided to completely spin off the participation (indirectly) held by Continental AG in Vitesco Technologies. This is the only way to achieve the goal of the spin-off, i.e. the transformation of Vitesco Technologies into an independent group, in the best possible way. Otherwise, Vitesco Technologies might continue to be integrated in the processes and bound by the internal rules of the Continental Group. As a result, the intended agility and flexibility with regard to future market developments and financing opportunities would not be achieved to the same extent.

4. Decision in favor of the spin-off by absorption

The executive board of Continental AG decided in favor of a spin-off by absorption (*Abspaltung zur Aufnahme*) pursuant to Section 12(2) no. 1 UmwG and, thus, against a spin-off by formation of a new legal entity (*Abspaltung zur Neugründung*) (Section 123(2) no. 2 UmwG). The difference between the spin-off by way of absorption and the spin-off by formation of a new legal entity is that, in the former case, the acquiring entity (in the present case VT Group AG) already exists prior to the spin-off and is not established as a new entity as a result of the spin-off.

The fact that VT Group AG as the acquiring entity already exists prior to the spin-off taking effect makes the communication with internal and external stakeholders (in particular, employees, customers and suppliers) much easier. An example is the amendment of contracts with customers which often requires that the customers know the new parent company of the group even if the customer contracts have not been entered into directly with the parent company.

Also, the existence of VT Group AG prior to the spin-off taking effect facilitates and speeds up the process of establishment and appointment of the members of a co-determined supervisory board of the company after the spin-off has taken effect. Moreover, a spin-off by way of absorption allows to prepare the capital structure and financing of VT Group AG as then new group parent company in line with the requirements of a exchange-listed group.

A spin-off by absorption (unlike a pro rata spin-off by formation of a new legal entity) legally requires the conduct of a spin-off audit resulting in additional costs. However, these costs are not material in comparison with the described benefits, also taking into account the total costs incurred in connection with the spin-off.

IV. Subject of the spin-off

As a result of the spin-off, the shareholders of Continental AG are intended to hold direct participations in the operations of Vitesco Technologies. In the legal sense, the assets to be spun off are the limited partnership interests in VT 1. and 2. Beteiligungs KGs and the shares in their respective general partners, VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH (together the ***Spin-off Assets***)

1. Participations to be spun-off

At present, the assets of VT 1. and 2. Beteiligungs KGs – in addition to cash and cash equivalents – consist of the shares held by them in Vitesco Technologies GmbH, representing, in total, 96.44% of the share capital of Vitesco Technologies GmbH. Vitesco Technologies GmbH is the operating parent company of Vitesco Technologies and will continue to be the operating parent company of the Vitesco Technologies Group after the spin-off has taken effect. VT 1. and 2. Beteiligungs KGs are not involved in transfer of use agreements or other contractual relationships existing between Vitesco Technologies and the Continental Group. The remaining 3.56% of the shares in Vitesco Technologies GmbH currently held by CA France are intended to be sold at market value to VT 1. and 2. Beteiligungs KGs prior to the spin-off taking effect. When the spin-off takes effect, the assets of VT 1. and 2. Beteiligungs KGs will consist of 100% of the shares in Vitesco Technologies GmbH. The plan is that VT 1. Beteiligungs KG and VT 2. Beteiligungs KG will hold 51% and 49%, respectively, of the shares in Vitesco Technologies GmbH.

a) VT 1. Beteiligungs KG and VT 1. Verwaltungs GmbH

VT 1. Beteiligungs KG is a German limited partnership (*Kommanditgesellschaft*) with registered office in Frankfurt am Main, registered in the commercial register of the Frankfurt am Main Local Court (*Amtsgerich*t) under HRA 51177. VT 1. Beteiligungs KG was created by a change of legal form of Alfred Teves Beteiligungsgesellschaft mbH. This company had its registered office in Frankfurt am Main and was registered in the commercial register of the Frankfurt am Main Local Court (*Amtsgericht*) under HRB 45793. The change of legal form was adopted by resolution and notarized on

December 2, 2019 and entered in the commercial register of VT 1. Beteiligungs KG on December 18, 2019.

Continental AG is the sole limited partner of VT 1. Beteiligungs KG with a limited partnership contribution of €25,000. The limited partnership contribution corresponds to the liable capital.

VT 1. Verwaltungs GmbH, which is owned by Continental AG, is the sole general partner of VT 1. Beteiligungs KG. The name of the general partner was changed from “CPT Beteiligungs GmbH” to “Vitesco Technologies 1. Verwaltungs GmbH” upon registration in the commercial register on November 18, 2019. The general partner holds no share in the fixed capital of VT 1. Beteiligungs KG and does not participate in its profits and losses. The general partner has no voting right in the partners’ meeting. VT 1. Verwaltungs GmbH and its respective managing directors are authorized to enter into transactions in the name of the partnership with themselves as an agent of a third party.

b) VT 2. Beteiligungs KG and VT 2. Verwaltungs GmbH

VT 2. Beteiligungs KG is a German limited partnership (*Kommanditgesellschaft*) with registered office in Hanover, registered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HRA 204634. Its name was changed from „CPT Industriebeteiligungsgesellschaft GmbH & Co.“ KG to “Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG” upon registration in the commercial register on November 21, 2019. Continental AG is the sole limited partner of VT 2. Beteiligungs KG with a limited partnership contribution of €10,000. The limited partnership contribution corresponds to the liable capital.

VT 2. Verwaltungs GmbH, which is owned by Continental AG, is the sole general partner of VT 2. Beteiligungs KG. Its name was changed from “CPT Verwaltungs GmbH” to “Vitesco Technologies 2. Verwaltungs GmbH” upon registration in the commercial register on November 18, 2019. The general partner holds no share in the fixed capital of VT 2. Beteiligungs KG and does not participate in its profits and losses. The general partner has no voting right in the partners’ meeting. VT 2. Verwaltungs GmbH and each of its managing directors are authorized to enter into transactions in the name of the partnership with itself/himself as an agent of a third party.

2. Vitesco Technologies GmbH

Vitesco Technologies GmbH was established as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) with the name “CPT Group GmbH” on August 2, 2018. It has its registered office in Hanover and is registered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HRB 217030. The share capital of Vitesco Technologies GmbH amounts to €25,923 and is divided into 25,923 shares, each with a nominal amount of €1. The fiscal year corresponds to the calendar year. It is planned to relocate the registered office to Regensburg after the spin-off has taken effect. The object of Vitesco Technologies GmbH according to its articles of association is:

- the development, manufacturing and sales (OEMs and replacement part and retrofit business) of powertrains including engine control units, control and fuel systems, tank modules, injection systems, power generation systems (such as fuel cells), electromotive drives and drive motors for electric vehicles;

- the acquisition, holding, management and sale of participations in existing and newly established enterprises of any permitted legal form in Germany and abroad, including the industrial management of these enterprises.

Currently, 49.18% of the shares (serial numbers 2 to 12,751) in Vitesco Technologies GmbH are held by VT 1. Beteiligungs KG. Further 47.26% of the shares (serial numbers 12,752 to 25,001) of the shares are currently still held by VT 2. Beteiligungs KG. The remaining 3.56% of the shares (serial numbers 25,002 to 25,924) are currently held by CA France. All shares in CA France are indirectly held by Continental AG. It is intended that, prior to the spin-off taking effect, the 3.56% stake held by CA France will be sold and transferred at market value to VT 1. and 2. Beteiligungs KGs. Thus, when the spin-off takes effect, 100% of the shares in Vitesco Technologies GmbH will be directly held by VT 1. and 2. Beteiligungs KGs.

The managing directors of Vitesco Technologies GmbH are currently Andreas Wolf, Werner Volz and Ingo Holstein. By resolution of the supervisory board of VT Group AG of March 9, 2021, the managing directors were additionally appointed as members of the executive board of VT Group AG (see Chapter IX.3.d)).

Vitesco Technologies GmbH has a supervisory board which currently consists of 16 members and is composed of an equal number of eight shareholder representatives and eight employee representatives in accordance with the provisions of the German Co-Determination Act (*MitbestG*). The employee representatives were appointed by order of the Hanover Local Court (*Amtsgericht*) of June 26, 2019. The term of office of all current members of the supervisory board of Vitesco Technologies GmbH will expire regularly at the close of the shareholders meeting which will resolve on the ratification of the actions of the supervisory board (*Entlastung*) for the fiscal year 2023.

3. Business operations of Vitesco Technologies

The operative business of Vitesco Technologies is organized under the roof of Vitesco Technologies GmbH. Vitesco Technologies focuses its development and production on components and system solutions for the powertrain of hybrid and electric vehicles and for combustion engines, and on components and system solutions for exhaust gas aftertreatment for combustion engines at 51 locations worldwide, in total. Eight locations are pure manufacturing sites, 22 locations are pure R&D sites and 21 locations combine manufacturing and R&D activities. Vitesco Technologies has more than 40,000 employees worldwide (all figures as per December 31, 2020).

Vitesco Technologies currently offers a broad and comprehensive range of technologies, products and solutions for various types and classes of powertrain technologies for vehicles and serves almost all major automotive OEMs. The management of Vitesco Technologies expects that the demand for pure combustion engines will slowly fade and the automotive industry will shift towards powertrains with lower CO_2 and pollutant emissions. The management believes that, with its comprehensive product range, Vitesco Technologies is ready for the future of electrified and pure electric vehicles. Vitesco Technologies offers powertrain system solutions as well as modular components which address the requirements of passenger cars, commercial vehicles, two-wheeled transportation as well as new mobility concepts, especially with regard to electrification. With systems and components for electric, hybrid, and internal combustion engines (***ICE***), Vitesco Technologies aims to make powertrains more efficient, more affordable and cleaner.

The content per vehicle (in €) regarding electrification components is expected to increase in the future. Vitesco Technologies seeks to benefit from this market development. Vitesco Technologies' strategic focus is to provide solutions to lower CO_2 and other emissions of combustion and hybrid vehicles and to ban them completely by means of battery electric vehicles (***BEVs***). Therefore, Vitesco Technologies already made significant investments in the development of electrification components in the past, and expects that further investments will be needed in these areas.

When the spin-off takes effect, the operations of Vitesco Technologies will be managed in four business units, which will also represent the reporting segments under the International Financial Reporting Standards (***IFRS***): Electronic Controls (***EC***), Electrification Technology (***ET***), Sensing & Actuation (***S&A***) and Contract Manufacturing (***VT Contract Manufacturing*** or ***VT CM***).

The ET business unit covers a wide spectrum of electrification architectures for powertrains and offers technologies and products for BEVs, full hybrid electric vehicles (***FHEVs***), plug-in hybrid electric vehicles (***PHEVs***), as well as mild hybrid electric vehicles (***MHEVs***).

The EC business unit focuses on technologies, products and services assuring the efficiency, performance and convenience of powertrains of passenger cars, commercial vehicles and two-wheelers. It offers technologies, products and services for (i) controlling of powertrains based on combustion engines as well as electric motors and for (ii) transmission control and actuation. In addition, high voltage box electronics, consisting of so-called "on-board chargers" and DC/DC converters for PHEVs and BEVs, were recently added to the EC portfolio.

The S&A business unit focuses on technologies and products for the precise control of the powertrain. It offers a product portfolio for combustion engines, as well as the hybridization and the electrification of the entire powertrain.

VT CM covers the contract manufacturing provided by the Vitesco Technologies Group for customer orders of the Continental Group. The Vitesco Technologies Group plans to gradually phase out the VT CM business unit over the long term. According to the current planning, the sales generated by the business unit are expected to fall by more than 50% until the end of 2023 and to be largely limited to three locations.

Finally, in its EC and S&A business units, Vitesco Technologies also manufactures certain technologies and products for ICEs which are not considered part of the Group's core technologies (***Non-Core ICE Technology***), such as the product lines "Hydraulics" with injectors and high pressure pumps as well as "Turbochargers". Vitesco Technologies plans to phase out the development and manufacturing of those products in the future (for a description of VT CM and the Non-Core ICE Technology, see also Chapters XI.1.a) and IX.1).

For a description of the impacts of the COVID-19 pandemic on the business of the Vitesco Technologies Group, see Chapter IX.2.c)aa).

V. The operational and organizational transformation of Vitesco Technologies into an independent group prior to the spin-off

As shown in Chapter II.3, the Continental Group has been organized into three group sectors, divided into five business areas, since January 1, 2020. Before this date, the Continental Group was organized into two core business areas (Automotive Group and Rubber Group) and five divisions (Chassis & Safety, Powertrain, Interior (with these three divisions belonging to the Automotive Group), Tires and ContiTech (with these two divisions belong to the Rubber Group)). The (former) Powertrain division comprised the business activities of the current group sector Powertrain Technologies and of the Powertrain business area.

The operational and organizational transformation of the (then existing) Powertrain division into an independent group under the roof of Vitesco Technologies GmbH was publicly announced on July 18, 2018 (the ***Carve-Out***). While the overwhelming part of the business of the Powertrain division was conducted by direct and indirect subsidiaries of Continental AG, the former Powertrain division also comprised two joint ventures in India and South Korea. The Powertrain division encompassed, in addition to production and sales, also extensive R&D activities.

The Powertrain division operated with its own entities in 19 countries worldwide (Germany, France, Italy, United Kingdom, Czech Republic, Hungary, Romania, Russia, Brazil, Canada, Mexico, United States of America, Taiwan, China, Japan, South Korea, India, Singapore, Thailand). In some countries, the Powertrain division was legally and organizationally independent from the other divisions of the Continental Group, while in the majority of the countries mentioned above neither a legal nor a physical segregation from the other four divisions of the Continental Group was in place, which means that locations were in many cases shared between the Powertrain division and other divisions of the Continental Group.

1. Establishment of the corporate structure of Vitesco Technologies

As part of the Carve-Out, the business attributable to the former Powertrain division was transferred essentially by share and/or asset deals from the relevant owning entities to Vitesco Technologies GmbH and/or to existing and newly formed subsidiaries of Vitesco Technologies GmbH in the respective jurisdiction. The specific subjects of the transfers were, as a general rule, the company shares, assets, rights, liabilities and contracts attributable to the Powertrain division, taking into consideration the specific structure of the particular entity and the respective applicable local law as well as local regulatory requirements of the relevant country.

The decisions whether to use (i) a share deal, (ii) an asset deal, (iii) a combination of both instruments or (iv) other legal instruments were based on a comprehensive assessment of the initial situation from an economic, tax, HR and legal perspective. As other legal instruments, for example, dividends in kinds, spin-offs, de-mergers, contributions to equity or similar corporate actions were chosen.

As a general rule, global master agreements were used as a template for the agreements in the individual jurisdictions in order to facilitate the central management of the entire Carve-Out and the overall management of the former Powertrain division by establishing rules that were as uniform as possible in all jurisdictions. Amendments were, as a general rule, only made to the extent required under mandatory local law. The relevant local agreements were entered into between the entities with registered office in the relevant jurisdiction.

A share deal was usually used when an entity was fully attributable to the Powertrain division. By contrast, an asset deal was usually used when the majority of the business hosted by an entity did not form part of the business of the Powertrain division. The valuations of the entities (in the case of share deals) and/or assets involved (in the case of asset deals) were determined by independent auditors using internationally acknowledged valuation methods.

For share deals, all shares in the relevant entity were sold and transferred. The selling entity granted, to the extent permitted by the relevant local law, a tax indemnification in favor of the purchaser regarding, inter alia, the filing of all required tax returns and the payment of all relevant taxes relating to a period prior to the transfer. The seller also represented to the relevant purchaser that the seller held legal and beneficial title to the shares, free and clear of any encumbrances, and that there were no pre-emptive rights, rights of first refusal, options or other rights of any third party to purchase or acquire all or part of the shares. As a general rule, no guarantees, representations or similar instruments other than those mentioned above were agreed.

For asset deals, all material assets attributable to the Powertrain division were transferred. These assets comprised all current and fixed assets (other than trade payables and trade receivables which were generally not transferred) related to be powertrain business, including various trademarks and patents, customer contracts of the local entities and liabilities. Generally, no representations or warranties of any kind were made by the relevant selling entity. Furthermore, the relevant purchasing entity indemnified the relevant selling entity and held it harmless from and against any existing or future (known or unknown actual or contingent) liability or obligation arising in connection with the conduct of the transferred business.

In a low number of cases, the instrument of a reverse carve-out was used, which included, as a rule, the transfer of entities to Vitesco Technologies via share deals as a first step. As a second step, the business activities which did not form part of the Powertrain division were then transferred from such entities (back) to other companies of the Continental Group via asset deals.

The vast majority of all transfers (both share deals and asset deals, as well as combinations of both instruments or other instruments) were made with effect as of January 1, 2019 and, as a consequence, the Carve-Out was largely implemented at that time. Deviating arrangements were made in cases in which a transfer as of January 1, 2019 was not possible due to local requirements, including regulatory or other legal restrictions imposed by local law or restrictions inherent in the respective business activity.

Since January 1, 2019, further steps were taken in order to fully implement the Carve-Out.

This mainly concerns the completion of the Carve-Out in South Korea. Until September 2020, the activities attributable to Vitesco Technologies and further business activities of the Continental Group in South Korea were, for the most part, combined in a joint venture (***Vitesco Technologies Korea***) with a South Korean partner. All shares held by the Continental Group in Vitesco Technologies Korea (65%) were transferred to Vitesco Technologies as part of the Carve-Out already with effect as of January 1, 2019. The remaining 35% of the shares in Vitesco Technologies Korea continued to be held by the South Korean partner. By purchase agreement dated August 28, 2020, Continental AG acquired this 35% stake from the partner. The acquisition of the stake was closed on September 11, 2020. By agreement dated November 26, 2020 with closing on December 18, 2020, Continental AG sold this 35% stake on to Vitesco Technologies. As a result, Vitesco Technologies now holds 100% of the shares in Vitesco Technologies Korea. Finally, by way of several asset deals dated November 26, 2020, the business activities of Vitesco Technologies Korea attributable to the Continental Group and the business activities of further companies of the Continental Group in Korea attributable to Vitesco Technologies were transferred to companies of the Continental Group and Vitesco Technologies, as applicable, with effect as of January 1, 2021. As a result, the Carve-Out in Korea has been fully completed since January 1, 2021.

Until December 15, 2020, Continental Automotive GmbH held a 20% stake in IAV GmbH Ingenieurgesellschaft Auto und Verkehr (***IAV***), The business activities of IAV relate both to Vitesco Technologies and to the automotive business of the Continental Group. Consequently, it is in the interest of Continental AG and in the interest of Vitesco Technologies that Continental Automotive GmbH and Vitesco Technologies will continue to hold stakes in IAV after the spin-off. Therefore, Continental Automotive GmbH sold a 10% stake in IAV to Vitesco Technologies GmbH by agreement dated December 8, 2020. The sale was closed on December 15, 2020. As a result, Continental Automotive GmbH and Vitesco Technologies GmbH each hold a 10% stake in IAV.

Finally, it was planned as part of the Carve-Out to transfer individual "automotive quality labs" operated by companies of the Continental Group in Germany, the U.S.A. and China, in whole or in part, to Vitesco Technologies. This transfer was implemented by way of asset deals on the basis of separate Sale and Purchase Agreements for each location with effect as of January 1, 2021 for the locations Nuremberg, Auburn Hills, Tianjin and Wuhu. The (full or partial) transfer of the location Regensburg is scheduled to take place in June 2021, and the (full or partial) transfer of the locations Schwalbach and Changchun in July 2021.

2. Intercompany agreements within the meaning of Section 291 AktG or similar provisions of foreign law

There are no intercompany agreements (*Unternehmensverträge*) between Vitesco Technologies and other companies of the Continental Group.

3. Financing

Until the spin-off takes effect, Vitesco Technologies participates in the financing structure of the Continental Group through intragroup financing. This encompasses, in addition to participating in the cash pooling of the Continental Group, among other things, short-term loans and cash deposits. In total, this intragroup financing resulted in a positive net balance in favor of Vitesco Technologies as of December 31, 2020. In addition, Vitesco Technologies participates in the currency hedging transactions of the Continental Group. Furthermore, the Continental Group has provided guarantees or other types of collateral for Vitesco Technologies. In 2020, the step-by-step separation of Vitesco Technologies from the financial structures of the Continental Group began and is scheduled to be completed by the time when the spin-off takes effect. It included, among other things, setting up Vitesco Technologies' own treasury organization.

a) Set-up of an external financing

It is planned to set up a separate, external financing for the Vitesco Technologies Group prior to the spin-off taking effect (see Chapter IX.2.e)dd)).

b) Cash pooling and cash management

The participation of Vitesco Technologies in the cash pooling and other cash management of the Continental Group will be terminated at the latest when the spin-off takes effect. Therefore, an own cash pooling and cash management will be established within the Vitesco Technologies Group.

c) Hedging

The currency hedging transactions entered into with Continental AG will be terminated at the latest when the spin-off takes effect. There are no outstanding interest or raw material price hedging transactions. It is intended that the Vitesco Technologies Group will enter into framework agreements with banks under which individual currency and interest hedging transactions can be entered into which can replace the previous hedging obtained through Continental AG. Also, options for raw material price hedging are being considered.

d) Discharge of bank and group guarantees

The Continental Group or banks mandated by the Continental Group have provided guarantees and sureties for the benefit of Vitesco Technologies' customers, banks and other partners or authorities in order to secure the performance of contractual obligations of Vitesco Technologies.

As part of the Group Separation Agreement (see Chapter XIII.2), VT Group AG, Vitesco Technologies GmbH and Continental AG will enter into an agreement under which companies of the Vitesco Technologies Group shall, as far as practicable, procure a discharge of this collateral.

It is planned that, from the time the spin-off takes effect, VT Group AG will fully indemnify the relevant companies of the Continental Group from and against any claims and any costs arising in this connection. The indemnification agreement relates, in particular, to Continental AG's obligation to assume liability for the benefit of some customers as described in Chapter XI.2.b).

4. Equity

The equity of VT 1. and 2. Beteiligungs KGs was increased in 2018, 2019 and 2020 in three steps by a total amount of €5.75 billion.

As a first step, by resolution dated December 20, 2018, Continental AG in its capacity as limited partner of VT 2. Beteiligungs KG (at that time still named CPT Industriebeteiligungs GmbH & Co. KG) agreed to make a capital contribution in the amount of €2.45 billion to VT 2. Beteiligungs KG. According to the resolution, the capital contribution should be credited to the Capital Account II of Continental AG.

By resolution of January 14, 2019, VT 2. Beteiligungs KG, in turn, contributed the capital contribution of €2.45 billion in full to Vitesco Technologies GmbH. Also, by resolution of January 14, 2019, Alfred Teves Beteiligungsgesellschaft mbH (legal predecessor of VT 1. Beteiligungs KG, which was created by a change of legal form of Alfred Teves Beteiligungsgesellschaft mbH) made a capital contribution in the amount of €2.55 billion to Vitesco Technologies GmbH. Both capital contributions were made as contribution to the capital reserves of Vitesco Technologies GmbH pursuant to Section 272(2) no. 4 of the German Commercial Code (*Handelsgesetzbuch* – ***HGB***). The capital contribution made by Alfred Teves Beteiligungsgesellschaft mbH in the amount of €2.55 billion was, in turn, financed by an intra-group loan in the same amount granted by Continental AG (***ICO Loan***).

The main purpose of the capital measures described above was to finance the Carve-Out, in particular the fulfilment of the purchase price obligations of Vitesco Technologies to Continental AG and its direct and indirect subsidiaries under the share and asset deals arising as a result of the Carve-Out (see also Chapter V.1). In addition, further increases of the equity capital of direct and indirect subsidiaries of Vitesco Technologies GmbH were implemented in order to enable them to fulfill their respective payment obligations under the agreements for the transfer of the powertrain business entered into as part of the Carve-Out.

As a second step, by resolution dated December 19, 2019, Continental AG in its capacity as limited partner of VT 2. Beteiligungs KG agreed to make another capital contribution in the amount of €245 million to VT 2. Beteiligungs KG. According to the resolution, the capital contribution was to be credited to the Capital Account II of Continental AG and was made in due time on April 22, 2020.

Furthermore, by resolution dated December 19, 2019, Continental AG in its capacity as limited partner of VT 1. Beteiligungs KG agreed to contribute the repayment claim under the ICO Loan of €2.55 billion to VT 1. Beteiligungs KG. In addition, Continental AG agreed to make another capital contribution in the amount of €255 million to VT 1. Beteiligungs KG. Both capital contributions were to be credited to the Capital Account II of Continental AG. The contribution of the repayment claim under the ICO Loan was immediately due and was made; the contribution in the amount of €255 million was made in due time on April 22, 2020.

As a third step, by resolution dated December 18, 2020, Continental AG in its capacity as limited partner of VT 2. Beteiligungs KG agreed to make another capital contribution in the amount of €122.5 million to VT 2. Beteiligungs KG. According to the resolution, the capital contribution is to be credited to the Capital Account II of Continental AG and is to be made by April 22, 2021.

Moreover, by resolution dated December 18, 2020, Continental AG in its capacity as limited partner of VT 1. Beteiligungs KG agreed to make another capital contribution in the amount of €127.5 million to VT 1. Beteiligungs KG. According to the resolution, the capital contribution is to be credited to the Capital Account II of Continental AG and is to be made by April 22, 2021.

The assets of CA France relating to activities of the Powertrain division were contributed to Vitesco Technologies France SAS, which was at that time a wholly-owned subsidiary of CA France, by way of a capital increase against contributions in kind by transfer of part of the assets (*apport partiel d'actif*). As a next step, the shares in Vitesco Technologies France SAS were contributed to Vitesco Technologies GmbH. As a result, CA France received 3.56% of the shares in Vitesco Technologies GmbH and the equity of Vitesco Technologies GmbH was increased by €184 million. Thereafter, the shares in Vitesco Technologies France SAS held by Vitesco Technologies GmbH were transferred to Vitesco Technologies Netherlands Holding B.V. For the effects of the planned sale of this stake held by CA France in Vitesco Technologies GmbH to VT 1. and 2. Beteiligungs KGs, see Chapter VIII.1.e)aa).

5. Pension plans

The majority of the employees of Vitesco Technologies (***Vitesco Technologies Employees***) are entitled to pension benefits under defined benefit or defined contribution plans upon satisfaction of the relevant benefit requirements. The pension obligations of these plans are concentrated in Germany, the U.S.A., Canada and France, which account for more than 95% of the total pension obligations.

In Germany, Vitesco Technologies provides pension benefits to the active Vitesco Technologies Employees mainly through a so-called cash balance plan (*Kapitalkontenplan*), which incorporates prior pension commitments under legacy plans (for example, pension commitments taken over as part of acquisitions). For the German companies of Vitesco Technologies, the cash balance plan is partly covered by special funds held in trust by a trustee (so-called contractual trust arrangements (***CTAs***)). The current plan is to replace the current corporation internal trustee "Continental Treuhänder e.V." by an external trustee. The deferred compensation offered by Vitesco Technologies is provided by Höchster Pensionskasse VVaG for contributions up to 4% of the assessment ceiling of the statutory pension insurance (*Beitragsbemessungsgrenze der gesetzlichen Rentenversicherung*). After the spin-off, the deferred compensation for the Vitesco Technologies Employees can continue to be provided through Höchster Pensionskasse VVaG without any changes. To the extent that Vitesco Technologies Employees make deferred compensation contributions above the 4% assessment ceiling, they receive, with regard to this portion of the contributions, corresponding direct pension commitments from Vitesco Technologies, which are covered by pension plan reinsurances (*Rückdeckungsversicherung*) or for which special funds are held by a trustee on the basis of CTAs. After the spin-off, the reinsurances or CTAs entered into for such purpose can be continued unchanged.

Due to the acquisition history of the Continental Group, Vitesco Technologies provides various defined benefit plans in the U.S.A., which were closed to new entrants and frozen for active Vitesco Technologies Employees. The corresponding assets allocated to these pension commitments are administered by a multi-employer trustee who maintains a separate trust portfolio for each employer which is, in each case, subject to a minimum funding requirement. The investment decision and supervision by the trustee was delegated to a Pension Committee established for the Continental Group, whose members are advisers within the Continental Group and external advisers. After the spin-off, the trust structure can be continued unchanged, provided that the Pension Committee for the Continental Group can no longer act on behalf of Vitesco Technologies after the spin-off and, as a consequence, a new Pension Committee with new advisers has to be established for Vitesco Technologies. Closed defined benefit plans were replaced by defined contribution plans, mainly by the so-called 401(k) savings plan.

As a result of the acquisition history of the Continental Group, Vitesco Technologies also maintains various defined benefit plans for Vitesco Technologies

Employees employed in Canada. After the spin-off, these defined benefit plans can be continued unchanged.

In France, Vitesco Technologies maintains pension plans on the basis of the following collective agreements:

- “Convention collective nationale de la métallurgie – Ingénieurs et cadres pour les cadres”;
- “Convention collective de la métallurgie OETAM de la région Parisienne et du Midi-Pyrénées pour les non cadres”.

After the spin-off, the relevant companies of Vitesco Technologies will continue to be bound by these collective agreements without any changes.

Subject to the exceptions described above, the pension commitments granted to Vitesco Technologies Employees will remain unaffected by the spin-off. When the spin-off takes effect, the pension commitments will be continued, taking into account the vested years of service. To the extent that adjustments to the investment portfolio for a pension plan will be required as a result of the spin-off, these may have an effect on the expected return. The provisions for pension commitments will be established at Vitesco Technologies. Any existing cover assets will be made available to Vitesco Technologies on a pro rata basis.

6. Compliance

Vitesco Technologies is currently working on the establishment of an own Compliance Management System (***CMS***), which will be based on and largely continue the current system of the Continental Group. The structure of the CMS (separation of the legal, compliance and internal audit functions, reporting lines, etc.) will also be based on the current CMS of the Continental Group and contain key elements thereof. It is expected that the establishment of the new CMS will be largely completed until the spin-off takes effect and that the Continental Group will no longer provide any material services to Vitesco Technologies after the spin-off has taken effect.

The corporate compliance team currently consists of the Head of Compliance and a Compliance Officer. In addition to the appointment of a compliance representative for each key market/region (North America, Asia, EMEA, South America), Vitesco Technologies has compliance coordinators in each country, which are the first point of contact for compliance issues.

The corporate compliance team is responsible for the management of the compliance processes which include, in particular, the case management, the development of guidelines and processes, communications, the preparation and holding of elearning and face-to-face trainings, and the cooperation with the internal audit function in the conduct of investigations.

Vitesco Technologies’ employees must complete a compliance elearning course each year during a period of two weeks. In addition, face-to-face trainings are held for specific groups of employees once every three to four years.

7. Insurance

At the latest by the time when the spin-off takes effect, Vitesco Technologies will have taken out or made an assessment for taking out its own insurance programs, which will replace the insurance coverage provided until then by Continental AG's insurance programs.

These insurance programs will include, in particular, a general & product liability insurance and a directors and officers (D&O) liability insurance. In addition, separate insurance programs were already taken out in some areas of insurance as of January 1, 2021. These include, in particular, a property damage & business interruption insurance and a transport insurance. By the time the spin-off takes effect, the assessment for taking out an automotive recall insurance and a cyber protect insurance will have been initiated, provided that the latter can only be taken out after complete separation of the IT infrastructure (see Chapter V.9).

The insurance coverage to be taken out by the Vitesco Technologies Group is intended to adequately cover the risks of the company, taking into account commercial aspects. However, it cannot be ruled out that insurance coverage may be available only on less favorable terms or to a lesser extent than was the case when Vitesco Technologies was co-insured through the Continental Group.

With regard to insurances, see also Chapter XIII.2.d).

8. Intellectual property rights

As part of the Carve-Out, all intellectual property rights of the Continental Group exclusively used by Vitesco Technologies (in particular, patents, utility models, trademarks, designs, know-how, rights of use relating to works protected by copyright) were transferred to Vitesco Technologies. Until the spin-off takes effect, Vitesco Technologies and the Continental Group also grant each other access to shared technologies and related intellectual property rights. For this purpose, the Continental Group and Vitesco Technologies entered into cross-license agreements with effect as of January 1, 2019. The mutually granted licenses are non-exclusive, worldwide licenses which are valid for the present and future business units of the relevant licensee. The licenses are royalty-free. However, the relevant licensee shall indemnify the relevant licensor from payments to third parties which may arise from a use of the intellectual property rights by the licensee. The application for registration, maintenance, defense and enforcement of the intellectual property rights remain under the control of the licensor.

The mutual cross-license agreements will be terminated when the spin-off takes effect. However, the licenses granted in the agreements will, to a limited extent, remain valid after the spin-off has taken effect, in particular with regard to products which are already on the market or in development at that time, with regard to future "evolutionary" developments of these products, and with regard to certain functional units of products and production processes. See also Chapter IX.1.e).

9. IT

The IT organization of Vitesco Technologies has been fully separated both in organizational terms and in terms of personnel from the IT organization of the (other) companies of the Continental Group in the context of the Carve-Out. Vitesco Technologies' IT is currently organized by six central "competence centers" and a regional organization that coordinates all local IT activities. The central IT competence centers are responsible for engineering, manufacturing and business applications as well as for infrastructure, governance (IT service management, contract and license management, information security) and IT strategy. The local ITs manage all local topics (e.g. local data center, local networks, business consulting, etc.). Aiming to ensure a high level of standardization and best leverage of synergies and best practices across locations, they are coordinated by a regional management team.

For the IT systems used by Vitesco Technologies (i.e. any hardware and software, including but not limited to computers, networks, servers and database systems), a logical separation by company has been completed in general but some IT systems currently still operate on a cross-company basis. However, both the logically separated systems and the systems which already have been physically separated will continue to be fully integrated into the IT network infrastructure of the Continental Group until May 2021.

The objective of implementing the operational independence of Vitesco Technologies' IT application structure and infrastructure was achieved as of December 31, 2020. A complete physical separation of the IT networks is scheduled for May 2021. For those accesses to Continental systems which will then still be necessary until the spin-off takes effect, a (transparent and reliable) network peering of the two network structures of the Continental Group and of the Vitesco Technologies Group will be set up.

Each of the companies of the Continental Group is the owner of rights in proprietary software and a party to contracts with external IT providers. Software and contracts which are used exclusively by Vitesco Technologies were transferred to Vitesco Technologies as part of the Carve-Out. In addition, Vitesco Technologies will be granted rights of use relating to proprietary software of the Continental Group on the basis of license agreements. Some of these licenses bear royalties. To the extent that a separation has not been completed by May 2021 or by the time the spin-off takes effect – delays may occur due to the current COVID-19 pandemic and its impacts on resources and availabilities – companies of the Continental Group will enable Vitesco Technologies for a certain transition period of not more than 2 years after the spin-off has taken effect the temporary joint use of IT resources (networks, servers, applications and data), to the extent permitted by law, in accordance with the Transitional General Services Agreement as amended on January 1, 2021 (for general information in this regard, see Chapter XI.1.c)) and related statements of work, and provide to Vitesco Technologies ancillary services such as maintenance and support, as well as certain other services currently provided by the IT functions of the Continental Group.

10. Termination of intra-group agreements and transitional services

As part of the Carve-Out, the main contractual relationships between Vitesco Technologies and the Continental Group were bundled under certain framework agreements for specific areas. For this purpose, Continental AG and Vitesco Technologies GmbH entered into the following framework agreements with effect as of January 1, 2019: a Framework Contract Manufacturing Agreement with regard to services in the area of contract manufacturing, a Framework Research and Development Agreement with regard to services in the R&D areas (and related areas) and a Transitional General Services Agreement with regard to general services (including but not limited to the IT area). While the Framework Contract Manufacturing Agreement will be replaced by a new framework agreement with effect as of July 1, 2021, the Transitional General Services Agreement was replaced by an amended framework agreement already with effect as of January 1, 2021. The Framework Research and Development Agreement will be amended as well. The purpose of the new framework agreements is, in particular, to ensure the access of Vitesco Technologies to all services, supplies and other resources that are necessary for the continuation of its business operations during a transition period until the operational separation from the Continental Group has been fully completed. The new framework agreements applicable with effect as of January 1, 2021 and July 1, 2021, respectively, are described in more detail in Chapter XI.1.

For details on the termination of the cross-license agreements entered into between the Continental Group and Vitesco Technologies for the mutual use of intellectual property rights in technologies controlled by them (and the limited continuation of validity of these licenses after their termination), see Chapter V.8.

For details on the termination of the trademark license agreement regarding the use of the name "Continental" and related logos, see Chapter V.11.

11. Use of the name "Continental" and related logos

On the occasion of the Carve-Out, Vitesco Technologies created its own name and corporate identity with "Vitesco Technologies". The worldwide roll-out started in 2019. Vitesco Technologies intends to cease to use the name "Continental" and the logos of the Continental Group (e.g. on specifications, products, product packages or tools) as soon as possible. Due to the fact that the rebranding required for such purpose (especially the change of tools used for applying the "Continental" trademarks on products during the production process) is very time-consuming and costly, Continental Reifen Deutschland GmbH (as owner of the "Continental" trademarks), Continental AG (as owner of the "Continental" internet domain) and Vitesco Technologies GmbH entered in connection with the Carve-Out into a license agreement, which was amended with effect as of January 1, 2021, under which certain transition and grace periods are granted to Vitesco Technologies. Under the terms of this agreement, the gradual change of tools shall be completed at the latest by the end of 2030 and the gradual change of reusable packaging shall be completed at the latest by the end of 2025.

12. Taxes

As described in more detail in Chapter V.1, Vitesco Technologies has acquired the powertrain business from Continental AG and its subsidiaries via asset deals and share deals, except for some parts which it will still acquire.

The transfer of the assets and shares resulted (or will result), as a rule, in a realization of the hidden reserves included in the sold assets and shares. As a rule, the relevant transferring entity is liable for the payment of taxes on these hidden reserves. However, the hidden reserves included in the sold shares, which were (or will be) realized as a result of the transfer, are in many cases fully or partially tax exempt. To the extent that a change in taxation of the realized hidden reserves should occur in the future, which would result in offsetting effects on the side of the acquirer, the Group Separation Agreement provides for an internal settlement mechanism under certain conditions (for more details, see Chapter XIII.2.m)). The transfer agreements provide, as a rule, that the relevant acquiring entity is liable for the payment of real estate transfer taxes (and similar transaction taxes) incurred as a result of the transfer of the assets and shares.

Furthermore, the relevant parties to the transfer agreements (in particular in the case of share transfers) agreed on terms for the allocation of tax receivables, tax payables and provisions for taxes as well as potential tax risks. Under these terms, the transferring entity, as a rule, indemnifies the relevant acquiring entity from any taxes relating to periods prior to the respective effective transfer date. With regard to such taxes which relate to periods prior to the respective effective transfer date, Continental AG, VT Group AG and Vitesco Technologies GmbH also agreed on a wide-ranging cooperation in the Group Separation Agreement (for details, see Chapter XIII.2.n)).

For details on the amount of taxes incurred in connection with the transformation into an independent group, see Chapter VI.14.

13. State aid

State aid projects relating to the powertrain business were economically transferred to Vitesco Technologies as part of the Carve-Out. Under the terms of the relevant asset transfer agreements described in Chapter V.1, the relevant companies of Vitesco Technologies have to indemnify the other companies of the Continental Group from and against any claims relating to the powertrain business. In the event that any claim for recovery of state aid is made by state aid providers and a company of Vitesco Technologies is liable for such a claim, the relevant companies of the Continental Group may assert this claim in their internal relationship against the relevant company of Vitesco Technologies. With regard to subsidies, see also Chapter XIII.2.t).

To the extent that, in individual cases, Continental AG (or its subsidiaries) provided guarantees, warranties or sureties for state aid projects of Vitesco Technologies for the period from January 1, 2019 onwards, a corresponding indemnification by Vitesco Technologies from and against any claims has been agreed or such an indemnification or discharge of collateral is intended to be agreed prior to the spin-off taking effect (see Chapter XIII.2.c)). In addition, Vitesco Technologies has paid fees as consideration.

14. Joint contracts with third parties

It is intended that (to the extent that this has not already been done) generally all contracts with third parties jointly held in the past by Vitesco Technologies and other companies of the Continental Group will be allocated between Vitesco Technologies and these other companies as part of the Carve-Out until the spin-off takes effect (it is at least intended that Vitesco Technologies will join the contract as an additional party; to the extent possible, it is intended that one party will withdraw from the contract and enter into an independent new contract in order to effectively separate the legal relationships).

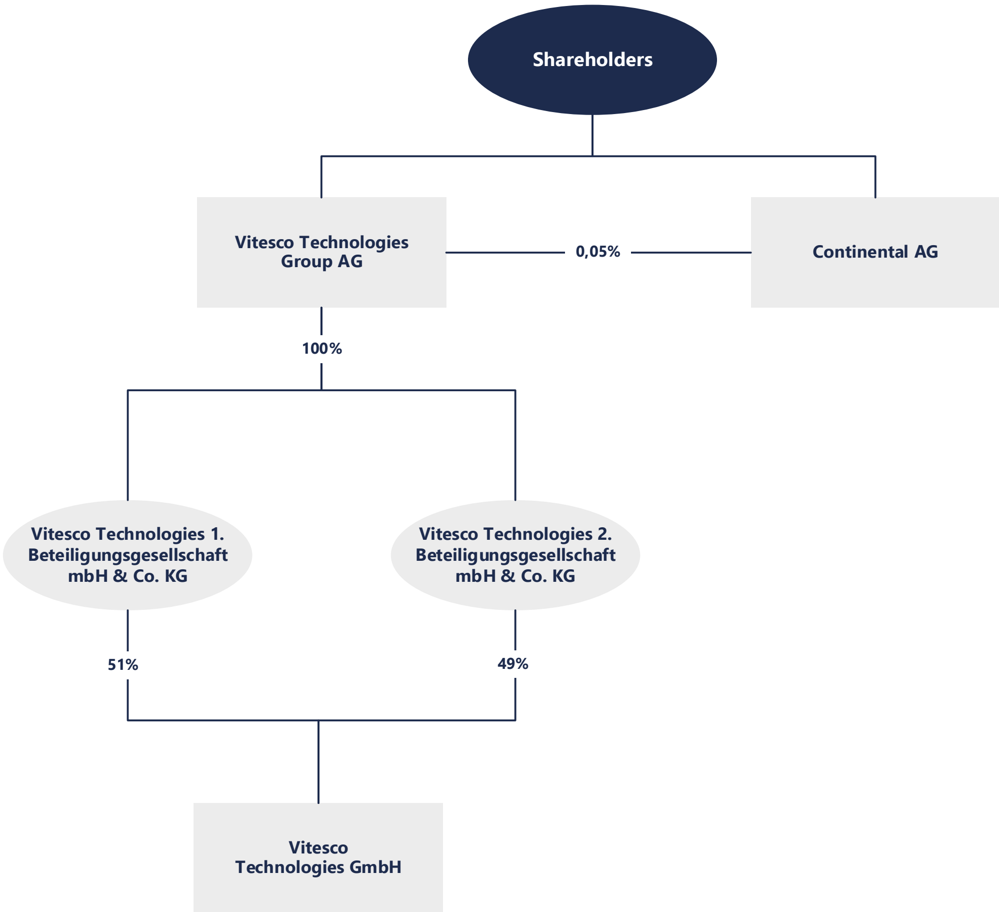
VI. Legal implementation of the spin-off

1. Overview

In connection with the spin-off, Continental AG intends to completely dispose of its participation in Vitesco Technologies. For this purpose, the limited partnership interests in VT 1. and 2. Beteiligungs KGs and the shares in their general partners, VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH, will be spun off to VT Group AG.

As consideration for the spin-off, the shareholders of Continental AG will, pursuant to Section 123(2) UmwG, receive shares in VT Group AG in proportion to their participations in Continental AG (*verhältniswahrende Spaltung*). The shares required for this purpose will be created by a capital increase of VT Group AG against contributions in kind yet to be resolved. As a result, the shareholders of Continental AG will hold shares in VT Group AG pro rata in proportion to their respective participations and – after completion of the sale of the 3.56% stake held by CA France in Vitesco Technologies GmbH to VT 1. and 2. Beteiligungs KGs which is intended to take place prior to the spin-off taking effect – will hold, indirectly through VT 1. and 2. Beteiligungs KGs, when aggregated, almost 100% of the shares in Vitesco Technologies GmbH. The plan is that Continental AG will sell its participation in VT Group AG in the amount of 20,000 shares on the market in a timely manner after the spin-off has taken effect.

The result of the spin-off and of the sale of the stake held by CA France in Vitesco Technologies GmbH is shown in the following chart (in simplified form):



2. Transferring entity and acquiring entity

The spin-off involves Continental AG as the transferring entity and VT Group AG as the acquiring entity. Before the spin-off, Continental AG is the sole shareholder of VT Group AG. VT Group AG is a stock corporation newly established by Continental AG, which will not be operational prior to the spin-off taking effect.

3. Spin-off pursuant to Section 123(2) no. 1 UmwG (spin-off by absorption)

From a legal perspective, the spin-off will be a spin-off by absorption (*Abspaltung zur Aufnahme*) pursuant to Section 123(2) no. 1 UmwG. Continental AG as the transferring entity will transfer part of its assets as a whole to VT Group AG as the acquiring entity by way of absorption. VT Group AG as the acquiring entity will grant shares in VT Group AG to the shareholders of Continental AG as consideration for the part of the assets to be spun off. For details on the share allocation ratio of the shares in VT Group AG granted as consideration, see Chapter VII.

4. Spin-off Assets

The Spin-off Assets consist of all limited partnership interests in VT 1. and 2. Beteiligungs KGs, one share with a nominal amount of €25,000 in VT 1. Verwaltungs GmbH and one share with a nominal amount of €25,000 in VT 2. Verwaltungs GmbH. The subject of the spin-off is described in Chapter IV.

5. Spin-off and Transfer Agreement

In order to implement the spin-off, Continental AG and VT Group AG will enter into a notarized Spin-off and Transfer Agreement (a draft of which is attached to this Spin-off Report as **Annex 1**) prior to the shareholders' meeting of Continental AG (which will be held on April 29, 2021). The Spin-off and Transfer Agreement, which will be submitted to the shareholders' meetings of Continental AG and VT Group AG for approval, sets out the details of the transfer of the Spin-Off Assets from Continental AG to VT Group AG. A Group Separation Agreement is attached to the Spin-off and Transfer Agreement, in which Continental AG, VT Group AG and Vitesco Technologies GmbH make provisions for various legal relationships existing between them and their respective group companies. The Spin-off and Transfer Agreement and the Group Separation Agreement are explained in Chapter XIII.

The draft Spin-off and Transfer Agreement will be submitted to the relevant works councils of Continental AG (Section 126(3) UmwG). No such submission is required in the case of VT Group AG because it has no works council.

6. Spin-off Effective Date

As between Continental AG and VT Group AG, the transfer of the Spin-off Assets is intended to occur with economic effect as of January 1, 2021, 0:00 hrs. From that date, the transactions between Continental AG and VT Group AG relating to the Spin-off Assets will be carried out for the account of VT Group AG. In the event that the spin-off has not been registered in the commercial register for Continental AG by the end of January 20, 2022, the Spin-off Effective Date will be postponed by one year to January 1, 2022. In the event of a further delay in the registration beyond January 20 of any subsequent year, the Spin-off Effective Date shall be postponed in each case to January 1 of the year of registration.

7. Spin-off audit report

Pursuant to Section 125 sentence 1 in conjunction with Section 9 UmwG, the Spin-off and Transfer Agreement must be audited by an expert spin-off auditor to be selected and appointed by court. At the joint request of the executive board of Continental AG and the executive board of VT Group AG, the Regional Court (*Landgericht*) of Hanover selected and appointed KPMG AG Wirtschaftsprüfungsgesellschaft as joint expert spin-off auditor by order of December 17, 2019 pursuant to Section 125 sentence 1 in conjunction with Sections 9(1), 10(1), (2) UmwG. The spin-off auditor will prepare a written report about the result of the audit in accordance with Section 125 sentence 1 in conjunction with Section 12 UmwG.

8. Shareholders’ meetings of Continental AG and VT Group AG

The Spin-off and Transfer Agreement will only take effect if it is approved by the shareholders’ meetings of Continental AG as well as VT Group AG in each case with a majority of at least three quarters of the share capital represented when adopting the resolution (Section 125 sentence 1 in conjunction with Sections 13(1), 65(1) UmwG). The Spin-off and Transfer Agreement will be submitted for approval to the annual shareholders’ meeting of Continental AG on April 29, 2021. The shareholders’ meeting of VT Group AG, i.e. Continental AG as the sole shareholder of VT Group AG, will approve the Spin-off and Transfer Agreement prior to the shareholders’ meeting of Continental AG.

With regard to the effective date of the Group Separation Agreement, see also Chapter XIII.2.w).

9. Capital increase for implementation of the spin-off; audit of post-formation acquisition and contribution in kind

In order to implement the spin-off, VT Group AG will increase its share capital from €50,000 by €100,002,990 to €100,052,990 by issuing 40,001,196 registered no-par value shares (see Chapter XIII.1.j)). It is intended that each share will represent a notional pro rata amount of €2.50 in the share capital. To the extent that the book value under commercial law of the Spin-off Assets as of the Spin-off Effective Date exceeds the amount of €100,002,990, which is the amount of the increase in the share capital of VT Group AG, this remaining portion of the book value will be allocated to the capital reserves of VT Group AG pursuant to Section 272(2) no. 4 HGB (see sec. 10.4 of the Spin-off and Transfer Agreement). All shares granted as consideration for the transfer of the Spin-off Assets are entitled to dividends for the fiscal years beginning on January 1, 2021. If the Spin-off Effective Date is postponed (see Chapter VI.6), the beginning of the dividend entitlement for the shares to be granted shall be postponed accordingly. The plan is to adopt the relevant resolution on the capital increase in the shareholders’ meeting of VT Group AG prior to the shareholders’ meeting of Continental AG. The registration of the spin-off can only occur after the spin-off capital increase has been registered in the commercial register for VT Group AG.

An audit of the contribution in kind will be conducted in the context of the spin-off capital increase. Namely, it will be examined whether or not the value of the contribution in kind covers the minimum issue price for the shares granted in exchange. Furthermore, an audit of post-formation acquisition (*Nachgründung*) will be conducted because the Spin-off and Transfer Agreement is an agreement entered into between VT Group AG and its sole shareholder, Continental AG, and less than two years have yet passed since the registration of VT Group AG in the commercial register.

On December 18, 2019, KPMG AG Wirtschaftsprüfungsgesellschaft was appointed as the auditor of the post-formation acquisition and the contribution in kind by the Hanover Local Court (*Amtsgericht*) (for details on the audit of the post-formation acquisition, see Section 125 sentence 1 in conjunction with Section 67 UmwG in conjunction with Sections 52(4), 33(3) through (5), 34 et seq. AktG, and for details on the audit of the contribution in kind, see Section 125 sentence 1 in conjunction with Sections 142(1), 69(1) sentence 1 UmwG in conjunction with Sections 183(3), 33(3) through (5), 34 et seq. AktG). The auditor of the post-formation acquisition and the contribution in kind will issue a report on the results of the audit of the post-formation acquisition and on the valuation of the contribution in kind. In addition, the supervisory board of VT Group AG will prepare a report on the post-formation acquisition. The report on the audit of the post-formation acquisition and the contribution in kind as well as the report on the post-formation acquisition will be filed and deposited with the commercial register for VT Group AG at the Hanover Local Court (*Amtsgericht*) (Section 142(2) UmwG). The post-formation acquisition requires the approval of the shareholders' meeting of VT Group AG. The plan is that this approval resolution will be adopted together with the resolution on the approval of the shareholders' meeting of VT Group AG for the Spin-off and Transfer Agreement. The registration of the spin-off capital increase and of the spin-off can only occur when the post-formation acquisition has been registered in the commercial register for VT Group AG.

10. Application for registration and registration of the spin-off in the commercial register

After the shareholders' meetings of Continental AG and VT Group AG have approved the spin-off, the executive board of Continental AG and the executive board of VT Group AG must file an application for registration of the spin-off in the commercial register (Sections 129, 125 sentence 1 in conjunction with Section 16(1) UmwG). Based on the shareholders' resolution, it is intended that the executive board of Continental AG will apply for registration of the spin-off immediately before the approval of the listing prospectus, the timing of which will be agreed with the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), but shall under no circumstances apply for registration later than December 31, 2021.

The application for registration in the commercial register for Continental AG must include a balance sheet of Continental AG as closing balance sheet (Section 125 sentence 1 in conjunction with Section 17(2) UmwG). Pursuant to Section 4 of the German Act concerning measures under the law of companies, cooperative societies, associations, foundations and condominium property to combat the impacts of the COVID-19 pandemic, a balance sheet that has been prepared as per a cut-off date preceding the application for registration by no more than 12 months is, by way of derogation from Section 17(2) sentence 4 UmwG, sufficient for the registration to be permissible. The closing balance sheet is the annual balance sheet of Continental AG as of December 31, 2020, 24:00 hrs. It was audited by KPMG AG Wirtschaftsprüfungsgesellschaft, which was appointed as auditor in accordance with the legal requirements by resolution of the annual shareholders' meeting of Continental AG of July 14, 2020, in connection with the audit of the annual financial statements of Continental AG on which an unqualified audit opinion was issued.

The spin-off will take effect upon its registration in the commercial register for Continental AG at the Hanover Local Court (*Amtsgericht*). Before this registration can be made, it is required that the spin-off has been registered in the commercial register for VT Group AG at the Hanover Local Court. Upon registration in the commercial register for Continental AG at the Hanover Local Court, the Spin-off Assets will be transferred as a whole by operation of law to VT Group AG by way of partial universal succession in the scope set forth in the Spin-off and Transfer Agreement. The register courts will publish their respective registration of the spin-off in the commercial registers pursuant to Section 10 sentence 1 HGB in the electronic information and communications system determined by the state justice administration (www.registerbekanntmachungen.de).

If the shareholders' meeting of Continental AG approves the Spin-off and Transfer Agreement and no action has been brought at all or in due time against the validity of the approval resolution adopted by the shareholders' meeting of Continental AG, it is planned that the registration will be made in September 2021 and that the spin-off will, as a result, take effect at that time. Immediately thereafter, the VT Group AG shares are intended to be admitted to trading in the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange.

If, however, an action to set aside the spin-off resolution is brought in due time, it will as a matter of principle and without regard to its prospects of success, hinder the immediate registration of the spin-off in the commercial register with the result that the spin-off does not become effective and, consequently, would result in a delay. The reason for this is that the executive boards of Continental AG and VT Group AG must each declare in the application pursuant to Section 125 sentence 1 in conjunction with Section 16(2) sentence 1 UmwG that no action against the validity of the spin-off resolution has been brought at all or in due time or that such an action has been dismissed by a final and binding judgment or withdrawn (so-called negative declaration), which they could not do if an action were brought in due time. With regard to the approval resolution to be adopted by the shareholders' meeting of VT Group AG, Continental AG as the sole shareholder will waive its right to bring an action at the shareholders' meeting. However, with regard to the approval resolution to be adopted by the shareholders' meeting of Continental AG, it cannot be ruled out that an action to set aside may be brought by one or more shareholders. Even in the absence of a negative declaration the spin-off can be registered if actions to set aside the spin-off resolution have been brought in due time but the Higher Regional Court (*Oberlandesgericht*) having jurisdiction pursuant to Section 125 sentence 1 in conjunction with Section 16(3) sentence 7 UmwG has determined by a decision pursuant to Section 125 sentence 1 in conjunction with Section 16(3) sentence 1 UmwG that the fact that the action has been brought does not prevent the registration (so-called clearance decision (*Freigabeentscheidung*)). Pursuant to Section 125 sentence 1 in conjunction with Section 16(3) sentence 9 UmwG, such a decision is non-appealable. Pursuant to Section 125 sentence 1 in conjunction with Section 16(3) sentence 3 UmwG, such a decision will be issued if (i) the action is inadmissible or obviously unfounded, or (ii) the plaintiff has not proven within one week after service of the request by means of documents that the plaintiff has been holding a pro rata amount of at least €1,000 in the share capital of Continental AG since the notice convening the shareholders' meeting was published, or (iii) the immediate coming into effect of the spin-off appears to take precedence because the court holds, at its discretion and conviction, that the significant disadvantages for the legal entities involved in the spin-off and their shareholders as presented by Continental AG outweigh the disadvantages for the claiming shareholder, unless there has been a particularly severe violation of law.

11. Effects of the registration

The spin-off will take effect upon its registration in the commercial register for Continental AG. As a result, the Spin-off Assets will be transferred by operation of law to VT Group AG by way of partial universal succession. At the same time, the shareholders of Continental AG will, by operation of law, become shareholders of VT Group AG in accordance with the share allocation ratio set forth in sec. 10.1 of the Spin-off and Transfer Agreement. A possible lack of notarization of the Spin-off and Transfer Agreement or of the required approval declarations of the involved shareholders' meetings will be cured by the registration in the commercial register.

12. Allocation of the shares; fractional entitlements; stock exchange listing and trading; ADR program

a) Allocation of the shares of VT Group AG to the shareholders of Continental AG

The spin-off will be a pro rata (*verhältniswahrend*) spin-off in exchange for the granting of registered no-par value shares of VT Group AG to the shareholders of Continental AG pro rata in proportion to their respective participations at the time when the spin-off takes effect. When the spin-off takes effect, these shareholders will receive one registered no-par value share in VT Group AG for every five no-par value bearer shares in Continental AG in accordance with the share allocation ratio of 5:1 specified in sec. 10.1 of the Spin-off and Transfer Agreement (for details on the share allocation ratio, see Chapter VII.). The shares granted as consideration are entitled to dividends for fiscal years beginning on January 1, 2021. If the Spin-off Effective Date is postponed (see Chapter VI.6), the beginning of the dividend entitlement for the shares to be granted will be postponed accordingly.

The shares to be granted will be created by the spin-off capital increase described in Chapter VI.9.

The determination of who is a Continental AG shareholder for purposes of the allocation will be made by the custodian banks on the basis of the respective holdings of Continental AG shares in the securities accounts on the evening of the date on which the spin-off takes effect as a result of the registration in the commercial register for Continental AG (***Share Allocation Effective Date***), taking into account stock market trades which have been executed but not yet settled at the close of trading. A total of 40,001,196 shares of VT Group AG will be issued to the shareholders of Continental AG.

Continental AG has mandated Deutsche Bank Aktiengesellschaft (***Deutsche Bank***) for the processing of the allocation, and has also appointed Deutsche Bank as trustee pursuant to Section 125 sentence 1 in conjunction with Section 71(1) UmwG for receipt of the shares in VT Group AG to be granted and delivering them to the entitled shareholders. Prior to the spin-off taking effect, the trustee will, on behalf of the shareholders of Continental AG, take possession of the VT Group AG shares to be issued to the shareholders and will deliver these shares to the shareholders in a timely manner after the spin-off has taken effect in accordance with the share allocation ratio of 5:1 set forth in the Spin-off and Transfer Agreement. The allocation of the VT Group AG shares will take place for the entitled shareholders of Continental AG through Clearstream Banking AG, Frankfurt am Main (***Clearstream***) for the respective securities accounts at the ratio of 5:1 by a credit to the securities account made by the respective custodian bank. No commissions or expenses will be charged for the share allocation to entitled Continental AG shareholders who hold their Continental AG shares in securities accounts in Germany. Shareholders who hold their Continental AG shares in securities accounts outside of Germany might incur commissions and expenses on the basis of the existing agreements with the custodian institution. Details of the processing of the allocation will be separately announced to the shareholders of Continental AG without undue delay after the registration of the spin-off in the commercial register for VT Group AG and for Continental AG (the ***Share Allocation Notification***). The Share Allocation Notification will be published by Continental AG in Germany in the Federal Gazette (*Bundesanzeiger*).

Since all shares in Continental AG are evidenced by global share certificates deposited with Clearstream, the Continental AG shareholders do not need to take any action with regard to the allocation of the VT Group AG shares, except for a potential settlement of fractional amounts (fractional entitlements to shares) (see VI.12.b) below). The relevant custodian bank will credit the VT Group AG shares to the securities account of the respective Continental AG shareholder, normally prior to the commencement of trading, to the extent that the shares are not based on fractional entitlements for the account of the shareholders. At the level of Clearstream, the allocated shares in VT Group AG will be booked by Clearstream, initially in the form of fractional entitlements, to the accounts of the custodian banks prior to commencement of trading on the morning of the stock exchange trading day following the "record date" of Clearstream (after settlement of the stock market trades effected still on the Share Allocation Effective Date). The relevant custodian bank will then effect the re-booking of the fractional entitlements to full entitlements (VT Group AG shares), to the extent that the shares are not based on fractional entitlements for the account of the shareholders. The entitlement of VT Group AG shareholders to demand the issue of share certificates is excluded pursuant to the articles of association of VT Group AG, unless a written instrument is required by rules that apply at a stock exchange at which the share is admitted for trading. The registered shares of VT Group AG will be evidenced by one or more global share certificates with global bearer dividend coupons deposited with Clearstream; the VT Group AG shareholders will participate in the global share certificates and the global bearer dividend coupons as co-owners in proportion to their respective shareholding.

b) Fractional entitlements and settlement of fractional entitlements

The aforementioned share allocation ratio of 5:1 will result in fractional shares (fractional entitlements) to the extent that holdings of Continental AG shares in securities accounts are not an exact multiple of 5. In such a case, the affected shareholders of Continental AG will receive fractional entitlements to one share in VT Group AG. Since generally no shareholder rights can be asserted on the basis of fractional entitlements (see Section 213(2) AktG), Deutsche Bank as the central issuing agent together with the custodian banks will endeavor to achieve a settlement between the holders of the fractional entitlements so as to give them the opportunity to sell fractional entitlements or to purchase additional fractional entitlements in order to acquire a full entitlement. A rounding to full entitlements (so-called settlement of fractions) requires a corresponding buy or sell order. It has to be expected in individual cases that banks, especially in foreign countries, will not cooperate in a settlement of fractions or will not accept corresponding orders.

Where no orders for a rounding of the fractional entitlements to full entitlements are issued or a rounding to full entitlements is not possible on the basis of the issued orders at the level of the custodian banks, Deutsche Bank, which is appointed by Continental AG as trustee, will, at a point in time still to be determined, combine the fractional entitlements to VT Group AG shares, which have been allocated to Continental AG shares and have not yet been combined to full entitlements, to full entitlements (shares) in VT Group AG and sell these full entitlements (shares) on the stock exchange. The proceeds from this sale will then be credited via the custodian banks to the relevant holders of the fractional entitlements pro rata in proportion to their respective fractional entitlements. No commissions or expenses will be charged for the settlement of fractional entitlements to entitled shareholders who hold their Continental AG shares in securities accounts in Germany. Shareholders who hold their Continental shares in securities accounts outside of Germany might incur commissions and expenses on the basis of the existing agreements with the custodian institution.

c) Stock exchange listing and trading

All shares in VT Group AG are intended to be admitted to trading in the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. Trading in the shares on the Frankfurt Stock Exchange is expected to commence on the first trading day after listing approval has been granted. On the day on which the spin-off becomes legally effective through registration in the commercial register for Continental AG, trading in the shares of VT Group AG will not yet be possible and the Continental AG share will still be traded “cum Vitesco Technologies”.

d) Procedure with regard to the ADR program

In the U.S.A., Continental AG shares are traded on the OTC Market (Over the Counter) in the form of a Sponsored ADR Program (American Depositary Receipt). Under the deposit agreement insofar existing between Continental AG and Deutsche Bank Trust Company Americas as depositary, the depositary shall, in the case of non-cash distributions made by Continental AG (excluding subscription rights and additional Continental AG shares), after consultation with Continental AG, be entitled under certain circumstances to distribute the net proceeds from the sale of the relevant securities instead of the securities themselves to the holders of the ADRs. The depositary shall be entitled to do this if a distribution of securities is illegal or not practicable. It is currently intended that VT Group AG will also establish a Sponsored ADR Program and holders of Continental AG ADRs will receive VT Group AG American Depositary Receipts (pro rata in proportion to their respective participations). Holders of Continental ADRs should note that the delivery of VT Group AG American Depositary Receipts may, under certain circumstances, occur later than the delivery of VT Group AG shares to shareholders who directly hold Continental AG shares.

To the extent that a holder of Continental AG ADRs is, due to the share allocation ratio and the terms of Continental AG’s Sponsored ADR Program, not entitled to receive full VT Group AG American Depositary Receipts, Deutsche Bank Trust Company Americas or a designated agent will sell the VT Group AG shares attributable pro rata to the Continental AG ADRs on the stock exchange after commencement of trading, and distribute the proceeds, net of expenses, pro rata to the holders of the Continental AG ADRs.

In the event that VT Group AG has not established a Sponsored ADR Program by the Share Allocation Effective Date or the delivery of VT Group AG American Depositary Receipts is illegal or not practicable for any other reasons, Deutsche Bank Trust Company Americas or a designated agent will sell the VT Group AG shares attributable to the Continental AG ADRs on the stock exchange after commencement of trading, and distribute the proceeds, net of expenses, pro rata to the holders of the Continental AG ADRs.

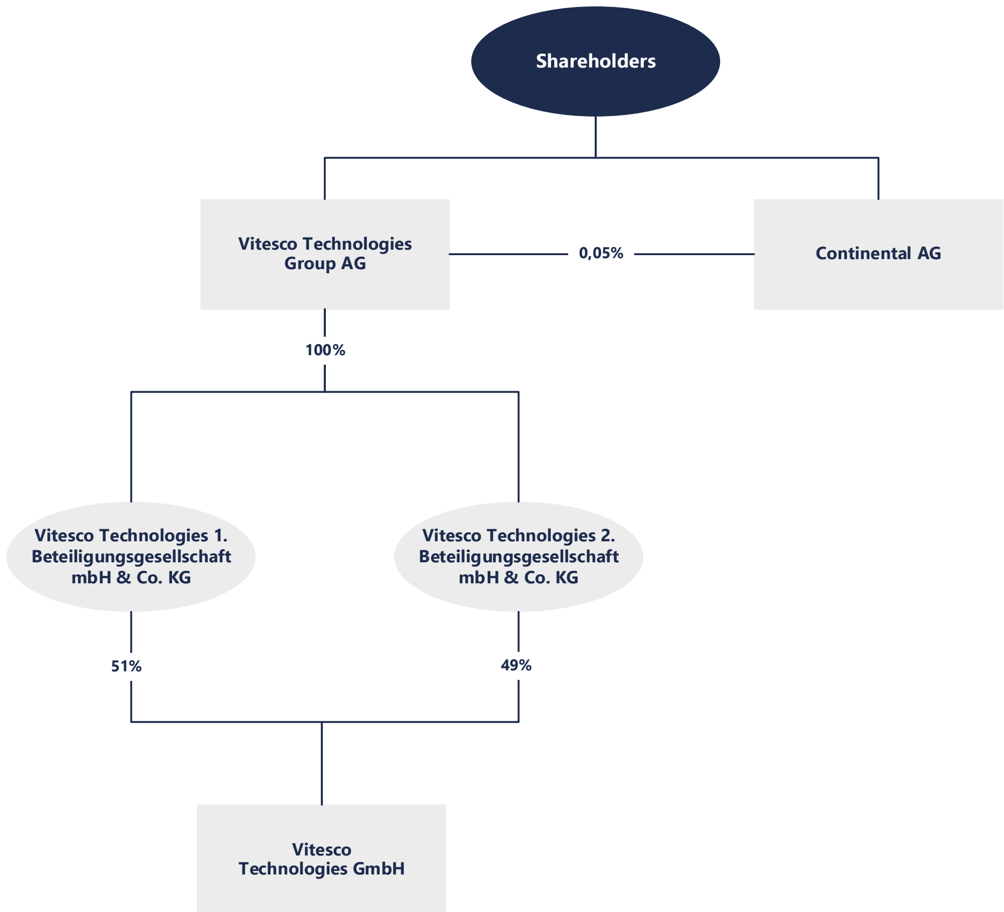
13. Ownership structure in the Vitesco Technologies Group after the spin-off

When the spin-off takes effect, all shares in VT Group AG which are newly created as a result of the capital increase will be held by the Continental AG shareholders. After the spin-off has taken effect, Continental AG will still hold the participation in VT Group AG (20,000 shares) which it already held on the date of signing of the Spin-off and Transfer Agreement. The plan is that Continental AG will sell these 20,000 shares on the market in a timely manner after the spin-off has taken effect. Each shareholder’s notional share in the share capital of VT Group AG issued in the course of the spin-off capital increase will correspond to such shareholder's notional share in the share capital of Continental AG (so-called pro rata spin-off (*verhältniswahrende Abspaltung*)).

VT Group AG, in turn, will be the sole limited partner of each of VT 1. and 2. Beteiligungs KGs and the sole shareholder of each of their general partners, VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH. As a result of the sale of the 3.56% stake in Vitesco Technologies GmbH currently held by CA France to VT 1. and 2. Beteiligungs KGs, VT Group AG will therefore indirectly via VT 1. and 2. Beteiligungs KGs hold 100% of the shares in Vitesco Technologies GmbH.

For further explanations regarding the legal structure of the Vitesco Technologies Group after the spin-off, see Chapter VI.9.

The ownership structure after the spin-off will therefore be as follows (in simplified form):



14. External costs and taxes related to the transformation into an independent group, the spin-off and the planned stock exchange listing

In connection with the transformation into an independent group (as described in Chapter V.) and the spin-off and in connection with the planned stock exchange listing (as described in Chapter VI.), the following external costs and taxes have been incurred:

The external one-time costs (including transaction taxes such as, in particular, real estate transfer tax) incurred for the years 2018 to 2020 in connection with the transformation of Vitesco Technologies into an independent group amounted, in total, to around €174 million as per December 31, 2020.

The external one-time costs include, in particular, the expenses for the set-up of independent structures in the IT area in the amount of around €74 million. Furthermore, local costs in the amount of around €19 million were incurred, in particular for the separation of shared spaces in manufacturing, R&D and administrative areas and for rebranding measures at individual sites. The costs for external advice (including but not limited to advice in the areas of strategy, finance, law and tax) and for personnel (in particular for the further qualification of employees) amounted to around €67 million. Other expenses amounted to around €14 million, of which an amount of around €12 million was attributable to transaction taxes.

In addition to the costs incurred until December 31, 2020, the further external one-time costs (including transaction taxes) incurred by Continental AG and Vitesco Technologies in connection with making the Vitesco Technologies Group fully independent in organizational terms in the preparation and implementation of the spin-off are estimated to amount, in total, to around €154 million. This amount includes expenses already incurred in 2021 and planned expenses for the period until 2025.

The external one-time costs include additional expenses for the development of independent structures in the IT area in the amount of around €38 million. The costs incurred for the separation of shared spaces and rebranding measures, as well as for the reorganization and transfer of production lines and “automotive quality labs” are estimated to amount to around €87 million.

The costs incurred for external advice and for personnel measures are estimated to amount to around €22 million. Other expenses are expected to amount to €7 million, the majority of which are transaction taxes (in particular real estate transfer tax incurred as a result of the spin-off, see also Chapter VIII.2.b)).

Taxes incurred until December 31, 2020 in connection with the transformation into an independent group (excluding the aforementioned transaction taxes) recognized as expense in the balance sheet and the statement of financial position amounted to around €55 million. The sale of 3.56% of the shares in Vitesco Technologies GmbH currently held by CA France at market value to VT 1. and 2. Beteiligungs KGs prior to the spin-off taking effect (see Chapter IV.2) and transfers of “automotive quality labs” by companies of the Continental Group to Vitesco Technologies, which have been completed or are still planned in 2021 (see Chapter V.1), are not expected to give rise to any substantial tax expense. For a description of the tax effects of the spin-off, see Chapter VIII.2.

Furthermore, the expected costs for the planned stock exchange listing for the years 2019, 2020 and 2021 amount to approximately €43 million. These costs mainly include costs for external advice (in particular, for investment banks, lawyers and further advisors) and audit costs (for auditors) as well as further costs related to the stock exchange listing.

With regard to the relevant cost-bearing rules, see among others Chapter XIII.1.p) and parts II., III., V., VII., and IX. of the Group Separation Agreement.

VII. Explanation and reasons for the share allocation ratio

All limited partnership interests held by Continental AG in VT 1. and 2. Beteiligungs KGs and thus, at the time when the spin-off takes effect after completion of the sale of the 3.56% stake held by CA France, Continental AG's indirect 100% stake in Vitesco Technologies GmbH will be spun off from Continental AG to VT Group AG in exchange for shares in VT Group AG which will be granted to Continental AG's shareholders. The share allocation ratio pursuant to Section 126(1) no. 3 UmwG for the granting of shares will be 5:1 pursuant to sec. 10.1 of the Spin-off and Transfer Agreement, i.e., each shareholder of Continental AG will receive one share in VT Group AG in exchange for every five Continental AG shares when the spin-off takes effect. No additional cash payments are envisaged.

The determination of the share allocation ratio of 5:1 was essentially influenced by the following parameters:

The aim was to determine the amount of VT Group AG's future share capital in a reasonable proportion to its equity and the expected market capitalization of VT Group AG and to reasonably reflect the sizes of the transferring entity and the acquiring entity. When determining VT Group AG's share capital and the number of shares, it was considered that the future stock exchange price of the VT Group AG share should lie in a range which is attractive at the present time for private investors and institutional investors and that it should be significantly higher than the notional proportionate amount of the shares in VT Group AG' share capital.

The share allocation ratio of 5:1 also accounts for the objective to limit the number of fractional entitlements which may arise as a result of the allocation of VT Group AG shares to Continental AG shareholders. The executive boards of Continental AG and of VT Group AG are convinced that the envisaged structure will lead to the situation that a certain number of VT Group AG shares can be attributed to a large number of Continental AG shareholders without any further fractional entitlements. Any shareholders who hold less than five Continental AG shares or a number of Continental AG shares which is not a multiple of five may realize their fractional entitlements or increase them to a full VT Group AG share by way of selling or purchasing fractional entitlements in the context of the intended settlement of fractional entitlements (see Chapter VI.12.b)).

A lower share allocation ratio would have led to a larger number of VT Group AG shares. As a result, given the significantly larger number of shares, VT Group AG's equity value and stock market value would have been pro-rated to this larger number of shares, missing the above-mentioned goal of having an attractive stock exchange price for the VT Group AG shares. The executive boards of Continental AG and of VT Group AG also based their considerations on the experience of investment banks in connection with initial public offerings and precedent spin-offs.

In order to permit a division by the share allocation ratio of 5:1 without fractions, Continental AG will ensure that the number of shares entitled to an allocation pursuant to Section 131(1) no. 3 sentence 1 UmwG will be 200,005,980 shares as of the closing date.

An enterprise valuation, valuing the Spin-off Assets on the one hand and the acquiring entity on the other hand in order to calculate a value ratio, was not necessary to determine the share allocation ratio for the following reasons:

When the spin-off takes effect, the Spin-off Assets will consist of the shares in VT 1. and 2. Beteiligungs KGs, whose only assets – in addition to cash and cash equivalents – will consist (after the sale of the 3.56% stake in Vitesco Technologies GmbH by CA France to VT 1. and 2. Beteiligungs KGs) of the (when aggregated) 100% stake in Vitesco Technologies GmbH, as well as the shares in their general partners VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH. From an economic perspective, VT Group AG will not have any other assets at the time of the spin-off.

The VT Group AG shares to be granted to the Continental AG shareholders as consideration for the transfer of the Spin-off Assets will be transferred in proportion to their stake in Continental AG. Therefore, the Continental AG shareholders will be invested in the VT Group AG shares to be issued in the same proportion as they are in the issued shares of Continental AG. Thus, the Continental AG shareholders are not deprived of any assets. Therefore, a comparative enterprise valuation is not needed.

Pursuant to Section 125 sentence 1 in conjunction with Section 9 UmwG, the Spin-off and Transfer Agreement must be audited by a spin-off auditor. Pursuant to Section 125 sentence 1 in conjunction with Section 12(1), (2) UmwG, the expert spin-off auditor appointed by the court, KPMG AG Wirtschaftsprüfungsgesellschaft, provides a separate written report on the results of the audit. In this report, the spin-off auditor also comments on whether the proposed share allocation ratio is appropriate.

VIII. Accounting, tax and other effects of the spin-off

This Chapter discusses the accounting, tax and other effects of the spin-off.

1. Accounting effects of the spin-off

This Chapter deals with the accounting effects of the spin-off.

a) Overview and introduction

aa) Relevant balance sheets and statements of financial position and pro forma balance sheets and statements of financial position

The balance sheets and statements of financial position as of December 31, 2020 which are relevant for the description and explanation are the balance sheet of Continental AG, the statement of financial position of the Continental Group as well as the balance sheet of VT Group AG.

The relevant pro forma balance sheets and statements of financial position are the pro forma balance sheet of Continental AG, the pro forma statement of financial position of the Continental Group, the pro forma balance sheet of VT Group AG and the pro forma statement of financial position of the Vitesco Technologies Group, in each case as of January 1, 2021.

A consolidated statement of financial position of VT Group AG as of December 31, 2020 does not exist because VT Group AG has not held any participations prior to the spin-off taking effect and in particular does not constitute a consolidation group with the companies of Vitesco Technologies for purposes of IAS 27, c*onsolidated and separate financial statements*. Therefore, the pro forma statement of financial position of the Vitesco Technologies Group is based on the statement of financial position in the combined financial statements of VT Group AG (***Combined Financial Statements***) as of December 31, 2020. These Combined Financial Statements include VT Group AG, VT 1. and 2. Beteiligungs KGs, their respective general partners VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH, and Vitesco Technologies GmbH together with its direct and indirect subsidiaries.

The individual balance sheets and consolidated statements of financial position in each case as of December 31, 2020 reflect the situation prior to the spin-off taking effect. The pro forma balance sheets and statements of financial position as of January 1, 2021, 0:00 hrs, reflect the situation which would have occurred if the spin-off had become effective on January 1, 2021, 0:00 hrs. The closing of the spin-off was assumed as pro forma assumption.

The balance sheets and statements of financial position were prepared as of December 31, 2020, 24:00 hrs, and the pro forma balance sheets and statements of financial position were prepared as of the Spin-off Effective Date of January 1, 2021, 0:00 hrs. The Spin-off Effective Date is the point in time as of which the actions of Continental AG relating to the Spin-off Assets are deemed to have been made for the account of VT Group AG (Section 126(1) no. 6 UmwG). This means that the spin-off and, thus, the transfer of the Spin-off Assets will have retroactive economic effect as of January 1, 2021, 0:00 hrs. By preparing the pro forma balance sheets and statements of financial position as of January 1, 2021, 0:00 hrs, the material direct accounting effects of the spin-off are shown on the basis of the values in the balance sheets/statements of financial position as of December 31, 2020, 24:00 hrs. The actual balance sheets or statements of financial position at the time when the spin-off takes effect may deviate from these pro forma balance sheets or statements of financial position.

In particular, the pro forma balance sheets and statements of financial position as of January 1, 2021 do not take into account changes in assets and liabilities and in equity resulting from the business operations of Vitesco Technologies and the other companies of the Continental Group from January 1, 2021 until the spin-off takes effect. Transactions from January 1, 2021 onwards are not taken into account in the pro forma balance sheets and statements of financial position even if they have a close connection to the spin-off. What is not taken into account is, for example, the incurrence of transaction costs in connection with the spin-off to the extent that these costs are attributable to the fiscal year 2021, and the acquisition of the 3.56% stake held by CA France in Vitesco Technologies GmbH at market value intended to be completed prior the spin-off taking effect. Transaction costs attributable to the fiscal year 2020, however, are already reflected in the corresponding balance sheets and statements of financial position as of December 31, 2020 (for a description of the transaction costs incurred in the context of the spin-off, see also Chapter VI.14).

To the extent that special measures or effects in connection with the spin-off can presently already be foreseen and have material accounting effects, these are explained in the following Chapters without being taken into account in the pro forma balance sheets or statements of financial position.

bb) Preparation, determination and audit of the relevant balance sheets and statements of financial position

The individual balance sheets were prepared in each case according to the accounting principles of the HGB, and the consolidated statement of financial position of Continental AG and the statement of financial position in the Combined Financial Statements of VT Group AG as of December 31, 2020 were prepared on the basis of the IFRS as they have been adopted by the European Union (***EU***). The pro forma balance sheets are guided by applicable accounting principles for individual balance sheets under the HGB, and the pro forma consolidated statements of financial position are guided by applicable accounting principles for consolidated statements of financial position under the IFRS and professional standards for the preparation of pro forma financial information published by the Institute of Public Auditors in Germany, Incorporated Association (*Institut der Wirtschaftsprüfer in Deutschland e.V. – IDW*). As described in more detail below, the basis used are the balance sheets and statements of financial position as of December 31, 2020, and the book values shown therein are carried over. For the purpose of describing the accounting effects of the spin-off on the assets of Continental AG and the Continental Group as of December 31, 2020, the pro forma balance sheets and statements of financial position as of January 1, 2021 are based on the same accounting standards as the corresponding balance sheets and statements of financial position as of December 31, 2020.

The pro forma balance sheets and statements of financial position involve pro forma descriptions prepared exclusively for the purpose of this joint Spin-off Report. The individual balance sheet of Continental AG as of December 31, 2020 is part of the annual financial statements of Continental AG for the fiscal year ending on December 31, 2020, which were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, which issued an unqualified audit opinion thereon, and were approved by the supervisory board of Continental AG on March 16, 2021. The individual balance sheet of Continental AG is also the closing balance sheet pursuant to Section 125 sentence 1 in conjunction with Section 17(2) UmwG. The individual balance sheet of VT Group AG as of December 31, 2020 is part of the annual financial statements of VT Group AG for the fiscal year ending on December 31, 2020, which were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, which issued an unqualified audit opinion thereon, and were approved by the supervisory board of VT Group AG on March 9, 2021.

Due to rounding, it is possible that individual numbers in the balance sheets and statements of financial position and pro forma balance sheets and statements of financial position will not exactly add up to the stated totals.

b) Balance sheet and pro forma balance sheet of Continental AG (HGB)

The column "December 31, 2020" in the following overview contains the items of the individual balance sheet of Continental AG as of December 31, 2020, 24:00 hrs. It shows the situation prior to the spin-off taking effect. The column "January 1, 2021" contains the items of the pro forma balance sheet of Continental AG as of January 1, 2021, 0:00 hrs. It shows the situation after the spin-off has taken effect, whereby the pro forma assumptions explained above under VIII.1.a)aa) were used as a basis.

Assets

(€ millions)	December 31, 2020	Pro forma adjustments	January 1, 2021
I. Intangible assets			
1. Concessions, industrial and similar rights and assets, and licenses in such rights and assets	18.4	0.0	18.4
II. Property, plant and equipment			
1. Land, land rights and buildings including buildings on third-party land	12.7	0.0	12.7
2. Technical equipment and machinery	0.9	0.0	0.9
3. Other equipment, factory and office equipment	0.5	0.0	0.5
4. Advances to suppliers and assets under construction	128.3	0.0	128.3
	142.4	0.0	142.4
III. Investments			
1. Shares in affiliated companies	15,448.3	-4,655.2	10,793.1
2. Other long-term equity investments	26.4	0.0	26.4
3. Long-term securities	197.3	0.0	197.3

Assets

(€ millions)			December 31, 2020	Pro forma adjustments	January 1, 2021
	4.	Other loans	0.0	0.0	0.0
			15,672.0	-4,655.2	11,016.8
A.	**Non-current assets**		**15,832.8**	**-4,655.2**	**11,177.6**
I.	Inventories				
	1.	Raw materials and supplies	0.0	0.0	0.0
II.	Receivables and other assets				
	1.	Trade accounts receivable	0.0	0.0	0.0
	2.	Receivables from affiliated companies	8,097.3	-337.7	7,759.6
	3.	Receivables from companies in which the company has a participating interest	0.1	0.0	0.1
	4.	Receivables from related parties	0.0	337.7	337.7
	5.	Other assets	41.7	0.0	41.7
III.	Securities		0.0	0.0	0.0
IV.	Checks, cash on hand or on deposit with Deutsche Bundesbank and Postbank, cash held with other banks		560.6	0.0	560.6
B.	**Current assets**		**8,699.7**	**0.0**	**8,699.7**
	1.	Discount	27.1	0.0	27.1
	2.	Others	49.5	0.0	49.5
C.	**Prepaid expenses and deferred charges**		**76.6**	**0.0**	**76.6**
Total assets			**24,609.1**	**-4,655.2**	**19,953.9**

Equity and liabilities

(€ millions)			December 31, 2020	Pro forma adjustments	January 1, 2021
I.	Subscribed capital		512.0	0.0	512.0
II.	Capital reserves		4,179.1	0.0	4,179.1
III.	Revenue reserves				
	1.	Legal reserve			
	2.	Other revenue reserves	54.7	0.0	54.7
	3.	Reserve for treasury shares			
			4.745,8	0,0	4.745,8
IV.	Retained earnings				
	1.	Accumulated profits brought forward from the previous year	5,256.0	-4,655.2	600.8
	2.	Net income	782.9	0.0	782.9
			6.038,9	-4.655,2	1.383,7
A.	**Shareholders‘ equity**		**10,784.7**	**-4,655.2**	**6,129.5**
	1.	Provisions for pensions and similar obligations	252.9	0.0	252.9
	2.	Provisions for taxes	597.3	0.0	597.3
	3.	Other provisions	40.6	0.0	40.6
B.	**Provisions**		**890.8**	**0.0**	**890.8**
	1.	Bonds	2,407.7	0.0	2,407.7
	2.	Liabilities to banks	1,220.6	0.0	1,220.6
	3.	Trade accounts payable	38.5	0.0	38.5
	4.	Liabilities to affiliated companies	9,260.8	-533.6	8,727.2
	5.	Liabilities to companies in which the company has a participating interest	0.0	0.0	0.0
	6.	Liabilities to related parties	0.0	533.6	533.6
	7.	Other liabilities	5.9	0.0	5.9
		thereof taxes	2.3	0.0	2.3
		thereof social security obligations	1.0	0.0	1.0
C.	**Liabilities**		**12,933.5**	**0.0**	**12,933.5**
D.	**Deferred income**		**0.1**	**0.0**	**0.1**
Total equity and liabilities			**24,609.1**	**-4,655.2**	**19,953.9**

The individual balance sheet of Continental AG as of December 31, 2020, 24:00 hrs, contains under the item ”investments” the participation in VT 1. Beteiligungs KG in the amount of €2,381,299,000, the participation in VT 2. Beteiligungs KG in the amount of €2,273,840,000, the participations in VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH in the amount of €25,000 each and the participation in VT Group AG in the amount of €50,000. After the spin-off, the participations in VT 1. and 2. Beteiligungs KGs, VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH and VT Group AG are derecognized in the pro forma balance sheet of Continental AG as of January 1, 2021, 0:00 hrs. This results in a pro forma adjustment of €4,655.2 million.

Accordingly, freely available items of equity and, thus, the shareholders’ equity are accordingly reduced in the pro forma balance sheet by the amount of the previous book values of the participations to be spun off (by €4,655.2 million).

As a result of the spin-off, the companies of the Vitesco Technologies Group are no longer considered to be subsidiaries of Continental AG. Accordingly, in the pro forma balance sheet as of January 1, 2021, receivables from affiliated companies and liabilities to affiliated companies are reduced by €337.7 million and €533.6 million, respectively, in comparison with the balance sheet as of December 31, 2020, while receivables from related parties and liabilities to related parties are increased accordingly by €337.7 million and €533.6 million, respectively. For details on the settlement of the receivables and liabilities resulting from the participation in the joint financing structure with the Continental Group planned by the Vitesco Technologies Group within the framework of an external financing from an international banking consortium, see Chapter V.3.

As a consequence of the spin-off, the individual balance sheet of Continental AG is accordingly reduced by €4,655.2 million.

c) Balance sheet and pro forma balance sheet of VT Group AG (HGB)

aa) Effects of the spin-off shown in the pro forma balance sheet

The column "December 31, 2020" in the following overview contains the items of the individual balance sheet of VT Group AG as of December 31, 2020, 24:00 hrs. This balance sheet shows the situation prior to the spin-off taking effect. The column "January 1, 2021" contains the items of the pro forma balance sheet of VT Group AG as of January 1, 2021, 0:00 hrs. It shows the situation after the spin-off has taken effect, whereby the pro forma assumptions explained above under VIII.1.a)aa) were used as a basis.

(€ thousands)	December 31, 2020	Pro forma adjustments	January 1, 2021
Assets			
Non-current assets	**0**	**4,655,189**	**4,655,189**
Investments	0	4,655,189	4,655,189
Current assets	**48**	**0**	**48**
Receivables from affiliated companies			
Other receivables and other assets			
Cash and cash equivalents	48	0	48
Total assets	**48**	**4,655,189**	**4,655,237**
Equity and liabilities			
Subscribed capital	50	100,003	100,053
Capital reserves		4,555,186	4,555,186
Distributable profit	-12	0	-12
Equity	**38**	**4,655,189**	**4,655,227**
Other provisions	**10**	**0**	**10**
Total equity and liabilities	**48**	**4,655,189**	**4,655,237**

The assets in the pro forma balance sheet as of January 1, 2021, 0:00 hrs, show the participations to be spun off after the spin-off has taken effect. The right to choose is exercised in favor of a carryover of the book value of the previous participations in the annual financial statements of Continental AG, resulting in investments in an amount of €4,655,189,000. Of this amount, €2,381,299,000 are attributable to the participation in VT 1. Beteiligungs KG, €2,273,840,000 are attributable to the participation in VT 2. Beteiligungs KG, and €25,000 are attributable to each of the participations in VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH. The fair market value of these participations may change subsequently and may also fall to a level below the respective book value.

The increase in equity by €4,655,189,000 consists of an increase in the subscribed capital by €100,002,990 as a result of the spin-off capital increase as well as of an increase in the capital reserves by the remaining amount of the book value of the participations to be spun off.

bb) Effects of the spin-off not shown in the pro forma balance sheet

In the Spin-off and Transfer Agreement, VT Group AG undertakes to bear certain costs in connection with the spin-off and stock exchange listing, see also Chapter VI.14.

d) Statement of financial position and pro forma statement of financial position of the Continental Group (IFRS)

The column "December 31, 2020" in the following overview contains the statement of financial position of the Continental Group as of December 31, 2020, 24:00 hrs. It shows the situation prior to the spin-off taking effect. In principle, it contains the Vitesco Technologies Group as a segment in accordance with IFRS 8 (Powertrain segment). The relevant subsidiaries belonging to the Vitesco Technologies Group, which are controlled by Continental AG in accordance with the provisions of IFRS 10, are fully consolidated. The investments belonging to the Vitesco Technologies Group that are classified as joint arrangements or associated companies are accounted for using the equity method. Thus, as of December 31, 2020, the Vitesco Technologies Group continues to be part of the consolidated group. Intra-group receivables and liabilities are consolidated. The column "January 1, 2021" contains the pro forma statement of financial position of the Continental Group as of January 1, 2021, 0:00 hrs. It shows the situation after the spin-off has taken effect, whereby the pro forma assumptions explained above under VIII.1.a)aa) were used as a basis. The pro forma statement of financial position of the Continental Group is not identical with the consolidated statement of financial position as it will appear at the time when the spin-off takes effect upon registration in the commercial register (see below).

Assets

(€ millions)	**December 31, 2020**	**Pro forma adjustments**	**January 1, 2021**
Goodwill	4,361.6	-785.1	3,576.4
Other intangible assets	1,346.9	-164.5	1,182.4
Property, plant and equipment	13,760.6	-2,469.8	11,290.8
Investment property	12.2	0.0	12.2
Investments in equity-accounted investees	351.3	-31.0	320.3
Other investments	123.4	-0.1	123.2
Deferred tax assets	2,751.4	-266.0	2,485.4
Defined benefit assets	82.7	-3.8	78.8
Long-term contract assets	0.0	0.0	0.0
Long-term derivative instruments and interest-bearing investments	142.6	-11.2	131.3

Long-term other financial assets	161.0	-7.0	154.1
Long-term other assets	24.2	-5.8	18.4
Non-current assets	**23,117.9**	**-3,744.4**	**19,373.4**
Inventories	4,238.2	-561.3	3,676.9
Trade accounts receivable	7,353.2	-174.3	7,178.9
Short-term contract assets	119.1	-11.0	108.1
Short-term other financial assets	146.8	-31.2	115.6
Short-term other assets	1,352.5	-403.8	948.6
Income tax receivables	234.8	-14.3	220.5
Short-term derivative instruments and interest-bearing investments	114.0	607.5	721.5
Cash and cash equivalents	2,938.7	-255.0	2,683.8
Assets held for sale	22.8	0.0	22.8
Current assets	**16,520.1**	**-843.4**	**15,676.6**
Total assets	**39,638.0**	**-4,587.7**	**35,050.1**

Equity and liabilities

(€ millions)	**December 31, 2020**	**Pro forma adjustments**	**January 1, 2021**
Subscribed capital	512.0	0.0	512.0
Capital reserves	4,155.6	0.0	4,155.6
Retained earnings	11.960.2	-3,073.6	8,886.6
Other comprehensive income	-4,365.4	405.9	-3,959.5
Equity attributable to the shareholders of the parent	**12,262.4**	**-2,667.7**	**9,594.6**
Non-controlling interests	376.7	0.0	376.7
Total equity	**12,639.1**	**-2,667.7**	**9,971.3**
Long-term employee benefits	6,109.9	-923.6	5,186.3
Deferred tax liabilities	168.6	-36.8	131.8
Long-term provisions for other risks and obligations	1,242.6	-339.9	902.7
Long-term indebtedness	5,144.4	-91.8	5,052.6
Long-term other financial liabilities	6.7	0.0	6.7
Long-term contract liabilities	7.0	0.0	7.0
Long-term other liabilities	63.9	-9.3	54.6
Non-current liabilities	**12,743.1**	**-1,401.4**	**11,341.6**
Short-term employee benefits	1,236.5	-212.0	1,024.5
Trade accounts payable	5,933.1	-474.4	5,458.6
Short-term contract liabilities	291.0	-98.1	192.9
Income tax payables	790.1	-86.8	703.3
Short-term provisions for other risks and obligations	1,725.4	-434.6	1,290.8
Short-term indebtedness	2,190.0	967.5	3,157.5
Short-term other financial liabilities	1,287.9	-103.0	1,184.8
Short-term other liabilities	801.8	-77.2	724.6
Current liabilities	**14,255.8**	**-518.7**	**13,737.1**
Total equity and liabilities	**39,638.0**	**-4,587.7**	**35,050.1**

aa) Effects of the spin-off shown in the pro forma statement of financial position

The Vitesco Technologies Group is derecognized in the pro forma consolidated statement of financial position as of January 1, 2021, 0:00 hrs. This results in a decrease in the relevant assets by €4,587.7 million, in the relevant liabilities by €1,920.0 million and in retained earnings and other comprehensive income by, in total, €2,667.7 million.

Due to the elimination of the consolidation, the pro forma consolidated statement of financial position includes receivables and liabilities of the remaining Continental Group from and to the Vitesco Technologies Group after the spin-off. This results in a decrease in trade accounts receivable by €174.3 million and in short-term other financial assets by €31.2 million and in an increase in short-term derivative instruments and interest-bearing investments by €607.5 million. It also results in a decrease in trade accounts payable by €474.4 million and in short-term other financial liabilities by €103.0 million and in an increase in short-term indebtedness by €967.5 million. For details on the settlement of these items intended to be agreed between the Continental Group and VT Group AG in connection with an external financing from an international banking consortium, see Chapter V.3.

With regard to the spin-off, the Continental Group reflects, subject to the approval of the Spin-off and Transfer Agreement by the shareholders' meeting of Continental AG on April 29, 2021, a spin-off liability (at the book values of the assets and liabilities of Vitesco Technologies to be derecognized) reducing equity (by a reduction of retained earnings) in the consolidated statement of financial position in accordance with IFRIC 17 *Distributions of Non-Cash Assets to Owners* for the period as from the expected resolution of the shareholders' meeting until the spin-off takes effect. As of the subsequent reporting dates until the spin-off takes effect, the spin-off liability has to be measured at the net book value of the assets and liabilities of Vitesco Technologies to be derecognized. The spin-off liability is not measured at the fair value of Vitesco Technologies because the assets to be derecognized are controlled before and after the spin-off by the same shareholder pursuant to IFRS 10 (Common Control Transaction). When the spin-off takes effect, the Continental Group will reflect the derecognition of this spin-off liability and the book value of the then existing assets held for sale and related liabilities.

bb) Effects of the spin-off not shown in the pro forma statement of financial position

Unlike the provisions of commercial law, a spin-off has no retroactive effect on the consolidated accounting of Continental AG under IFRS. The relevant changes in assets, profits or losses and changes in cash flows of the Vitesco Technologies Group until the spin-off takes effect are not taken into account in the pro forma statement of financial position of the Continental Group (IFRS) described above. Thus, the actual effects of the spin-off on the statement of financial position of the Continental Group (IFRS) will differ from those on the pro forma statement of financial position of the Continental Group (IFRS) described above.

The currently expected partial forfeiture of loss carry forwards of Continental AG as a result of the spin-off has already been taken into account in the assessment of deferred tax assets in the statement of financial position of the Continental Group as of December 31, 2020. Due the fact that, pursuant to Section 15(3) of the German Transformation Tax Act (*Umwandlungssteuergesetz* – ***UmwStG***), the spin-off will result in a reduction of remaining loss carry fowards at the transferring entity pro rata in the proportion in which, when using fair market values as a basis, the assets are transferred to another entity (for a description of the tax effects of the spin-off, see Chapter VIII.2), the reduction of the loss carry forwards of Continental AG as a result of the implementation of the spin-off had to be reflected already in the statement of financial position of the Continental Group as of December 31, 2020.

e) Pro forma statement of financial position of the future Vitesco Technologies Group (IFRS)

The pro forma statement of financial position of the Vitesco Technologies Group is based on the Combined Financial Statements as of December 31, 2020 which were prepared by the executive board of VT Group AG and audited by its auditor KPMG AG Wirtschaftsprüfungsgesellschaft, which issued an unqualified audit opinion thereon.

These Combined Financial Statements include VT Group AG, VT 1. and 2. Beteiligungs KGs and the two general partners, VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH, as well as Vitesco Technologies GmbH together with its direct and indirect subsidiaries. In accordance with the accounting standards relating to business combinations under common control, VT Group AG applies the same accounting principles and valuations when preparing the Combined Financial Statements that were applied for the preparation of the financial information for Continental's consolidated financial statements (predecessor accounting); the values for assets including goodwill and for liabilities were extracted from the financial information for Continental's relevant consolidated financial statements. IFRS 1 was not applied in preparing the Combined Financial Statements.

However, there were deviations from the accounting principles and measurements applied in Continental's consolidated financial statements to the extent that this was necessary to show the Vitesco Technologies Group as a group of companies which is independent from the Continental Group. Leases with companies of the Continental Group were reflected in accordance with the accounting standards applying to the Vitesco Technologies Group as an independent group of companies. This further involves in particular adjustments which were required in connection with Continental's consolidated financial statements. These adjustments were not taken into account in the Combined Financial Statements because, in the view of VT Group AG as the future parent company of the Vitesco Technologies Group, relationships with the Continental Group were not required to be eliminated but, instead, to be reflected as result of the business of the Vitesco Technologies Group. This concerns, in particular, transactions in connection with contract manufacturing (where the Continental Group and the Vitesco Technologies Group each engage in manufacturing activities for customer orders of the respective contractual partner from the Vitesco Technologies Group and the Continental Group, as applicable), transactions under the joint financing structure with the Continental Group and transactions in connection with agreements on the provision of specific services.

Therefore, receivables and liabilities relating to companies of the Continental Group are recorded in the pro forma statement of financial position of the Vitesco Technologies Group under trade accounts receivable and trade accounts payable. In addition, there are receivables and liabilities resulting from the participation in the joint financing structure with the Continental Group (which are included in the items “short-term derivate instruments and interest-bearing investments” and “short-term indebtedness”). Therefore, the presentation of the Vitesco Technologies Group in its pro forma statement of financial position is only to a limited extent comparable with the presentation of the Powertrain segment in the statement of financial position of the Continental Group because supply and service relationships – in particular, the VT Contract Manufacturing, as well as financing – between Vitesco Technologies GmbH together with its direct and indirect subsidiaries and the Continental Group are eliminated in the segment reporting of the Continental Group or attributed to the relevant contracting segment. In addition, the holding companies (VT 1. and 2. Beteiligungs KGs and their respective general partners as well as VT Group AG) are not attributed to the Powertrain segment in the segment reporting.

The following overview contains the pro forma statement of financial position of the Vitesco Technologies Group as of the Spin-off Effective Date January 1, 2021, 0:00 hrs, on the basis of the pro forma assumptions explained in VIII.1.a)aa) above.

(€ millions)	**January 1, 2021**
Assets	
Goodwill	785.2
Other intangible assets	164.5
Property, plant and equipment	2,458.0
Investments in equity-accounted investees	15.9
Other investments	15.2
Deferred tax assets	266.0
Defined benefit assets	3.8
Long-term derivative instruments and interest-bearing investments	11.2
Long-term other financial assets	7.0
Long-term other assets	5.8
Non-current assets	**3,732.6**
Inventories	561.8
Trade accounts receivable	1,983.6
Short-term contract assets	11.0
Short-term other financial assets	65.6
Short-term other assets	403.8
Income tax receivables	14.3
Short-term derivative instruments and interest-bearing investments	1,034.0
Cash and cash equivalents	255.0
Current assets	**4,329.1**
Total assets	**8,061.7**
Equity and liabilities	
Subscribed capital and reserves	2,872.6
Other comprehensive income	-408.0
Equity attributable to the shareholders	2,464.6
Non-controlling interests	184.0
Total equity	2,648.6

Long-term employee benefits	923.6
Deferred tax liabilities	36.8
Long-term provisions for other risks and obligations	339.9
Long-term indebtedness	181.3
Long-term other liabilities	9.3
Non-current liabilities	**1,490.9**
Short-term employee benefits	209.6
Trade accounts payable	2,215.5
Short-term contract liabilities	98.1
Income tax payables	86.8
Short-term provisions for other risks and obligations	440.0
Short-term indebtedness	688.9
Short-term other financial liabilities	106.0
Short-term other liabilities	77.3
Current liabilities	**3,922.2**
Total equity and liabilities	**8,061.7**

aa) Effects of the spin-off shown in the pro forma statement of financial position

The pro forma statement of financial position of the future Vitesco Technologies Group shows the assets and liabilities allocated to the newly created Vitesco Technologies Group when the spin-off takes effect. Since no financial effects of the spin-off and the preparatory transactions on the assets of the Vitesco Technologies Group were identified, the pro forma statement of financial position equals the statement of financial position in the Combined Financial Statements as of December 31, 2020 (rounded to full € million amounts).

The receivables and liabilities from and to affiliated companies of the Continental Group are recorded as trade accounts receivable and trade accounts payable. In addition, there are receivables and liabilities resulting from the participation in the joint financing structure with the Continental Group. The capital contributions made by Continental AG until December 31, 2020 are taken into account in the equity (Combined Financial Statements: equity attributable to the Continental Group). The item “invested equity attributable to the Continental Group” in the Combined Financial Statements is allocated between the items “subscribed capital” (in the amount of the share capital) and “reserves”, and the 3.56% stake held by CA France in Vitesco Technologies GmbH in the amount of €184.0 million is reclassified from capital reserves to non-controlling interests.

bb) Effects of the spin-off not shown in the pro forma statement of financial position

In the Spin-off and Transfer Agreement, VT Group AG undertakes to bear certain costs in connection with the spin-off and stock exchange listing, see also Chapter VI.14.

On November 26, 2020, the business activities of Vitesco Technologies Korea attributable to the Continental Group and the business activities of further companies of the Continental Group in Korea attributable to

Vitesco Technologies were transferred to companies of the Continental Group and Vitesco Technologies, as applicable, with effect as of January 1, 2021. As a result, the Carve-Out in Korea has been fully completed since January 1, 2021 (see Chapter V.1). The sale of the business activities attributable to the Continental Group results in a cash inflow and nearly equivalent income before taxes in a mid two-digit million euro amount at Vitesco Technologies, while acquisition costs in a mid one-digit million euro amount result from the acquisitions from Continental. The acquisition of the "automotive quality labs" with effect as of January 1, 2021 results in acquisition costs and an equivalent cash outflow in a mid one-digit million euro amount.

The commercial vehicle area of the "Selective Catalytic Reduction Systems" product line (***SCR***) will be sold to Anhui ActBlue Co. Ltd., a strategic investor headquartered in China. Vitesco Technologies and Anhui ActBlue Co. Ltd. entered into agreements to that effect on March 1, 2021. The closing of the transaction is, *inter alia*, subject to the successful completion of certain regulatory approval processes and is expected to occur in the third quarter 2021.

The plan is that the remaining 3.56% of the shares in Vitesco Technologies GmbH, which are currently held by CA France, will be sold at market value to VT 1. and 2. Beteiligungs KGs prior to the spin-off taking effect. A purchase of the shares would result in a reduction of the equity of the Vitesco Technologies Group by the amount of the purchase price. For details on the settlement of the receivables and liabilities resulting from the participation in the joint financing structure with the Continental Group in connection with an external financing from an international banking consortium, see Chapter V.3.

2. Tax effects of the spin-off

The following discussion explains the material tax effects of the spin-off for the shareholders of Continental AG, as well as for Continental AG, VT 1. Beteiligungs KG, VT 2. Beteiligungs KG, VT Group AG, Vitesco Technologies GmbH and the downstream affiliates of Vitesco Technologies GmbH. A comprehensive or final description of all conceivable tax aspects for each individual shareholder of Continental AG is not possible because these depend on the shareholder's individual tax circumstances. The following description also cannot substitute individual tax advice being provided to the individual shareholder. Therefore, shareholders should consult their tax advisors about the individual tax effects of the spin-off.

The following description is based on the German tax law as it is currently applicable and its interpretation by courts and administrative instructions. Tax laws are subject to change – under certain circumstances with retroactive effect. Furthermore, it cannot be ruled out that the tax authorities or courts will consider another interpretation to be correct, instead of the description given in this Chapter. The tax effects in foreign jurisdictions and double tax treaties which may be applicable will not be discussed below.

a) Tax consequences for the shareholders

The tax effects of the spin-off for the shareholders of Continental AG who are subject to taxation in Germany follow from the provisions of Section 15(1) in conjunction with Section 13 UmwStG as well as Section 20(4a) of the German Income Tax Act (*Einkommensteuergesetz* – ***EStG***).

aa) Tax effects for shares held as business assets

In the case of shares in Continental AG held as business assets, the legal tax consequences for the shareholders follow from Sections 15, 13 UmwStG. Pursuant to these provisions, the shares in the transferring entity (Continental AG) are considered to have been sold on a pro rata basis at fair market value (*gemeiner Wert*), and the shares in the acquiring entity (VT Group AG) replacing them are considered to have been acquired at that value (Section 13(1) UmwStG). The resulting profit or loss is the difference between the pro rata book value and the pro rata fair market value of the shares in Continental AG at the time of registration of the spin-off in the commercial register. The fair market value of the shares in Continental AG is, as a rule, determined on the basis of the stock exchange price of the Continental AG share (for details on the allocation of the book values for tax purposes of the shares in Continental AG between the shares in Continental AG and the shares in VT Group AG, see below).

Pursuant to the statutory provisions mentioned above, the transaction is deemed to be a sale transaction by a shareholder, such transaction being subject to the general tax rules for the taxation of capital gains (or losses) from the sale of shares. In the case of a capital gain, the taxation depends, *inter alia*, on whether the shareholder is a corporation, a sole proprietor or a partnership.

The shares in VT Group AG to be granted to the shareholders of Continental AG as consideration for the spin-off are considered for tax purposes to have been newly acquired. Therefore, the tax features of the shares held in Continental AG by the individual shareholder (such as holding periods, deferred obligations to reverse write-downs etc.) do not pass to the newly granted shares in VT Group AG (no application of the so-called “footsteps theory”).

The tax consequences described above may under certain circumstances be avoided. This requires action on the part of the relevant shareholder. Subject to the prerequisites of Section 15(1) sentence 2 UmwStG in conjunction with Section 13(2) UmwStG, a carryover of book values is possible upon request of the relevant shareholder.

The applicability of the carryover of book values pursuant to Section 13(2) UmwStG is, *inter alia*, subject to the condition that both the Spin-off Assets and the assets retained by Continental AG each represent a branch of activity (*Teilbetrieb*) for tax purposes (so-called dual branch of activity requirement) as of the Effective Transfer Date for Tax Purposes (see Chapter VIII.2.b)aa)). The competent tax office informed Continental AG by way of a binding ruling issued to Continental AG that both the Spin-off Assets (for details, see Chapter IV.) and the assets retained by Continental AG represent a branch of activity, which means that the so-called dual branch of activity requirement within the meaning of Section 15(1) sentence 2, sentence 3 UmwStG is satisfied, subject to the correct implementation of the matter on which the binding ruling issued by the tax office was based.

Therefore, in the view of the executive boards of Continental AG and VT Group AG, the shareholders of Continental AG should be able, upon request by the relevant shareholder, to assess the value of the shares in VT Group AG, in deviation from the principle described above, at the pro rata book value of the shares in Continental AG if the other prerequisites of Section 13(2) UmwStG are satisfied, in particular if the right of the Federal Republic of Germany to tax the capital gain from the sale of the shares in VT Group AG is not excluded or restricted. Formally, however, the tax office competent for the shareholder is not bound by the ruling issued to Continental AG but may carry out its own assessment whether the prerequisites for a carryover of book values are satisfied for the individual shareholder.

In the case of a carryover of book values upon request described above, the shares in Continental AG are, in deviation from the principle described above, not considered to have been sold on a pro rata basis at fair market value. Thus, there is no (taxable) capital gain when the spin-off takes effect. In this case, the shares in VT Group AG take, on a pro rata basis, the place of the shares in Continental AG for tax purposes (so-called “footsteps theory”). This means that certain tax features of the shares or the shareholding in Continental AG (such as holding periods, deferred obligations to reverse write-downs etc.) pass to the shares in VT Group AG and continue to exist to that extent.

The request for a carryover of book values pursuant to Section 13(2) UmwStG must be filed by the relevant shareholder of Continental AG with the tax office that is competent for that shareholder. The request cannot be subject to a condition and is irrevocable. A specific form is not required. A specific deadline is also not required by law. As far as the executive boards of Continental AG and VT Group AG are aware, the tax authorities have not published any statement on this question. In the view of the executive boards of Continental AG and VT Group AG, those shareholders of Continental AG who intend to file a request for a carryover of book values should file this request in a timely manner (for example when submitting their tax return or already immediately after the spin-off has taken effect).

The application of Section 15 UmwStG in conjunction with Section 13 UmwStG requires that the previous book values for tax purposes of the Continental AG shares be allocated between the shares in Continental AG and the shares in VT Group AG after the spin-off. The tax authorities generally hold the view that this may be done on the basis of the share allocation ratio set out in the Spin-off Agreement (see para. 15.43

of the Circular of the German Federal Ministry of Finance dated November 11, 2011, Federal Tax Gazette I 2011, 1314 (so-called “Transformation Tax Decree” (“*UmwSt-Erlass*”) with regard to the application of Section 13 UmwStG to spin-offs. In the present case, the Continental AG shareholders will receive one VT Group AG share for every five Continental AG shares. As a result, 5/6 of the book values of the Continental AG shares prior to the spin-off would have to be allocated to the Continental AG shares and 1/6 of these book values would have to be allocated to the VT Group AG shares.

However, it is unclear whether a different ratio (e.g. the ratio of the fair market value of Continental AG prior to the spin-off to the fair market value of VT Group AG after the spin-off) might be a preferable basis for the allocation of the book values. Due to legal and factual reasons, neither Continental AG nor VT Group AG was able to obtain a binding ruling with regard to this question from all tax authorities competent for the relevant shareholders.

If the relevant shareholder does not file a request for a carryover of book values, the tax authorities or the entity which holds or administers the shares in Continental AG might classify the spin-off as a partial sale of shares in Continental AG within the meaning of Section 20(2) sentence 1 no. 1 EStG. In this case, withholding tax plus the solidarity surcharge in a total amount of 26.375% (plus church tax, if applicable) might be incurred on any capital gain, and the relevant shareholder of Continental AG might be required to pay the withholding tax. If the relevant shareholder of Continental AG does not comply with this obligation, the tax authorities may subsequently demand payment of the withholding tax from such shareholder. By providing appropriate information to the entity which holds or administers the shares in Continental AG (usually the custodian bank), the shareholders in Continental AG may under certain conditions be able to achieve the result that no deduction of withholding tax pursuant to Section 43(2) sentence 3 EStG is made.

bb) Tax effects on shares held as private assets

(1) Shareholders within the meaning of Section 17 EStG

The provisions of Section 13 UmwStG and, accordingly, the statements in Chapter VIII.2.a)aa) also apply to shares held as private assets within the meaning of Section 17 EStG. Shares within this meaning exist if a shareholder or, in the case of a legal succession without consideration, one of its legal predecessors directly or indirectly held an interest of at least 1% in the capital of Continental AG during the last five years prior to the spin-off (shareholder within the meaning of Section 17 EStG).

Also in this case, the transaction is generally deemed to be a sale transaction pursuant to Section 13(1) UmwStG, such transaction being subject to the general tax rules for the taxation of capital gains (or the treatment of losses) from the sale of shares. If the individual shareholder files a request for carryover of its acquisition costs, the shares in Continental AG are, in deviation from the principle described above, not considered as having been sold on a pro rata basis at fair market value. Thus, there is no (taxable) capital gain. In this case, the shares in VT Group AG take, on a pro rata basis, the place of the shares in Continental AG for tax purposes (so-called “footsteps theory”).

In the case of shareholders within the meaning of Section 17 EStG, however, there is – in deviation from the statements in Chapter VIII.2.a)aa) – no possibility to avoid the deduction of withholding tax pursuant to Section 43(2) sentence 3 EStG in the absence of a request for a carryover of acquisition costs. A set-off or reimbursement of withholding tax paid, if any, may be available for these shareholders in the context of their tax assessment.

(2) Shareholders within the meaning of Section 20 EStG

To the extent that shares in Continental AG are held as private assets and the shareholder or, in the case of a legal succession without consideration, one of its legal predecessors did not hold an interest of at least 1% in Continental AG during the last five years (shareholders within the meaning of Section 20 EStG), the spin-off will be executed on a tax-neutral basis, i.e. without realization of taxable capital gains, provided that, in particular, the right of the Federal Republic of Germany to tax the capital gain from the sale of the Continental AG shares is not excluded or restricted (Section 20(4a) sentence 7 EStG). Thus, no deduction and payment of withholding tax is required.

Pursuant to Section 20(4a) sentence 7 EStG, the VT Group AG shares granted to the shareholders of Continental AG in the spin-off take, on a pro rata basis, the place of the Continental AG shares. Therefore, the spin-off does not lead to a realization of gains or losses from the shares in Continental AG but, instead, is executed on a tax-neutral basis at acquisition costs. It is not required to file a request for a carryover of acquisition costs. In the view of the tax authorities (see Circular of the German Federal Ministry of Finance dated January 18, 2016 with regard to Section 20(4a) EStG, Federal Tax Gazette I 2016, 85, para. 101), the allocation of the acquisition costs between the Continental AG shares and the VT Group AG shares shall generally be determined on the basis of the share allocation ratio pursuant to the Spin-off Agreement. In the present case, the Continental AG shareholders will receive one VT Group AG share for every five Continental AG shares. As a result, 5/6 of the acquisition costs of the Continental AG shares prior to the spin-off would have to be allocated to the Continental AG shares and 1/6 of these costs would have to be allocated to the VT Group AG shares. Since this allocation does not take into account the stock exchange values of the shares, the acquisition costs so determined may not reflect the proportionate value of the shares. This may result in adverse tax consequences for the shareholders in the case of a later sale. In the opinion of the executive boards of Continental AG and VT Group AG, it is unclear whether, in the present case, the use of the stock exchange prices as a basis (as described in Chapter VIII.2.a)aa) for shares held as business assets) is permitted under tax law and whether this basis may be applied accordingly by the relevant shareholder in the context of such shareholder’s personal tax assessment. Due to legal and factual reasons, neither Continental AG nor VT Group AG was able to obtain a binding ruling with regard to this question from all tax authorities competent for the relevant shareholders.

To the extent that the Continental AG shares were acquired prior to January 1, 2009 and, consequently, their sale would be exempt from tax due to the expiration of the so-called “speculation period” which was applicable in the past, this feature will, on the basis of the Circular of the German Federal Ministry of Finance dated January 18, 2016 with regard to Section 20(4a) EStG, Federal Tax Gazette I 2016, 85, para. 100, pass to the VT Group AG shares granted in the spin-off. In the opinion of the executive boards of Continental AG and VT Group AG, this circular is also applicable to the relevant Section 20(4a) sentence 7 EStG which extends the scope of application of Section 20(4a) sentence 1 EStG to spin-offs (see Circular of the German Federal Ministry of Finance dated January 18, 2016 with regard to Section 20(4a) EstG, Federal Tax Gazette I 2016, 85, para. 115).

(3) Other situations

To the extent that shareholders of Continental AG are not resident for tax purposes in Germany (non-tax residents) and the shares are subject to tax in Germany (e.g. in case that they belong to a domestic permanent establishment of the non-tax resident), the principles set out in Chapter VIII.2.a)aa) above apply accordingly.

b) Tax effects on Continental AG, VT 1. Beteiligungs KG, VT 2. Beteiligungs KG and VT Group AG

aa) Tax effects on Continental AG

The legal tax consequences of the spin-off for Continental AG follow from Section 15 UmwStG. The effective transfer date for tax purposes within the meaning of Section 2(1) UmwStG for the spin-off is the date as of which the transferring entity has to prepare the closing balance sheet under commercial law. This is the end of the date immediately preceding the Spin-off Effective Date under commercial law (see Chapter VI.6) (***Effective Transfer Date for Tax Purposes***). This means that the Effective Transfer Date for Tax Purposes is generally December 31, 2020, 24:00 hrs. In the event that the provision regarding the postponement of the Spin-off Effective Date pursuant to sec. 4 of the Spin-off and Transfer Agreement becomes applicable (see Chapter VI.6), the Effective Transfer Date for Tax Purposes would be automatically postponed by one year. Therefore, the income and assets of Continental AG and VT Group AG have to be determined as if the Spin-off Assets of Continental AG had been transferred to VT Group AG at the end of the Effective Transfer Date for Tax Purposes.

The executive boards of Continental AG and VT Group AG expect that the spin-off will not give rise to any liability for payment of corporate income tax or trade tax for Continental AG. For tax purposes, the spin-off is considered a sale of the Spin-off Assets by the transferring entity – Continental AG and, pursuant to Section 15(1) sentence 1 UmwStG in conjunction with Section 11(1) UmwStG, such a sale is generally made at fair market value, which means that hidden reserves, if any, in the Spin-off Assets (i.e. the difference between the book value of the Spin-off Assets and the fair market value of the Spin-off Assets) would generally be realized. Due to, among other things, the narrow prerequisites laid down in Section 15(2) UmwStG, it is rather unlikely that a tax-neutral carryover of book values, which would be permitted under certain conditions upon request, will be available for parties of a spin-off which are listed companies like Continental AG and VT Group AG because, in particular, the prerequisite of the so-called ‘post-spin-off lock-up’ (*Nachspaltungsveräußerungssperre*) pursuant to Section 15(2) sentences 2 to 4 UmwStG only permits sales of shares representing 20% (calculated on a cumulative basis) of the value of Continental AG prior to the spin-off during a period of five years after the spin-off (simplified). Therefore, the executive boards of Continental AG and VT Group AG currently expect that a carryover of book values will not be possible.

However, the executive boards of Continental AG and VT Group AG expect that the book values of the Spin-off Assets in the balance sheet for tax purposes of Continental AG as of the Effective Transfer Date for Tax Purposes will likely exceed the fair market values of the Spin-off Assets and that, even without a carryover of book values, the spin-off will not give rise to a realization of hidden reserves at Continental AG but that a loss which is not tax-deductible will be recorded in the balance sheet for tax purposes. Even if, contrary to the expectations of the executive boards of Continental AG and VT Group AG, a gain from the spin-off were to arise, the executive boards of Continental AG and VT Group AG believe that, in any event, the 95% tax exemption for capital gains from the sale of shares in corporations pursuant to Section 8b(2), (3) of the German Corporate Income Tax Act (*Körperschaftsteuergesetz* – ***KStG***) would apply because the items of the Spin-off Assets which potentially include hidden reserves are, from the perspective of corporate income tax and trade tax law, shares in Vitesco Technologies GmbH. These shares are, under civil law, owned by VT 1. Beteiligungs KG and VT 2. Beteiligungs KG but are, for tax purposes, considered to be sold as a result of the spin-off due to the fiscal transparency of VT 1. Beteiligungs KG and VT 2. Beteiligungs KG. Gains from the sale of these shares benefit from a preferential tax treatment under Section 8b KStG because they are shares in corporations. Pursuant to Section 8b KStG, any gain from the sale of shares in corporations is effectively 95% tax exempt for corporate income and trade tax purposes, whereas a loss which is expected to be recorded in the balance sheet for tax purposes would not be tax-deductible. Therefore, it can at least be ruled out that a potential corporate income tax liability would have a material adverse effect on the financial condition and results of operations of Continental AG. Trade tax, if any, would be incurred in any event at the level of VT 1. Beteiligungs KG and VT 2. Beteiligungs KG (see Chapter VIII.2.b)bb)(2)).

Pursuant to Section 15(3) UmwStG, offsettable losses, remaining loss carry forwards, negative income which has not been set off, any interest carry forward pursuant to Section 4h(1) sentence 5 EStG and any carry forward of EBITDA pursuant to Section 4h(1) sentence 3 EStG of Continental AG, which exist, in each case, as of the Effective Transfer Date for Tax Purposes, will be generally reduced pro rata in the proportion in which, when using fair market values as a basis, the assets are transferred from Continental AG to VT Group AG. This proportion shall be determined by the share allocation ratio pursuant to Section 126(1) no. 3 UmWG set out in the Spin-off Agreement, unless Continental AG demonstrates that the ratio of the fair market value of the assets of Continental AG prior to the spin-off to the fair market value of the Spin-off Assets deviates from this proportion. This means that the determination of the extent to which offsettable losses, remaining loss carry forwards, negative income which has not been set off, the interest carry forward and the carry forward of EBITDA become forfeited ultimately depends on the ratio between the fair market value of the Spin-off Assets and the fair market value of the assets of Continental AG prior to the spin-off and on the extent to which this ratio deviates from the share allocation ratio specified in the Spin-off Agreement. Accordingly, on the basis of the share allocation ratio of 5:1 specified in the Spin-off Agreement (see Chapter VII.), 1/6 of Continental AG’s losses, loss carry forwards and carry forward of EBITDA existing on the Effective Transfer Date for Tax Purposes would become forfeited. On the basis of currently available information, Continental AG is expected to have corporate income tax loss carry forwards and trade tax loss carry forwards of in each case an amount in the upper three-digit million euro range and a carry forward of EBITDA in the amount of approximately €1.3 billion as of December 31, 2020, the scheduled Effective Transfer Date for Tax Purposes, part of which would become forfeited accordingly. Based on this joint assessment of the executive boards of Continental AG and VT Group AG, the partial forfeiture of the loss carry forwards has already been taken into account in the assessment of deferred tax assets and, accordingly, deferred tax assets in the amount of around €30 million were not recognized in the annual financial statements for the fiscal year 2020 (see also Chapter VIII.1.d)bb)).

The capital contribution account for tax purposes of Continental AG will be allocated between Continental AG and VT Group AG (Section 29(3) sentence 2 KStG).

The executive boards of Continental AG and VT Group AG share the view that the spin-off will not trigger any VAT at the level of Continental AG. Both executive boards expect, however, that the spin-off will trigger real estate transfer tax on the level of Continental AG and VT Group AG in the amount of approximately €4 million, which shall be borne equally between Continental AG and VT Group AG pursuant to the Group Separation Agreement.

bb) Tax effects on VT Group AG, VT 1. Beteiligungs KG, VT 2. Beteiligungs KG, Vitesco Technologies GmbH and the downstream affiliates of Vitesco Technologies GmbH

(1) VT Group AG

VT Group AG recognizes the Spin-off Assets in its balance sheet for tax purposes at the value shown in the closing balance sheet for tax purposes of Continental AG (Section 15(1) sentence 1 in conjunction with Section 12(1) UmwStG). According to the current planning of the executive boards of Continental AG and of VT Group AG, this is expected to be the fair market value because it is rather unlikely that the prerequisites for a carryover of book values are satisfied (see Chapter VIII.2.b)aa) above).

From a tax perspective, the limited partnership interests in VT 1. Beteiligungs KG and VT 2. Beteiligungs KG do not represent independent assets. However, at the end of the Effective Transfer Date for Tax Purposes, the assets held by VT 1. Beteiligungs KG and VT 2. Beteiligungs KG are, for tax balance sheet purposes, attributable pro rata to VT Group AG as limited partner holding a 100% interest in the assets of the two limited partnerships (so-called transparency of partnerships). These assets are expected to be recognized, as a result of the spin-off, in the balance sheets for tax purposes of VT 1. Beteiligungs KG and VT 2. Beteiligungs KG at fair market value. The interests in VT 1. Beteiligungs KG and VT 2. Beteiligungs KG are then recognized in the balance sheet for tax purposes of VT Group AG by recognition of the capital account of the two limited partnerships (fully) attributable to VT Group AG, taking into account special and/or supplementary balance sheets, if any (so-called ‘mirroring approach’ (*Spiegelbildmethode*)).

VT Group AG succeeds to the tax status of Continental AG with regard to the Spin-off Assets (Section 15(1) in conjunction with Section 12(3) UmwStG). The principles described in Chapter VIII.2.a)aa) above apply to the allocation of the capital contribution account for tax purposes between Continental AG and VT Group AG.

The executive boards of Continental AG and VT Group AG share the view that the spin-off will not trigger any VAT on the level of VT Group AG. However, the executive boards of Continental AG and VT Group AG share the view that the spin-off will trigger real estate transfer tax on the level of Continental AG and VT Group AG in the amount of €4 million, which shall be borne equally between Continental AG and VT Group AG pursuant to the Group Separation Agreement (see also Chapter VIII.2.b)aa) above).

(2) VT 1. Beteiligungs KG and VT 2. Beteiligungs KG

The current planning of the executive boards of Continental AG and VT Group AG expects that the prerequisites for a carryover of book values will not be satisfied and that VT Group AG will recognize the Spin-off Assets at fair market value, which means that, due to the fiscal transparency of partnerships (see Chapter VIII.2.a)bb)(1) above), also the assets of VT 1. Beteiligungs KG and VT 2. Beteiligungs KG have to be recognized at fair market value in the balance sheets for tax purposes of VT 1. Beteiligungs KG and VT 2. Beteiligungs KG at the end of the Effective Transfer Date for Tax Purposes.

The executive boards of Continental AG and VT Group AG expect that the spin-off will not give rise to any liability for payment of trade tax by VT 1. Beteiligungs KG and VT 2. Beteiligungs KG. Trade tax, if any, as a consequence of the realization of hidden reserves included in the Spin-off Assets would be levied at VT 1. Beteiligungs KG and VT 2. Beteiligungs KG because VT 1. Beteiligungs KG and VT 2. Beteiligungs KG are, despite their transparency existing in other respects, the persons owing the trade tax. However, the executive boards of Continental AG and VT Group AG expect that the book value of the Spin-off Assets in the balance sheet for tax purposes of VT 1. Beteiligungs KG and VT 2. Beteiligungs KG as of the Effective Transfer Date for Tax Purposes will likely exceed the fair market value of the Spin-off Assets and that, therefore, no hidden reserves will be realized but that a loss which is not tax-deductible will be recorded in the relevant balance sheet for tax purposes. The executive boards of Continental AG and VT Group AG believe that, in any event, the 95% tax exemption for capital gains from the sale of shares in corporations would apply, which means that a tax liability, if any, should not have a material adverse effect on the financial condition and results of operations of VT 1. Beteiligungs KG and VT 2. Beteiligungs KG.

The executive boards of Continental AG and VT Group AG share the view that the spin-off will not give rise to any real estate transfer tax liability or VAT liability at VT 1. Beteiligungs KG and VT 2. Beteiligungs KG.

cc) Vitesco Technologies GmbH and its downstream affiliates

It is the shared view of the executive boards of Continental AG and VT Group AG that the spin-off will not give rise to any liability for the payment of income tax at Vitesco Technologies GmbH and its downstream affiliates. Transfer taxes (in particular real estate transfer tax) will at most arise in an amount of €1 million. Therefore, a material adverse effect on the financial condition and results of operations of VT Group AG can be excluded. Pursuant to the Group Separation Agreement, any liability due to transfer taxes shall be borne equally between Continental AG and VT Group AG.

The executive boards of Continental AG and VT Group AG share the view that the spin-off is not expected to give rise to a forfeiture of tax losses pursuant to Section 8c KStG at Vitesco Technologies GmbH and its downstream German affiliates. Indeed, the spin-off will result in an (indirect) transfer of more than 50% of the shares to a single acquirer (VT Group AG) within a five-year period with the consequence that, in principle, both tax loss carry forwards and current losses, if any, incurred by the affected companies until the date of the harmful acquisition of shares (*schädlicher Beteiligungserwerb*) (unused losses) would become forfeited (Section 8c(1) sentence 1 KStG). Also, the executive boards of Continental AG and VT Group AG expect on the basis of preliminary calculations that Vitesco Technologies GmbH and its downstream German affiliates will have unused losses (in each case for corporate income and trade tax purposes) in the mid three-digit million euro range at the relevant time. However, the executive boards of Continental AG and VT Group AG believe that, despite the share transfer, these unused losses would not become forfeited due to the application of the so-called “corporate group clause” (*Konzernklausel*) under Section 8c(1) sentence 4 KStG. According to this clause, a harmful acquisition of shares is not present, in particular, if the seller (Continental AG) indirectly or directly holds a 100% interest in the acquiring entity (VT Group AG) at the time of transfer of economic ownership in the relevant shares (i.e. at the time of the potential harmful acquisition of shares). In the view of the executive boards of Continental AG and VT Group AG, this requirement is satisfied because the economic ownership (which is relevant for the purposes of Section 8c KStG) in the partnership interests held by Continental AG in VT 1. Beteiligungs KG and VT 2. Beteiligungs KG is transferred to VT Group AG prior to the registration of the spin-off, i.e. at a time at which Continental AG still holds 100% of the shares in VT Group AG. The competent tax office confirmed this view in a binding ruling issued to Vitesco Technologies

GmbH (to which the predominant part of the unused losses is attributable), subject to the correct implementation of the matter on which the binding ruling issued by the tax office was based.

Furthermore, the executive boards of Continental AG and VT Group AG expect that also the issuance of new shares in VT Group AG as a result of the spin-off will not give rise to a harmful acquisition of shares within the meaning of Section 8c(1) sentence 1 KStG. In the context of the issuance of the shares, no acquirer (within the meaning of Section 8c(1) sentences 1 and 2 KStG) or related party will, directly or indirectly, acquire more than 50% of the shares in Vitesco Technologies GmbH or its downstream affiliates.

In addition, it is possible that the Federal Constitutional Court (*Bundesverfassungsgericht*) may find that Section 8c(1) KStG is unconstitutional and, therefore, will not be applicable for this reason alone. The question whether and under which circumstances also the complete forfeiture of losses is unconstitutional in cases in which more than 50% of the shares are transferred is currently pending before the Federal Constitutional Court. The Federal Constitutional Court had ruled in 2017 with regard to the partial forfeiture of losses which was decreed in the past in cases in which more than 25% and up to 50% of the shares were transferred that this approach for transfers of more than 25% and up to 50% of the shares was unconstitutional.

It is the shared view of the executive boards of Continental AG and VT Group AG that the spin-off will have no effects on loss carry forwards, if any, at foreign downstream affiliates of Vitesco Technologies GmbH.

3. Other effects of the spin-off

a) Consequences relating to liability under the UmwG

The consequences of the spin-off taking effect on the liability of Continental AG and VT Group AG are as follows:

Pursuant to Section 133(1) and (3) UmwG, Continental AG is jointly and severally liable for the satisfaction of the liabilities transferred to VT Group AG if the liabilities become due within five years after the announcement of the registration of the spin-off in the commercial register for Continental AG and if resulting claims against Continental AG are determined judicially or in another way as described in Section 133 UmwG. However, the fact that no liabilities are being directly spun off must be considered. Pursuant to Section 133(1) and (3) UmwG, VT Group AG is, in turn, jointly and severally liable for the satisfaction of the liabilities remaining at Continental AG which were already established prior to the spin-off taking effect if these liabilities become due within five years after the announcement of the registration of the spin-off in the commercial register for Continental AG and resulting claims against VT Group AG are determined judicially or in another way as described in Section 133 UmwG.

Furthermore, pursuant to Section 133(2) UmwG, Continental AG and VT Group AG are, as a rule, jointly and severally liable for complying with the duty to grant equivalent rights pursuant to Section 125 in conjunction with Section 23 UmwG. However, such rights to be granted pursuant to Section 125 in conjunction with Section 23 UmwG do not exist.

In addition, Section 133(3) sentence 2 UmwG provides that the period of joint and several liability for pension obligations established prior to the spin-off taking effect is ten years.

In the relationship between Continental AG and VT Group AG, the provisions on the allocation of liability pursuant to the Spin-off and Transfer Agreement and the Group Separation Agreement will apply (see Chapter XIII.1.h) and XIII.2.e)).

Pursuant to Sections 22, 125 sentence 1, 133 UmwG, creditors of Continental AG and VT Group AG can demand security for their claims from the company against which their respective claims are directed within a period of six months after the announcement of the registration of the spin-off in the commercial register for Continental AG and VT Group AG. The prerequisite is that the creditors cannot obtain any satisfaction at the respective point in time and that their claims are notified in writing both with regard to the basis and the amount and that plausible proof is provided that the spin-off endangers the fulfillment of their claims. The executive boards of Continental AG and VT Group AG expect that no claims of creditors of Continental AG or VT Group AG will be endangered by the spin-off taking effect and, accordingly, that no obligation to provide security will exist for Continental AG or VT Group AG under Sections 22, 125 sentence 1, 133 UmwG. This applies to claims against VT Group AG especially in light of the fact that it will not be operational and will not have outstanding creditors until the spin-off takes effect.

b) Effects of the spin-off on the Continental share

The spin-off will have no effect on the listing of the shares in Continental AG on the stock exchange. The Continental AG shares will continue to be admitted as in the past to trading on the relevant German stock exchanges (Frankfurt, Stuttgart, Hanover, Hamburg) after the spin-off has taken effect. There will also not be any changes in the listing of the Continental AG shares on the OTC (Over the Counter) Market (there in the form of ADRs). The shares in Continental AG will be traded “ex Vitesco Technologies” as from the first trading day for the shares of VT Group AG on the Frankfurt Stock Exchange.

The executive board of Continental AG expects that the Continental share will continue to fulfill the criteria for the DAX and will accordingly remain in the DAX. This also applies to the indices EURO STOXX and MSCI World.

c) Effects of the spin-off on the dividend policies of Continental AG and VT Group AG

The executive boards of Continental AG and VT Group AG have each examined for their companies how the spin-off of the activities of Vitesco Technologies is expected to affect the amount of the distributable profits (*Bilanzgewinn*) available for distribution and the determination of dividend proposals to the relevant shareholders' meeting for future fiscal years.

When determining the dividend proposals to the shareholders' meeting of Continental AG, the executive board and the supervisory board of Continental AG continue to apply the targeted range of 15% to 30% of the group's net income attributable to the shareholders of the parent company. Deviations from this range can be made in order to avoid major fluctuations in the distribution. In addition, the executive board and the supervisory board also take into account the cash flow development expected by the Continental Group and the amount of liquidity required for investment projects of Continental AG and the Continental Group. The dividend proposals generally seek to ensure an adequate balance between an attractive dividend for the shareholders and a sufficient capitalization of Continental AG. Continental AG intends to maintain these principles after the spin-off of VT Group AG.

Prior to the spin-off taking effect, VT Group AG has not yet commenced business operations and has not paid any dividends in the past. The VT Group AG's ability and intention to pay dividends in the future will depend on its financial position, results of operations, capital requirements, investment alternatives and other factors that the executive board and supervisory board may deem relevant. VT Group AG expects that the principal source of funds for the payment of dividends, if any, will be dividends and other payments received from its current and future subsidiaries, in particular Vitesco Technologies GmbH. The determination of each subsidiary's ability to pay dividends is made in accordance with applicable law. VT Group AG's intended future dividend policy is to distribute between 15% and 30% of consolidated net income determined in accordance with IFRS in a given fiscal year as dividends assuming that the payment of such dividends is consistent with long-term and sustainable business development. For these purposes, the percentage calculation may take into account certain exceptional non-cash effects within income. The company's ability to pay dividends in the future will depend on the amount of distributable profits. VT Group AG cannot provide assurance regarding the amounts of future distributable profits, if any, and consequently, it can provide no assurance that it will pay dividends in the future. Moreover, the results of operations set out in the Combined Financial Statements and combined interim financial statements, respectively, may not be indicative of the amounts of future dividend payments. Furthermore, the financing described in Chapter IX.2.e)dd) will provide that a possible dividend distribution will depend on whether the company generated a positive cash flow, taking into account the dividend payment on a pro forma basis and after deduction of capital expenditure, during an observation period of twelve months preceding the end of the last quarter prior to the passing of the resolution on the dividend proposal by the executive board. In the light of these aspects, it is currently not certain from what point in time a dividend payment will be proposed.

d) Effect of the spin-off on the shareholders of Continental AG

All shareholders of Continental AG will continue to participate in the same proportion as before in Continental AG and, thus, in the retained economic activities of the Continental Group after the spin-off has taken effect. The number of the shares issued by Continental AG will not change as a result of the spin-off. The rights of the shareholders of Continental AG will not change as a result of the spin-off. The shareholder structure of Continental AG will also not directly change as a result of the spin-off.

All shareholders of Continental AG will be granted shares in VT Group AG as consideration for the transfer of the Spin-off Assets under the spin-off in accordance with the share allocation ratio pro rata in proportion to their respective participations. To the extent that an allocation on the basis of the share allocation ratio of 5:1 is not possible, a settlement of fractional entitlements will be effected (see Chapter VI.12.b)). With regard to the part that is to be spun off, the shareholders accordingly will – at least after the timely sale of the 20,000 shares in VT Group AG held by Continental AG – hold a direct participation in the Vitesco Technologies Group and no longer an indirect participation through their participation in Continental AG.

e) Effects of the spin-off on share-based compensation plans and employee participation plans

To the extent that employees participate in the LTI Plans existing in the Continental Group, the corresponding rights may be adjusted as a result of the spin-off (see Chapter II.2.c) above). In the case of employees who will continue to be employees of the Continental Group after the spin-off, a possibility of adjustment would be, for example, that the executive board of Continental AG could, at its reasonable discretion, adjust the plan criteria in order to offset any effects of the spin-off on the stock exchange price of the Continental AG share (for more details regarding the employees of the Vitesco Technologies Group, see Chapter IX.3.d) below). In addition, the LTI Plan for the period beginning in 2021 provides that, in the event of the spin-off, the sustainability criteria shall be linked to targets of the Continental Group taking into account the spin-off.

IX. The Vitesco Technologies Group after the spin-off

1. Business operations of the Vitesco Technologies Group after the spin-off

The business operations of the future Vitesco Technologies Group will correspond with the current business operations of Vitesco Technologies. The following description relating to Vitesco Technologies will apply accordingly to the Vitesco Technologies Group after the spin-off. For the general description of the business units of Vitesco Technologies and the Vitesco Technologies Group, see Chapter IV.3.

The portfolio of the ET business unit comprises the product lines “Battery”, “High Voltage Drives”, “High Voltage Electronics” and “Mild Hybrid Drives”. The EC business unit includes the product lines “Electronics”, "Drivetrain", "Hydraulics", "Turbochargers" and "Non-Automotive". The portfolio of EC is described in Chapter IX.1.a). The portfolio of the S&A business unit consists of the product lines "Exhaust & Emission Sensors", "Transmission & Engine Sensors", "Fluid Control Systems", "Catalysts & Filters" and "Actuators". VT CM covers the contract manufacturing provided by Vitesco Technologies for contractual partners of the Continental Group.

a) Offering: products, systems, solutions and services

The ET business unit offers systems and components for the electrified powertrain. The business unit's portfolio covers a wide spectrum of solutions for MHEVs (including 12V and 48V applications), FHEVs, PHEVs and pure BEVs. In order to achieve technological synergies, ET has divided its product groups into specific product lines. In its product line "Battery", ET offers high voltage battery management systems, high voltage battery junction boxes as well as 48V battery packs including 48V battery management systems. In its product lines, "High Voltage Drives" and "High Voltage Electronics", ET offers products such as high voltage axle drive systems, high voltage DC/AC inverters, high voltage DC/DC converters as well as other power electronics. The product line "Mild Hybrid Drives" comprises products such as 48V electric drives including belt-driven 48V starter generators, 48V DC/DC converters and other 48V electronics as well as 12V power net stabilization systems.

The EC business unit is divided into five product lines. The product lines "Electronics" with the product groups engine and exhaust gas control devices, "Drivetrain" with the product groups transmission control units and all-wheel control units, and "Non-Automotive" with ICE products for the two-wheeler market, jetskis, skidoos, lawn mowers etc. represent EC's core technologies, while "Hydraulics" with injectors and high pressure pumps and "Turbochargers" are considered as Non-Core ICE Technology. The allocation of the products to the product lines was made on the basis of scale effects, customer proximity, market know-how and agility. The core portfolio has been expanded to include new products for the e-mobility market, such as master controllers, high voltage boxes, electrically heated catalyst control units in the "Electronics" product line, actuator modules for electric axle and hybrid transmissions as well as regulated electric-driven transmission oil pumps in the "Drivetrain" product line. With regard to the Non-Core ICE Technologies "injectors" (injectors are offered on the two-wheeler market jointly (but not exclusively) with a joint venture partner) and high pressure pumps, the decision was made to phase those technologies out and to significantly reduce further investments in them, unless they are necessary in order to fulfill existing customer contracts. Similarly, the turbochargers business is no longer considered as a growth area.

The S&A business unit of Vitesco Technologies develops components aiming at offering clean, powerful, safe and affordable powertrain propulsion solutions. S&A's product portfolio comprises sensor and actuator solutions for the use in BEVs, hybrid vehicles as well as in purely ICE powered vehicles for the passenger car, commercial vehicle and two-wheeler markets. The business unit's product lines and the respective product groups they comprise are divided into basic technologies with the aim of realizing synergies and enabling a reuse of the technologies for different product applications. With regard to clean mobility and electrification, S&A's core portfolio includes the product lines "Exhaust & Emission Sensors", "Transmission & Engine Sensors", "Actuators" and "Catalysts & Filters". The products comprise various types of sensors, actuators, pumps and small electric motors. Here, technology platforms and the modular design of its components allow S&A to offer technologies and products for a broad range of applications. This approach enables S&A to react to the different demands of markets, customers and legislation. For electrified vehicles the business unit offers electrically heated catalysts as well as products for thermal management, e-motor and battery management systems while for ICE powered vehicles S&A offers sensor and actuator solutions used in air intake, turbocharging and operating fluids (fuel, oil, water, AdBlue) as well as solutions for combustion and exhaust gas aftertreatment systems. S&A's portfolio also includes applications for transmissions, brakes as well as vehicle access sensors (to enable seamless opening of doors or trunks). The "Fluid Control Systems" product line, comprising pumps and modules for fuel delivery, water injection and selective catalytic reduction (SCR) offered by the S&A business unit for combustion engines are each considered as Non-Core ICE Technology.

The commercial vehicle area of the SCR product line is intended to be sold to Anhui ActBlue Co. Ltd., a strategic investor headquartered in China. Vitesco Technologies and Anhui ActBlue Co. Ltd. entered into agreements to that effect on March 1, 2021. The closing of the transaction is, *inter alia*, subject to the successful completion of certain regulatory approval processes and is expected to occur in the third quarter 2021.

Moreover, the "aftermarket" area is being established, which focuses on the sale of replacement parts for vehicles. A distinction is made between the Original Equipment Services (OES) market, i.e. the sale of automotive manufacturers' original equipment parts after end of series production, and the Independent Aftermarket (IAM). The area will also comprise remanufacturing where used components are remanufactured and rebuilt for reuse in vehicles.

The VT CM business unit combines the business activities in contract manufacturing, see Chapter XI.1.a).

b) Production and locations

Vitesco Technologies follows the principle "in the market for the market" and produces its products at 29 locations in 14 countries around the world close to its customers. Eight of these locations are pure manufacturing sites distributed at a proportion of 3:4 between high-cost and best-cost countries, while the other 21 locations combine manufacturing and R&D activities (as per December 31, 2020). In North and South America Vitesco Technologies has six manufacturing sites of which two sites are pure manufacturing sites and four sites combine manufacturing and R&D activities. Of the 15 sites in Europe, eleven sites combine manufacturing and R&D activities, whereas in Asia all seven sites combine those two activities. With its presence, Vitesco Technologies recognizes the need for consistent product quality and for adaptation to the infrastructures of local markets.

Vitesco Technologies follows a “simultaneous engineering” approach which is characterized by a close cooperation between R&D and manufacturing. With regard to the manufacturing equipment used by Vitesco Technologies, the respective manufacturing sites buy, jointly with the business units, customized production equipment specially based on Vitesco Technologies’ production needs. Vitesco Technologies implements this production equipment step by step. For global projects, Vitesco Technologies aims to use the same production equipment throughout the world in order to ensure standardization and to leverage synergies.

c) Purchasing, supply chain management

The separation of Vitesco Technologies from the Continental Group will have effects for Vitesco Technologies in the purchasing function (see Chapter IX.2.e)bb)).

Vitesco Technologies’ purchasing organization comprises “Purchasing” and “Supplier Quality Management” (***SQM***). Both are cooperating in a coordinated manner. Purchasing is responsible for the supplier strategy and all commercial topics in connection with suppliers, e.g. supplier selection or guaranteed capacities, as well as the general negotiation of prices and contracts. SQM is responsible to define and ensure the component quality requirements during the product life cycle, in the design and development phase with advanced quality planning and during the phase of serial production by quality control. This structure aims to leverage the purchasing power for commercial, quality and technical related issues, while respecting human rights and complying with sustainability standards in the supply chain. For example, seamless communication between SQM and Purchasing allows information on the fulfillment of quality requirements to be used for new contracts with suppliers and their award. In future, Vitesco Technologies will purchase components and raw materials for the production, which are classified in the material groups electronics, mechanics, as well as plastic and rubber. Additionally, production equipment, engineering services, and nonproduction material are purchased by Vitesco Technologies.

Purchasing and SQM are both organized in three dimensions. First, there are central material groups/clusters (Category Management) that manage the commercial aspects related to production material. Second, Advanced Purchasing (AP) and Project Supplier Quality Management (SQM Pro) organizations exist within each business unit to provide project specific support. Lastly, Vitesco Technologies has a regional Purchasing and SQM structure (i.e., America, Europe, Asia) to guarantee support and collaboration of Purchasing and SQM functions and activities within the worldwide plants and business units, as well as to implement and comply with Purchasing and SQM standards globally.

The supply chain management (***SCM***) of Vitesco Technologies is headquartered in Regensburg and is based on the combination of a centralized and decentralized setup. There are two main SCM areas, the centralized “Central SCM”, which monitors the group-wide supply chain management, and the decentralized “Plant SCM”, which monitors the local supply chain management at individual manufacturing sites. Both areas are strongly linked in order to achieve a clear structure of the supply chain, the required transparency and agility and in order to support local SCM activities to fulfil customer demands.

Vitesco Technologies’ SCM organization focuses on strategic areas which are established in alignment with other functions like sales and purchasing to support the overall targets of Vitesco Technologies. These strategic areas are under regular review to ensure that they are aligned with the requirements of the overall targets and are implemented in the most efficient way.

The five defined strategic areas of the SCM organization include SCM capacity management, industrial engineering, layout & material flow, autonomous and driverless vehicles, as well as warehouse management.

d) Research and development

Since Vitesco Technologies is a technology focused group, its R&D activities are a fundamental element. Vitesco Technologies’ R&D activities aim to invent, develop and launch products which implement new technologies in line with the changing market developments, regulatory frameworks and customer needs, while delivering the highest customer added value. In line with its strategic focus, the main emphasis of Vitesco Technologies’ R&D teams is to increase electrification technologies efficiency and to strive for the best energy consumption and emissions solutions, while upgrading existing solutions. In doing so, Vitesco Technologies follows new regulation standards which it monitors diligently with internal specialists and in close contact with institutions and governmental organizations worldwide.

Vitesco Technologies’ capabilities in the field of electrification derives from decades of experience of its predecessor companies in developing and supplying products and innovations to the market.

The premise “in the market, for the market” is also the basis for the geographical allocation of Vitesco Technologies’ R&D activities. Besides the engineering teams located in the headquarter locations in Europe, Vitesco Technologies has interdisciplinary development teams in major oversea markets such as China, Korea, Japan and the United States. Vitesco Technologies also has engineering groups located in best-cost countries, which support the main markets. Here, Vitesco Technologies pursues the strategy to increase the percentage of employees in best-cost countries. Countries which Vitesco Technologies considers to be best-cost countries and in which it has R&D activities comprise Brazil, China, the Czech Republic, India, Mexico, Romania, Singapore and Thailand (as per December 31, 2020). As of December 31, 2020, Vitesco Technologies achieved a best-cost country share with regard to the number of R&D employees of around 34%. Further increases following market needs are planned.

The market trends towards (i) clean mobility (i.e. climate protection measures and reduction of pollutant emissions), (ii) connectivity and new mobility concepts, as well as (iii) the focus on cost-efficient mobility determine the key areas of Vitesco Technologies' R&D activities. With regards to clean mobility, regulations as well as society demand for lower CO_2 and pollutant emissions. More stringent CO_2 fleet targets are speeding up the electrification of the powertrain. Here, OEMs embrace the necessary transformation to electric mobility faster than expected. The market trend towards connectivity & new mobility comprises trends such as new mobility concepts, automated driving and connectivity among vehicles and components. Covering those market trends, the resulting technical trends which drive Vitesco Technologies' R&D activities are the (i) hybridization of powertrains for MHEVs and PHEVs, (ii) electrification for BEVs as well as fuel-cell electric propulsion technologies, (iii) digitization and connectivity for powertrains, as well as (iv) artificial intelligence and adaptive and self-learning controls.

As of December 31, 2020, Vitesco Technologies had around 8,100 R&D employees in 16 countries who are currently for the most part allocated to the business units. Employees may be involved in R&D projects without regard to the unit to which they are allocated in the organizational structure. This setup enables specialized engineers to work together with other technicians with interdisciplinary collaboration at and between the sites. The shared use of labor and testing rigs improves the know-how transfer. In consistent pursuance of this policy, Vitesco Technologies aims to bring together the R&D employees of the EC and ET business units in a central R&D organization. This is intended to take place gradually and to be finally completed in early 2022.

With the separation from Continental AG, Vitesco Technologies has restructured and reassigned several R&D functions which were previously partially or completely performed by the Continental Group or central shared services (AQL (Automotive Quality Labs), ASIC (Application Specific Integrated Circuit), Corporate Research, IP management, Technical Regulations, etc.). For details regarding the future relationships with the Continental Group after the spin-off, see Chapter XI.1.b).

Vitesco Technologies has invested €681.0 million <u>net</u> in R&D in the fiscal year 2020. The figure "R&D <u>net</u>" contains all expenses incurred at the functions R&D and engineering. These also include all expenses for prototypes, forms or other assets solely used for a particular research or development effort. These do not include industrial engineering expenses. Also, the figure "R&D net" includes revenues attributable to the R&D area, for example from the sale of prototypes to customers or from development contracts with customers.

e) Intellectual property rights

The intellectual property strategy of Vitesco Technologies aims to protect and enhance the competitive position in the various geographic locations in which it operates. This aim is pursued by the effective management of the intellectual property rights, including patents, utility models, design rights, trademarks and know-how.

Vitesco Technologies owns over 1,150 trademark applications and registrations worldwide. Approximately 800 of these trademarks are product-related trademarks, such as “PCR”, “RAAX”, “SIMTEC”, “Emitec” or “METALIT”. Vitesco Technologies acquired these trademarks from the Continental Group as part of the Carve-Out.

In addition to these product-related trademarks, Vitesco Technologies owns around 205 trademark applications for the core element of the new company name “Vitesco” as a word mark, around 120 further registered word marks and word/figurative marks for “Vitesco Technologies”, and 22 trademarks for two Chinese transliterations of the trademark “Vitesco”. As part of its naming strategy, Vitesco Technologies seeks to protect its new brand name widely in all relevant countries – at present in 45 countries –; Vitesco Technologies launched an extensive process of trademark filings at the end of 2018. The searches conducted before deciding to take the name “Vitesco” identified a number of third-party rights that may pose a risk to the protection of the name if such third parties file opposition against the trademark applications of Vitesco Technologies or take similar action. Of around 350 applications for umbrella trademarks, 136 trademarks have meanwhile been registered, and applications for further 211 trademarks are still pending. Only one opposition has been filed so far, namely the opposition based on the third-party trademark ESCO, whose owner is a manufacturer of kitchen appliances, against the extension of the international registration of the word mark VITESCO in Turkey. Lawyers in Turkey have been engaged for the opposition proceedings, who estimate that, due to the lack of use of the third-party trademarks, the chances of success of the opposition filed are merely 20%. Should Vitesco Technologies not be able to successfully defend itself against this opposition or potential further oppositions or other action or to reach a settlement on a contractual basis with the relevant third parties, Vitesco Technologies may have to accept certain restrictions of protection and use of its company name. Furthermore, a delimitation agreement for Germany and Europe is currently being negotiated with the German company vitero GmbH which offers services in the areas “virtual team rooms”, “elearning” and “webconferencing” and owns, like Vitesco Technologies, trademark registrations in the classes of goods and services 9, 38 and 42; the conclusion of the agreement will not result in any restriction on the business operations of Vitesco Technologies. Moreover, some trademark offices have raised preliminary objections which will probably be easy to overcome. The only country where the application for registration of the word/figurative mark has been finally rejected is Iran because, due to reasons of compliance and export control, no payments were allowed to be made to the trademark office there.

Vitesco Technologies owns a portfolio of approximately 14,500 granted patents, registered utility models as well respective pending applications worldwide (as of January 29, 2021), especially in the respective own and competitors' key markets and in the countries of own and competitors' key manufacturing and R&D sites. The patent portfolio was acquired from the Continental Group as part of the Carve-Out. For details on the mutually granted licenses that remain valid after the spin-off has taken effect, see Chapter V.8.

f) Market, customers, sales

Vitesco Technologies operates in the automotive industry. The automotive industry is divided into different end markets, including light-duty vehicles, medium-duty vehicles and heavy-duty vehicles. Through its business units, Vitesco Technologies serves primarily the global light-duty vehicle segment of the automotive industry, which mainly includes passenger cars and light trucks. In addition, Vitesco Technologies also serves the medium-duty and heavy-duty vehicle segment. The players in the automotive industry include OEMs such as Volkswagen AG, Toyota Motor Corporation, Ford Motor Corporation, Hyundai Motor Company and others, as well as suppliers of automotive components and systems, e.g. Bosch GmbH, Denso Corp., Magna International, Continental AG, ZF Friedrichshafen AG and others. OEMs usually manufacture various vehicle models with different equipment types tailored to market needs. Technically, different vehicle models are usually based on joint vehicle platforms with shared components. OEMs outsource a substantial part of the development and production of components and solutions to their suppliers.

The macroeconomic factors influencing the demand for vehicles include the general economic conditions, the employment rate, interest rates, inflation, wages, disposable income, population growth, demographic development, fuel prices, the availability and costs of financing opportunities, as well as the level of industrialization in emerging markets. As a consequence, the OEMs' demand for automotive components and systems generally corresponds to the global vehicle manufacturing volume and is, as such, subject to general market risks. In addition, the automotive supplier market is characterized by a competitive environment and market consolidations.

The powertrain market in which Vitesco Technologies is active is currently experiencing a fundamental shift to electric mobility, which impacts the focus of the industry in general and of Vitesco Technologies in particular. Electric mobility is regarded as a key concept for making private transportation more sustainable in the future. Experts expect the market for electric mobility to grow significantly each year between 2020 and 2025. For example, around a third of those surveyed in Germany said they would consider buying an electric car in the future, compared with just 17% in 2013. In other markets, surveys show that electric mobility has achieved an even higher acceptance.

Vitesco Technologies sells its products to customers around the world and is a partner of almost all major OEMs worldwide. The top three customers of the former Powertrain division and Vitesco Technologies contributed each year approximately 43% to the annual consolidated sales revenues between 2018 and 2020 (excluding sales revenues of VT CM). Vitesco Technologies serves the major global markets and delivers its products to customers in more than 40 countries. Vitesco Technologies has been able to achieve a strong market penetration with regard to the major OEMs and in the regions Asia, Europe, U.S.A. and Canada. Vitesco Technologies also has a broad customer base in key emerging countries including Mexico, Thailand, India and Brazil. Almost half of the sales revenue is earned with customers in Europe (including Germany). In the fiscal year 2020, 17% of the sales revenues of Vitesco Technologies were generated in Germany. After the spin-off has taken effect, the activities of Vitesco Technologies' sales force will be completely independent from those of the Continental Group.

Vitesco Technologies' sales force is organized in two dimensions, working together to offer a customer centric experience while maintaining the product and system expertise:

The first dimension comprises the sales forces of the individual business units. The ET, EC and S&A business units each have their own sales forces which are organized on a decentralized basis to ensure global coverage of the business units' business across regions and countries where development teams and/or customers of Vitesco Technologies are present.

The EC business unit is organized in customer centers supporting all different products within the business unit for a particular customer, with people located primarily in that customer headquarters' location but also with representatives close to all the key customer locations worldwide. Similarly to EC, also the ET business unit is organized in customer centers which cover either several customers or a specific region, such as Asia. The S&A business unit's sales organization is split into two major areas, product and customer related. On the one hand, there are product sales managers who have a worldwide overview of markets, competition and pricing of their products. On the other hand, there are customer account managers who have a close link to the most important customers to share customer information within the S&A business organization. Each business unit's sales force is responsible for all product related sales activities such as product calculation and quoting. The sales force works closely with the development teams (R&D and project management) to create customized and high-quality products, as well as with the marketing and business development department of the relevant business unit, which is responsible for the development of the communications and marketing strategy.

The second dimension of sales, called "Central Sales", acts as an additional bridge between the customers and Vitesco Technologies' business units. The sales staff from "Central Sales" are the customer specialists (account managers) for the business units. They are in charge of understanding the customers' processes, organizations and roadmaps, and know the competition, customers' needs and chances in the customers' portfolios. They are the first point of contact for the costumer and can direct them further within Vitesco Technologies. In addition, "Central Sales" also brings the three business units together with the aim to maximize the sales opportunities across the different businesses.

g) Sustainability and ESG

Sustainability forms an integral part of Vitesco Technologies' business model and is a strategic focus area for the management of the Vitesco Technologies Group. Vitesco Technologies pursues the mission "Powering Clean Mobility" and has changed its business model with the aim to offer innovative and efficient electrification technologies and solutions in order to promote zero-emission mobility worldwide. At the same time, Vitesco Technologies is strongly committed to advancing sustainability in all business activities along the entire value chain. Therefore, Vitesco Technologies has established an environmental, social and governance (ESG) framework with clearly defined topics, goals and performance indicators. Among these relevant ESG topics at Vitesco Technologies are:

- Environmental: clean mobility, climate protection, resource efficiency and circularity,
- Social: employer attractiveness, occupational health and safety, corporate responsibility and human rights due diligence,
- Governance: diversity, integrated sustainability management, business ethics and anti-corruption.

These topics reflect Vitesco Technologies' business model and values, its commitment to rules, regulations and international frameworks, the legal requirements and the expectations of customers and investors. Accordingly, these topics are also part of Vitesco Technologies' code of conduct for employees and business partners and its environment, safety and health protection policy.

Vitesco Technologies' commitment is underlined by specific sustainability targets, indicators and measures, including roadmaps for carbon-neutral production (by 2030), lifecycle engineering for new products (i.e., new products undergo a certified lifecycle assessment in order to make the impacts of the product on climate transparent and identify potential improvements) (by 2030), waste recycling (by 2030), increase of employer attractiveness (by 2025), promoting the proportion of women in executive positions with a target of 20% by 2025, and increased human rights due diligence and sustainability in the value chain. The target of using 100% of its energy from renewable sources was achieved by Vitesco Technologies already in 2020. In addition, Vitesco Technologies' sustainability approach is supported by management systems for occupational health and safety as well as environmental and quality management, together with Vitesco Technologies' Compliance Management System which deals with business ethics, anti-corruption, antitrust and data protection issues. Finally, these efforts are complemented by Vitesco Technologies' activities in the areas of innovation, research and development, community engagement and corporate citizenship. Vitesco Technologies will continue to develop its strategies at group level and to implement the necessary processes, systems, standards and structures, including measures and regional activities at its locations worldwide.

In order to set up an organizational structure for managing and implementing the sustainability strategy, Vitesco Technologies has established the “Sustainability, Security, Safety & Health” center of excellence which coordinates and handles all activities in the field of sustainability, including the task of sustainability reporting and non-financial reporting. A sustainability committee at top management level whose members are permanent members of the executive management (including the CFO, the CHRO and the heads of the business units) as well as experts steers and supervises all activities in the field of sustainability and prepares resolutions of the executive board. At the operating level, a sustainability core team with designated roles for handling ESG-related tasks in the various functions (e.g. technology & innovation, environmental protection, operations, sales or purchasing) is responsible for the implemetation of the Group’s sustainability strategy. In addition, the strategic importance of sustainability is also reflected in Vitesco Technologies’ remuneration system through the integration of selected sustainability KPIs in the long-term incentive plans for the top management and senior executives.

Vitesco Technologies’ first non-financial group statement as part of the group annual report as well as a separate sustainability report in line with the standards of the Global Reporting Initiative (GRI) and the UN Global Compact (in addition to further frameworks) for the fiscal year 2021 are planned to be published in 2022.

h) Communications and brand

Communications and the brand architecture of Vitesco Technologies are organized at three levels:

The communications and brand strategy at the level of the Continental Group is developed under the global responsibility of the “Corporate Communications” unit. Further tasks of “Corporate Communications” include developing and implementing effective communication activities and channels, and providing support to business units, regions and employees worldwide by communicating details on the product portfolio and the integral system solutions to the different target groups (such as customers, business partners, suppliers, science and research, interest groups in the public, media, end consumers and employees). In addition, the unit develops and presents a consistent image to all target groups mentioned above, and ensures compliance with the corporate design guidelines of Vitesco Technologies.

Operational communications at the level of the business units mainly reflect the tasks of the “Corporate Communications” unit and ensure the definition and preparation of the relevant communications strategy for the product portfolio at the global and regional level. In addition, this area is involved both conceptually and operationally in the selection of distribution channels. Here, the overall global strategy is aligned with the business perspective of the business units and the relevant markets.

At the regional level and at the level of the individual locations, the defined strategies are adapted to the specific needs and implemented. Here, both overarching topics and local topics are taken into account.

The organization of communications and of the brand architecture at these three levels enables Vitesco Technologies to present itself on a globally coordinated basis as a strong brand, while being close to the customers and their needs. The products and solutions offered by Vitesco Technologies are distributed primarily under the brand "Vitesco Technologies". The portfolio also comprises, in particular, the brand "Emitec", which was transferred as part of the Carve-Out and is also intended to be gradually replaced by the trademark "Vitesco Technologies".

2. Financial condition and results of operations of VT Group AG and of the Vitesco Technologies Group after the spin-off

The following is a description of the financial condition and results of operations of VT Group AG and of the future Vitesco Technologies Group after the spin-off has taken effect. To the extent that the description refers to financial information relating to past periods, the Vitesco Technologies Group is presented as if the spin-off had already been completed for the relevant accounting periods. In this regard, the Combined Financial Statements as of December 31, 2020 reflect the structure of the future Vitesco Technologies Group. After the spin-off, the Vitesco Technologies Group will consist of VT Group AG as parent company, VT 1. and 2. Beteiligungs KGs and the two general partners VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH as well as Vitesco Technologies GmbH and its direct and indirect subsidiaries. Prior to the spin-off taking effect, these companies do not yet constitute a group within the meaning of IAS 27. The financial condition and results of operations of the Vitesco Technologies Group which will come into existence when the spin-off takes effect are generally comparable with those in the Combined Financial Statements (as described in more detail in Chapter IX.2.e)).

In the following discussion, lit. a) deals with the financial condition and results of operations of VT Group AG. Lit. b) contains an overview of financial data of the Vitesco Technologies Group for the fiscal years 2020, 2019 and 2018. The development of the results of operations of the Vitesco Technologies Group in the fiscal year 2020 is explained in lit. c), and lit. d) discusses the financial condition of the Vitesco Technologies Group as of December 31, 2020. Finally, the expected effects of the spin-off on the financial condition and results of operations of VT Group AG and the Vitesco Technologies Group are shown in lit. e).

The effects of the spin-off on the financial condition of VT Group AG and the Vitesco Technologies Group as shown in the balance sheet and the statement of financial position are described in Chapter VIII.1.

The following statements concerning the financial condition and results of operations of the Vitesco Technologies Group are based on Combined Financial Statements of VT Group AG for each of the fiscal years ending on December 31, 2020, 2019 and 2018. The Combined Financial Statements were prepared in accordance with the IFRS as they have been adopted by the EU and were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, which issued an unqualified audit opinion thereon.

In accordance with the accounting standards relating to business combinations under common control, VT Group AG applied the same accounting principles and valuations when preparing the Combined Financial Statements that were applied for the preparation of the financial information for Continental's consolidated financial statements (predecessor accounting; the values for assets including goodwill and for liabilities were extracted from the financial information for Continental's relevant consolidated financial statements). IFRS 1 was not applied in preparing the Combined Financial Statements. Leases with the Continental Group were reflected in accordance with the accounting standards applying to the Vitesco Technologies Group as an independent group of companies. The same applies to transactions with Continental AG and direct and indirect subsidiaries of Continental AG which have not yet been shown in the consolidated financial statements of Continental AG due to the consolidation; these have not been eliminated in the Combined Financial Statements. This includes, in particular, transactions in connection with contract manufacturing (where companies of the Continental Group and of the Vitesco Technologies Group each engage in manufacturing activities for customer orders of the contractual partners of the Vitesco Technologies Group and the Continental Group, respectively) and transactions under the joint financing structure with the Continental Group and in connection with agreements on the provision of specific services.

Therefore, receivables and liabilities relating to affiliated companies of the Continental Group are recorded in the statement of financial position in the Combined Financial Statements of the Vitesco Technologies Group under trade accounts receivable and trade accounts payable. In addition, there are receivables and liabilities resulting from the participation in the joint financing structure with the Continental Group (which are included in the items "short-term derivate instruments and interest-bearing investments" and "short-term indebtedness"). Customer orders which relate to the product portfolio of the Vitesco Technologies Group (the combined group of companies) but have not yet been transferred to legal entities of the Vitesco Technologies Group are satisfied by the relevant companies of the Continental Group for the account of the Vitesco Technologies Group; as in the segment reporting of Continental's consolidated financial statements, these transactions are recognized as supply and service relationships with unconnected third parties.

As a result of rounding, it is possible that individual numbers in the following tables may not add up exactly to the stated totals.

a) Financial condition and results of operations of VT Group AG

VT Group AG was established by notarial deed of November 15, 2019 and registered under HRB 219172 in the commercial register of the Hanover Local Court (*Amtsgericht*) on December 11, 2019. It does not engage in business activities prior to the spin-off taking effect. Therefore, it has not yet generated any income. The expenses recorded in the fiscal year 2019 in the amount of €4,039 relate to formation costs to be borne by VT Group AG; for the fiscal year 2020, a net loss in the amount of €7,728 resulting, in particular, from general administrative expenses was recorded.

When the spin-off takes effect, VT Group AG will hold all limited partnership interests in VT 1. and 2. Beteiligungs KGs and all shares in the general partners VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH. VT 1. and 2. Beteiligungs KGs will hold, in turn, 96.44% of the shares in Vitesco Technologies GmbH. The 3.56% stake held by CA France in Vitesco Technologies GmbH is intended to be sold at market value to VT 1. and 2. Beteiligungs KGs prior to the spin-off taking effect. The results of operations of VT Group AG are largely determined by income from the participations in VT 1. and 2. Beteiligungs KGs which, in turn, essentially results from distributions of profit made by Vitesco Technologies GmbH. The results of operations of VT Group AG may also be influenced by amortization on the participations in VT 1. and 2. Beteiligungs KGs. After the spin-off, only a limited amount of expenses will be incurred at VT Group AG, for example expenses for the remuneration of the executive board and the supervisory board of VT Group AG, for company accounting or for the organization and conduct of the shareholders' meeting. Any amortization on the participations in VT 1. and 2. Beteiligungs KGs shall not be recorded as scheduled amortization but only as impairment. This occurs if the value of the participations to be recorded on the reporting date is (expected to be permanently) lower than their book value. For this purpose, in particular a valuation of the participations on the basis of corporate planning must be taken into account, and another possible indicator is the development of the company's market value.

For details on the costs of the spin-off, see Chapter VI.14.

b) Financial data in the Combined Financial Statements of VT Group AG for the fiscal years 2020, 2019 and 2018

Combined statement of income

(€ millions)	**Fiscal year 2020**	**Fiscal year 2019** (audited)	**Fiscal year 2018**
Sales	**8,027.7**	**9,092.5**	**9,143.1**
Cost of sales	-6,971.8	-7,883.5	-7,749.7
Gross margin on sales	**1,055.9**	**1,209.0**	**1,393.4**
Research and development expenses(1)	-1,001.3	-1,121.2	-1,123.2
Sales and administration expenses	-414.2	-457.7	-308.2
Other income(1)	538.7	753.3	590.2
Other expenses	-504.4	-1,018.1	-367.7
Income from equity-accounted investees	1.0	-0.5	-0.3
Other income from investments	-	0.0	0.0
EBIT	**-324.3**	**-635.2**	**184.2**
Interest income	20.6	37.0	13.4
Interest expense	-33.7	-49.4	-26.7
Effects from currency translation	-14.8	-20.7	5.4

(€ millions)	Fiscal year 2020	Fiscal year 2019 (audited)	Fiscal year 2018
Effects from changes in the fair value of derivative instruments, and other valuation effects	0.9	1.8	-1.8
Financial result	**-27.0**	**-31.2**	**-9.7**
Earnings before tax	**-351.3**	**-666.4**	**174.5**
Income tax expense	-11.9	26.5	-68.0
Net income	**-363.2**	**-639.9**	**106.5**
Non-controlling interests	-13.5	-20.0	-20.0
Net income attributable to the Continental Group	**-376.7**	**-659.9**	**86.5**

(1) First-time adoption of IFRS 15, *Revenue from Contracts with Customers*, as at January 1, 2018

Combined statement of financial position

(€ millions)	December 31, 2020	December 31, 2019 (audited)	December 31, 2018
Assets			
Non-current assets	3,732.6	3,967.0	3,845.3
Current assets	4,329.1	4,444.1	5,202.4
Total assets	**8,061.7**	**8,411.1**	**9,047.7**
Equity and liabilities			
Invested equity attributable to the Continental Group	3,056.6	3,256.5	5,095.1
Other comprehensive income	-408.0	-134.5	-46.1
Equity attributable to the Continental Group	**2,648.6**	**3,122.0**	**5,049.0**
Non-controlling interests	-	56.9	45.1
Total equity	**2,648.6**	**3,178.9**	**5,094.1**
Liabilities			
Non-current liabilities	1,490.9	1,293.1	781.4
Current liabilities	3,922.2	3,939.1	3,172.2
Total liabilities	**5,413.1**	**5,232.2**	**3,953.6**
Total equity and liabilities	**8,061.7**	**8,411.1**	**9,047.7**

Combined statement of cash flows

(€ millions)	Fiscal year 2020	Fiscal year 2019 (audited)	Fiscal year 2018
Cash flow arising from operating activities	-5.9	692.5	679.6
Cash flow arising from investing activities	-449.8	-637.1	-644.0
Cash flow arising from financing activities	537.7	56.6	-37.6
Change in cash and cash equivalents	82.0	112.0	-2.0
Cash and cash equivalents as at January 1	**184.8**	**71.1**	**72.7**
Effect of exchange-rate changes on cash and cash equivalents	-11.8	1.7	0.4
Cash and cash equivalents as at December 31	**255.0**	**184.8**	**71.1**

c) Development of the results of operations of the Vitesco Technologies Group in the fiscal year 2020

aa) Key factors affecting the results of operations

The Vitesco Technologies Group believes that the factors discussed below have significantly affected its financial condition and results of operations in the past periods for which financial information is presented in this Chapter, and that these factors will continue to have a material influence on its results of operations, financial position and cash flows in the future.

General economic conditions

Global production of vehicles and, as a result, the business with OEMs are subject to major fluctuations as a result of general economic conditions, including disposable income and household consumer spending and preferences, which can be affected by a number of factors such as fuel costs and the availability and cost of consumer financing.

The markets for the Vitesco Technologies Group include, in terms of sales revenue, Germany (17%), Europe excluding Germany (26%), North America (25%), Asia (31%) and other countries (1%), where the Vitesco Technologies Group derived its sales revenues in the fiscal year ending on December 31, 2020.

Actual or anticipated improvements in economic conditions may result in higher production numbers from OEMs for passenger cars and light trucks, which may translate into higher business volume for the Vitesco Technologies Group. Conversely, a weak or uncertain economic environment may discourage private car and fleet owners from replacing or expanding their car fleet, as is currently the case and was the case in fiscal year 2020 in connection with the negative macroeconomic impacts of the COVID-19 pandemic and the economic crisis caused by it (also see “Impacts of the COVID-19 pandemic” below).

Market developments and market share

The Vitesco Technologies Group is predominantly active in the automotive powertrain industry as an international Tier-1 supplier for most parts of its business. Fuel consumption and pollutant emissions standards, in particular in Europe and Asia, have increasingly caused automotive manufacturers to use systems and components which further reduce CO_2 and pollutant emissions. This regulatory environment accelerates the shift to higher powertrain electrification of these vehicles, resulting in higher shares of hybrid and battery electric vehicles. With pollutant emissions standards becoming more stringent, the demand for components of efficient systems to reduce pollutants will increase to some extent.

The Group’s sales development and its competitiveness depend on its ability to adapt to these changing powertrain market requirements and regulatory environment. As of today, the Vitesco Technologies Group is one of the global leading Tier-1 powertrain suppliers with particular focus on electronics and electrification technologies as well as on sensors and actuators.

Sales volume

Sales volume is the principal driver of revenue for the Vitesco Technologies Group and is driven by a number of factors, including general market conditions in its key markets, product prices, new product introductions, regulatory developments and competition with other modes of transport.

The Vitesco Technologies Group targets business acquisitions across all major OEMs in the relevant regions Asia, Europe and North America, which helps soften special effects coming from the bad performance of particular OEMs (for example in connection with the manipulation of exhaust-gas treatment components in diesel engines, see Chapter IX.2.e)ee)) or individual regions (for example the trade conflict between the U.S.A. and China). The diversified product portfolio of the Vitesco Technologies Group comprises, for example, power electronics with high content per vehicle but also sensors and actuators with a lower content but high penetration, which typically suffer less volume variation driven by market volatility. In addition, the Vitesco Technologies Group uses its extensive knowledge of the market, vehicle and engine platforms and close contacts to its customers to secure orders for key projects and successful vehicle platforms, maximizing the chances of success and the profitability per project.

The strategic decisions of the Vitesco Technologies Group to focus in future more on electrified powertrains will create new growth opportunities for the Vitesco Technologies Group in the medium and long term. In the opinion of the Vitesco Technologies Group based on expert views, this area will offer in 2025 up to around 5x the content per vehicle opportunities compared to a traditional ICE powertrain in 2018. Accordingly, there will probably be a lower growth risk arising from the mere overall industry vehicle production numbers in the medium and long term.

Impacts of the COVID-19 pandemic

The business operations of the Vitesco Technologies Group have been severely affected by the COVID-19 pandemic and the economic crisis caused by it since 2020. The economic impacts of the COVID-19 pandemic also massively affected automotive manufacturers and (indirectly) automotive suppliers. The global production of passenger cars and light commercial vehicles declined by 13.8 million units from 88.3 million units in the fiscal year 2019 to 74.5 million units in the fiscal year 2020. As a consequence, also Vitesco Technologies' results of operations in 2020 were indirectly (as a result of changes in the relevant sales and procurement markets) and directly (as a result of individual measures taken by the Vitesco Technologies Group) affected by the COVID-19 pandemic.

In the fiscal year 2020, the COVID-19 pandemic caused a significant decline in sales revenues by 11.7% compared to the fiscal year 2019. In order to secure its financial liquidity, the Vitesco Technologies Group implemented the "Cash Agility Program" (***CAP Measures***) already in March 2020, which is based on the following four "pillars":

- Reduction of capital expenditures;
- Reduction of personnel cost, e.g. by making use of government schemes such as short-time work, a recruitment freeze, bonus cuts and a reduction of working hours;
- Savings of material costs, e.g. by suspending business travel and reducing the use of services provided by third parties;
- Working capital reduction by reducing the stocks of material and a strict receivables management.

In the course of the program, the costs were reduced, the working capital was optimized, and projects and capital expenditures that were not absolutely necessary were postponed until further notice.

Due to the fact that the COVID-19 pandemic and its macroeconomic impacts are still ongoing and it cannot be predicted how long the COVID-19 pandemic and the related macroeconomic impacts will last, it cannot be ruled out at present that the future development of the results of operations of Vitesco Technologies may continue to be affected by the further evolution of the COVID-19 pandemic.

Product mix

The results of operations of the Vitesco Technologies Group are affected by the differences in gross profit margins of the products within the four segments of the Vitesco Technologies Group. The Electronic Controls segment develops, produces and sells in its core business engine and transmission control units worldwide. Here, emissions and CO_2 legislation, which will become more stringent in future, is expected to continue to offer good business opportunities. Electronic Controls recently expanded the portfolio in its core business to include e-mobility products. High voltage boxes allow the safe and fast charging of high voltage batteries for passenger cars. Master controllers and electric actuators for automatic transmissions contribute to reducing energy consumption (gasoline, diesel and traction electricity) in hybrid and electric vehicles and to increasing their range. For fuel injectors and pumps, the decision was made to phase those technologies out and to significantly reduce further investments in them. Similarly, the turbochargers business is no longer considered as a growth area. In the Sensing & Actuation segment, the future emissions and CO_2 legislation will offer additional business opportunities because the number and value of the components that are necessary for that purpose will increase. Also, the area of thermal management was developed in this segment in recent years. For electrified vehicles, thermal management significantly contributes to increasing the range of the vehicle and enhancing driving comfort by more efficient vehicle air conditioning. In addition, thermal management supports fast charging and prolongs the life of the battery. The Electrification Technology segment, which develops products to address different types of electrification, has expanded its product line in the last four years to offer mild 48V hybrid applications and power electronics for plug-ins and electric vehicles. This expansion and the ramp-up of new projects in the area of axle systems has resulted in a sharp growth in sales revenues. This growth together with the margin improvement programs launched in prior years had a positive effect on margins. As growth continues, the Vitesco Technologies Group expects that economies of scale will further improve margins and profitability in the field of electrification.

Operational efficiency measures

The Vitesco Technologies Group operates in an industry where efficiency improvements and cost savings are crucial to maintain competitiveness and profitability. As a result, the results of operations of the Vitesco Technologies Group depend significantly on its ability to improve operational efficiency across its organization.

The Vitesco Technologies Group seeks to enhance its operating performance on an ongoing basis through various cost reduction programs and restructuring plans. In the short term, these measures typically result in restructuring costs in the context of the phase-out of Non-Core ICE Technologies (for example, for severance payments, asset impairments and provisions) with a negative effect on the results of operations of the Vitesco Technologies Group. When these restructuring payments become cash effective, cash flows in the respective period are negatively impacted. In the medium to long term, however, these measures aim at achieving increased efficiencies and lower costs and, as a consequence, improving the results of operations and cash flows of the Vitesco Technologies Group.

Prices for production and non-production materials

The results of operations of the Vitesco Technologies Group are affected by fluctuations in the prices for production materials (prices of raw materials and purchase components) and for non-production materials (e.g. energy, software, services), which are both important cost drivers as they represent the largest portion of its total operating expense.

Potential increases in the price of production materials (e.g. electronic, mechanical and plastic & rubber components) have a significant impact on the costs for the Vitesco Technologies Group and its segments. The Vitesco Technologies Group tries to achieve lower prices for the production materials through annual price negotiations, adaption of supplier shares and implementation of material cost reduction programs in order to counteract potential price increases. Moreover, a decline of the value of the euro against the U.S. dollar may have an additional negative impact on the cost of production materials as a considerable portion of the production materials used by the Vitesco Technologies Group are billed on a U.S. dollar basis.

The sustainability strategy of the Vitesco Technologies Group, which aims, for example, to make production carbon-neutral or to ensure sustainability in the supply chain, may, among other things, have an impact on the selection and prices of the raw materials, components and non-production materials used and thus may also have an indirect effect on the operating expenses of the Vitesco Technologies Group.

The raw materials that the Vitesco Technologies Group currently uses in its manufacturing operations are mainly steel and resin (plastic granulates), with the components the Vitesco Technologies Group purchases from its suppliers also containing copper, nickel, aluminum, plastics, precious metals and rare earths. The prices of raw materials are influenced by global or regional supply/demand dynamics, transportation costs, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate and other circumstances. The prices for components purchased by the Vitesco Technologies Group, in turn, are directly influenced by the prices and availability of the raw materials from which these components are produced.

When sourcing components, the Vitesco Technologies Group manages procurement costs through various measures, including the selection of its suppliers through competitive tenders, continuous optimization of its supplier portfolio with regard to strategy and supplier performance, and long-term supply contracts under which suppliers undertake to deliver the components on the agreed terms. The Vitesco Technologies Group also uses, to the extent possible, price escalation clauses in supplier contracts. Prices in the raw material sector showed a very homogenous development. The prices for steel long products significantly increased in the fiscal year 2020. Vitesco Technologies was able to avoid some of these price increases in the fiscal year 2020 because it had entered into longer-term contracts with steel suppliers. The prices for copper and recycled aluminum (secondary aluminum) also increased due to limited availability and reached a multi-year high in the fourth quarter. Gold and silver showed a similar development. In particular, large purchases in the investment sector led to a sharp increase in prices in the second quarter, which continued in the third quarter. Similarly, the prices of palladium, which is primarily used in catalytic converters, rose again significantly during the year and were, on annual average, significantly higher than in the previous year. Therefore, the results of the individual business units are also determined and influenced by the raw materials used in their specific products. A purchasing cooperation with Schaeffler AG and its group companies (Schaeffler Group) has been successfully continued.

Specific warranty expenses, provisions and warranty claims

The results of operations of the Vitesco Technologies Group are significantly affected by specific warranty expenses and provisions, which can vary significantly throughout the year. These specific warranty expenses or provisions arise in connection with certain components which are alleged to be defective or for which warranty claims arise. Warranty expenses and provisions affect both the results of operations of the Vitesco Technologies Group and have a balance sheet impact.

Similarly, claims and litigation can also cause large fluctuations in results. Non-warranty related claims from customers and suppliers against the Vitesco Technologies Group generally have a negative impact on the results of the Vitesco Technologies Group. However, the Vitesco Technologies Group is also involved in claims against its customers and suppliers, which may limit the negative effects on its results. To the extent the Vitesco Technologies Group can reduce the number and size of claims against it, it can improve its profitability and financial condition. The significant percentage of events of damage in the past was due to issues with pumps and injectors. The decision was made to phase those technologies out and to significantly reduce further investments in them. The percentage of those products in sales will, therefore, constantly decrease, which should also have a positive effect on the events of damage.

Research and development

The results of operations and competitiveness of the Vitesco Technologies Group are driven to a significant extent by its ability to develop commercially attractive products and technologies. As a result, the Vitesco Technologies Group dedicates substantial resources to research and development.

The table below sets forth the research and development expenses of the Vitesco Technologies Group for the fiscal years ending on December 31, 2018, 2019 and 2020:

	2020	**2019**	**2018**
(€ millions)		(audited)	
Total research and development expenses (net)[1]	681.0	723.2	709.1
Capitalization of research and development expenses	35.4	72.1	55.5
In % of research and development expenses[2]	4.9	9.1	7.3
Amortization of capitalized development expenses	32.4	33.6	27.6

[1] Research and development expenses (net) are defined as expenses for research and development less reimbursements and subsidies that Vitesco Technologies receives in this context.

[2] Calculated from capitalization of research and development expenses divided by the sum of research and development expenses (net) and capitalization of research and development expenses.

Foreign exchange rate fluctuations

The Vitesco Technologies Group operates worldwide and is therefore exposed to financial risks arising from foreign exchange rate fluctuations.

Translational effects of exchange rate fluctuations arise because the results of subsidiaries of the Vitesco Technologies Group are measured in the functional currency of the country in which the subsidiary operates. A number of subsidiaries of the Vitesco Technologies Group report their results in currencies other than the euro. For the preparation of the Combined Financial Statements, the Vitesco Technologies Group must translate all results of its non-euro subsidiaries from local currency into euro at the average exchange rate for the respective period. Balance sheet items expressed in a currency other than euro have to be translated into euro at the relevant closing rate. As a consequence, fluctuations in the foreign currency exchange rates may increase or decrease the euro value of the non-euro assets, liabilities, revenue and expenses of the Vitesco Technologies Group even if their value has not changed in their functional currency.

Transactional effects of exchange rate fluctuations arise when companies of the Vitesco Technologies Group enter into sale or purchase transactions in a currency other than their local currency. In addition, exchange rate fluctuations may also intensify or reduce fluctuations in the prices of raw materials in euros with a corresponding effect on results of operations. In order to avoid impacts caused by the mismatch between the currencies, the Vitesco Technologies Group strives to match receipts and payments in the same currency, negotiating terms with suppliers that include invoicing them in their local currencies. The most significant transaction exposure of the Vitesco Technologies Group arises from the U.S. dollar and the Japanese yen because, in both currencies, the payments exceed the receipts.

bb) Development of sales revenues

Sales revenues decreased by €1,064.8 million, or 11.7%, to €8,027.7 million in the fiscal year ending on December 31, 2020 from €9,092.5 million in the fiscal year ending on December 31, 2019. The development of revenues in the individual segments in the fiscal year 2020 was adversely affected by the COVID-19 pandemic.

cc) Revenues by segment

(€ millions)	Fiscal year 2020	Fiscal year 2019	Fiscal year 2018
		(audited)	
Electronic Controls	3,636.8	4,270.8	4,567.9
Electrification Technology	405.9	235.2	196.8
Sensing & Actuation	2,917.2	3,261.2	3,226.0
VT Contract Manufacturing	1,099.3	1,342.0	1,224.7
Other/consolidation	-31.5	-16.7	-72.3
VT Group AG	**8,027.7**	**9,092.5**	**9,143.1**

Sales revenues of the Electronic Controls segment decreased by €634.0 million, or 14.8%, to €3,636.8 million in the fiscal year ending on December 31, 2020 from €4,270.8 million in the fiscal year ending on December 31, 2019. The COVID-19 pandemic impacted the development of revenues in all product lines.

Sales revenues of the Electrification Technology segment increased by €170.7 million, or 72.6%, to €405.9 million in the fiscal year ending on December 31, 2020 from €235.2 million in the fiscal year ending on December 31, 2019. A major part of the increase was attributable to the areas of power electronics and high voltage axle drive systems.

Sales revenues of the Sensing & Actuation segment decreased by €344.0 million, or 10.6%, to €2,917.2 million in the fiscal year ending on December 31, 2020 from €3,261.2 million in the fiscal year ending on December 31, 2019. The COVID-19 pandemic led to a decline in revenues in all product lines of the Sensing & Actuation Segment.

Sales revenues of the VT Contract Manufacturing segment decreased by €242.7 million, or 18.1%, to €1,099.3 million in the fiscal year ending on December 31, 2020 from €1,342.0 million in the fiscal year ending on December 31, 2019. The decline in revenues in the business with the Continental Group was attributable in almost equal parts to the Continental business units Autonomous Mobility and Safety and Vehicle Networking and Information.

dd) Cost of sales

Cost of sales decreased by €911.7 million, or 11.6%, to €6,971.8 million in the fiscal year ending on December 31, 2020 from €7,883.5 million in the fiscal year ending on December 31, 2019. With 86.7%, the ratio of cost of sales to revenues remained stable in the fiscal year 2020 compared to the fiscal year 2019, despite the decline in sales revenues by 11.7%. One of the main reasons for this development was the implementation of the CAP Measures which led to a reduction in personnel costs and material costs and, due to the restrictive capital expenditure policy, resulted in depreciation and amortization remaining stable in the fiscal year 2020 compared to the fiscal year 2019. In addition, the phase-out of the product line “Hydraulics” (pumps and injectors) in the EC segment resulted in savings of fixed costs of sales. By contrast, the increase in revenues in the areas of high voltage power electronics and high voltage axle drive systems in the ET segment led to an increase in cost of sales.

ee) Gross margin on sales

Gross margin on sales decreased by €153.1 million, or 12.7%, to €1,055.9 million in the fiscal year ending on December 31, 2020 from €1,209.0 million in the fiscal year ending on December 31, 2019. With 13.2%, the gross margin percentage remained almost unchanged in the fiscal year 2020 compared to the fiscal year 2019 (13.3%). The decrease in the gross margin on sales was primarily due to the decline in sales revenues.

ff) Research and development expenses

Research and development expenses decreased by €119.9 million, or 10.7%, to €1,001.3 million in the fiscal year ending on December 31, 2020 from €1,121.2 million in the fiscal year ending on December 31, 2019. The CAP Measures implemented in the area of research and development as a consequence of the COVID-19 pandemic led to savings of both personnel costs and material costs in all segments. Moreover, a significant reduction in research and development expenses was achieved by reducing research and development activities in the product line “Hydraulics” (pumps and injectors) of the EC segment. In the ET segment, research and development expenses increased due to investments in projects in the areas of high voltage power electronics, high voltage axle drive systems, battery management systems and 48-volt drive systems.

gg) Sales and administration expenses

Sales and administration expenses decreased by €43.5 million, or 9.5%, to €414.2 million in the fiscal year ending on December 31, 2020 from €457.7 million in the fiscal year ending on December 31, 2019. The reason for this decrease in sales and administration expenses was, in addition to the implementation of CAP measures, in particular the ongoing organizational separation of the Vitesco Technologies Group from Continental AG, which resulted in a lower volume of reciprocal supplies and services.

hh) Other income

Other income decreased by €214.6 million, or 28.5%, to €538.7 million in the fiscal year ending on December 31, 2020 from €753.3 million in the fiscal year ending on December 31, 2019. This decrease in other income was primarily due to the reduction in amounts charged for services provided by Vitesco Technologies to companies of the Continental Group and to the reduction in refunds from customers for research and development expenses.

ii) Other expenses

Other expenses decreased by €513.7 million, or 50.5%, to €504.4 million in the fiscal year ending on December 31, 2020 from €1,018.1 million in the fiscal year ending on December 31, 2019. This decrease in other expenses was primarily due to lower allocations to specific warranty provisions and provisions for restructuring measures and to the fact that, in contrast to the fiscal year 2019, no goodwill impairment had to be recognized.

jj) Income from equity-accounted investees

Income from investments in subsidiaries and affiliated companies increased by €1.5 million to €1.0 million in the fiscal year ending on December 31, 2020 from -€0.5 million in the fiscal year ending on December 31, 2019.

kk) Other income from investments

No other income from investments was generated in the fiscal year 2020.

ll) EBIT

The operating result (EBIT) increased by €310.9 million, or 49.0%, to -€324.3 million in the fiscal year ending on December 31, 2020 from -€635.2 million in the fiscal year ending on December 31, 2019.

Despite the decrease in the gross margin on sales due to the decline in sales revenues and the decline in other income compared to the fiscal year 2019, an increase in the operating result (EBIT) was achieved by the reduction in research and development expenses, sales and administrationexpenses and other expenses.

mm) Interest income

Interest income decreased by €16.4 million, or 44.3%, to €20.6 million in the fiscal year ending on December 31, 2020 from €37.0 million in the fiscal year ending on December 31, 2019. This decrease in interest income was primarily due to a lower volume of deposits made under the intragroup financing of the Continental Group and lower income from long-term employee benefits.

nn) Interest expense

Interest expense decreased by €15.7 million, or 31.8%, to €33.7 million in the fiscal year ending on December 31, 2020 from €49.4 million in the fiscal year ending on December 31, 2019. This decrease in interest expense resulted primarily from a lower volume of loans taken out under the intragroup financing of the Continental Group.

oo) Effects from currency translation

Expenses attributable to effects from currency translation decreased by €5.9 million, or 28.5%, to €14.8 million in the fiscal year ending on December 31, 2020 from €20.7 million in the fiscal year ending on December 31, 2019.

pp) Effects from changes in the fair value of derivative instruments and other valuation effects

Income attributable to effects from changes in the fair value of derivative instruments and other valuation effects decreased by €0.9 million, or 50.0%, to €0.9 million in the fiscal year ending on December 31, 2020 from €1.8 million in the fiscal year ending on December 31, 2019.

qq) Financial result

The negative financial result was reduced by €4.2 million, or 13.5%, to -€27.0 million in the fiscal year ending on December 31, 2020 from -€31.2 million in the fiscal year ending on December 31, 2019. The decrease in interest income was almost entirely offset by the lower amount of interest expenses, which means that the improvement of the financial result was primarily due to an improved contribution from currency translation.

rr) Earnings before tax

Earnings before tax increased by €315.1 million, or 47.3%, to -€351.3 million in the fiscal year ending on December 31, 2020 from -€666.4

million in the fiscal year ending on December 31, 2019. Earnings before tax are calculated as the sum of EBIT and financial result.

ss) Income tax expense

Income taxes changed from an income tax income of €26.5 million in the fiscal year 2019 by €38.4 million to an expense of €11.9 million in the fiscal year 2020.

tt) Net income

Net income increased by €276.7 million, or 43.2%, to -€363.2 million in the fiscal year ending on December 31, 2020 from -€639.9 million in the fiscal year ending on December 31, 2019.

uu) Net income attributable to non-controlling interests

Net income attributable to non-controlling interests changed by €6.5 million to -€13.5 million in the fiscal year ending on December 31, 2020 from -€20.0 million in the fiscal year ending on December 31, 2019.

vv) Net income attributable to the Continental Group

Net income attributable to the Continental Group increased by €283.2 million, or 42.9%, to -€376.7 million in the fiscal year ending on December 31,2020 from -€659.9 million in the fiscal year ending on December 31, 2019.

d) Analysis of the financial condition of the Vitesco Technologies Group as of December 31, 2020

aa) Net indebtedness

(€ millions)	**December 31, 2020**	**December 31, 2019**	**December 31, 2018**
		(audited)	
Short-term indebtedness	688.9	822.2	868.8
Plus: Long-term indebtedness	181.3	186.8	3.2
Total of gross indebtedness	*870.2*	*1,009.0*	*872.0*
Less: Cash and cash equivalents	255.0	184.8	71.1
Less: Short-term interest-bearing investments	1,020.9	1,743.8	2,704.9
Total of cash and cash equivalents and interest-bearing investments	*1,275.9*	*1,928.6*	*2,776.0*
Net indebtedness	**-405.7**	**-919.6**	**-1,904.0**

The net indebtedness of the Vitesco Technologies Group as of December 31, 2020 amounted to -€405.7 million, i.e. the sum of cash and cash equivalents and interest-bearing investments exceeded indebtedness. Since the Vitesco Technologies Group meets its funding needs until the spin-off mainly from operating cash flow and the intragroup financing within the Continental Group, the receivables from and liabilities to the Continental Group from financing activities are included in the calculation of net indebtedness.

The development of net indebtedness was significantly influenced by the implementation of capital measures in preparation for the spin-off. The equity of the Vitesco Technologies Group was increased in the years 2018 to 2020 in three steps by a total amount of €5.75 billion, see also Chapter V.4. Moreover, the equity was increased by the contribution of the stake held by CA France in Vitesco Technologies GmbH in the amount of €184 million without a cash inflow. With the planned sale of the stake held by CA France at market value to VT 1. and 2. Beteiligungs KGs prior to the spin-off, the equity will decrease by the amount of the purchase price. As a result of the acquisition of the minority stake of 35% in Vitesco Technologies Korea on December 18, 2020 at a price of €121.6 million, the equity similarly decreased by the amount of the purchase price. The capital measures were mainly aimed at financing the Carve-Out, in particular the fulfilment of the purchase price obligations of the Vitesco Technologies Group to Continental AG and its direct and indirect subsidiaries arising as a result of the Carve-Out. An amount of €4.3 billion of the funds from the capital increase was used for the acquisition of Vitesco Technologies' business as part of the Carve-Out. Furthermore, the capital and financial resources of the Vitesco Technologies Group were strenghtened in preparation for the spin-off. These capital measures are taken into account in the Combined Financial Statements and increased the net financial resources of the Vitesco Technologies Group. The net financial resources (the sum of cash and cash equivalents and interest-bearing investments exceeds indebtedness) of the Vitesco Technologies Group as of December 31, 2020 in the amount of €405.7 million are available for the financing of planned cash outflows for operating, investing and financial transactions, in particular in the fiscal year 2021.

bb) Pension commitments

In order to finance the obligations under pension commitments, the main pension plans of the Vitesco Technologies Group are partly covered by plan assets within the meaning of IAS 19 (see also Chapter V.5). The defined benefit obligation within the meaning of IAS 19 of the principal defined benefit plans (including defined contribution commitments in Germany) amounted to €1,032.5 million as of December 31, 2020. The fair value of the plan assets within the meaning of IAS 19 of these principal pension plans amounted to €243.3 million as of December 31, 2020. The resulting underfunding of these principal pension plans amounted to €789.2 million constituting the major part of the item "long-term employee benefits" in the statement of financial position in the amount of €923.6 million. The increase in the underfunding as of December 31, 2020 compared to the underfunding as of December 31, 2019 by €645.0 million was primarily due to an increase in the obligations arising from current service cost for the pension obligations in Germany, in addition to actuarial losses. In connection with the carve-out of the German pension plans as part of the Carve-Out, the obligations to active employees were assumed by the Vitesco Technologies Group, while the obligations to employees who left the company or retired were retained by Continental.

cc) Capital structure and debt

As of December 31, 2020, the total current liabilities of the Vitesco Technologies Group amounted to €3,922.2 million, or 48.7%, of total equity and liabilities, and thus remained almost unchanged compared to the amount of €3,939.1 million as of December 31, 2019. Within current liabilities, an increase in trade accounts payable was offset, in particular, by a decrease in short-term financial liabilities. Total non-current liabilities amounted to €1,490.9 million, or 18.4%, of total equity and liabilities as of December 31, 2020. Of this amount, in addition to long-term employee benefits, €339.9 million were attributable to long-term provisions, in particular for restructurings. This increase in non-current liabilities by €197.8 million from €1,293.1 million as of December 31, 2019 was attributable, in addition to the increase in long-term employee benefits, to the increase in long-term provisions, in particular for restructurings. As a result, total liabilities as of December 31, 2020 amounted to €5,413.1 million. The equity ratio of the Vitesco Technologies Group as of December 31, 2020 was 32.9% and equity amounted to €2,648.6 million.

dd) Asset structure and equity

As of December 31, 2020, the total assets of the Vitesco Technologies Group amounted to €8,061.7 million. Current assets amounted to €4,329.1 million, or 53.7%, of total assets. Trade accounts receivable with an amount of €1,983.6 million and short-term derivative instruments and interest-bearing investments (€1,034.0 million) represented the largest part of current assets. Current assets decreased by €115.0 million from €4,444.1 million as of December 31, 2019, whereby a decrease in short-term derivative instruments and interest-bearing investments was partly offset by an increase in trade accounts receivable. Non-current assets amounted to €3,732.6 million, or 46.3%, of total assets. Of this amount, €2,458.0 million (December 31, 2019: €2,658.4 million) were attributable to property, plant and equipment. Goodwill amounted to €785.2 million (December 31, 2019: €805.7 million), or 9.7%, of total assets or 29.6% of equity.

ee) Capital expenditure

The capital expenditure of the Vitesco Technologies Group decreased in the fiscal year 2020 compared to the fiscal year 2019 by €302.4 million to €480.0 million from €782.4 million. This decrease was primarily due to the global economic conditions as a consequence of the COVID-19 pandemic and the reduction of investments in components for combustion engines.

In the Electronic Controls segment, investments in the fiscal year 2020 were mainly made in the ramp-up of production of a new generation of transmission control units. Investments in the area of engine control units remained at the same level as in the previous year, whereas investments in product lines relating to components for combustion engines significantly decreased compared to the previous year.

In the Electrification Technology segment, the focus of investments was on building up production capacity in the field of high-voltage electronics and on a new generation of high-voltage axle drive systems. Total investments slightly increased compared to the previous year.

In the Sensing & Actuation segment, the main investments were made in the product line "Transmission & Engine Sensors" and in the product line "Actuators". Investments in the product line "Fluid Control Systems" significantly decreased compared to the previous year.

In the VT CM segment, investments significantly decreased. This decrease was due to the fact that VT CM merely executes existing manufacturing orders on behalf of the Continental Group, while the Continental Group implements investments for new orders from end customers at its own manufacturing sites.

e) Effects of the spin-off on the financial condition and results of operations of the Vitesco Technologies Group

aa) Effects of the spin-off on the results of operations

The spin-off will, except for the effects described below, have insignificant effects on the results of operations of the Vitesco Technologies Group because it is expected to have no significant effects on the business activities of the Vitesco Technologies Group. The current business relationships to the Continental Group will remain the same, at least for the near future. For a detailed explanation of these relationships, see Chapter XI. of the Spin-off Report.

In the area of information technology, it is expected that the Vitesco Technologies Group will incur additional expenses after the spin-off (for details on the separation of the IT as part of the Carve-Out, see Chapter V.9). As a result of the necessary separation of the services previously existing within the Continental Group, the Vitesco Technologies Group will be affected by dissynergies and the economic loss of economies of scale (e.g. as a result of the extension of the scope, acquisition and/or renegotiation of software licenses / license agreements). When implementing the relevant measures and making the adjustments, importance is attached to achieving an implementation that is as cost-neutral as possible, and it is also intended to reduce operational expenses incurred in the future by taking appropriate countermeasures.

The separation of the purchasing function of the Vitesco Technologies Group after the spin-off will reduce the purchasing volume under the responsibility of the Vitesco Technologies Group in the area of production and non-production materials. Especially in the case of identical components (i.e. components used or installed in products of both the Continental Group and the Vitesco Technologies Group) or suppliers shared between the Continental Group and the Vitesco Technologies Group, this may adversely affect the market position of the Vitesco Technologies Group.

As a result of the spin-off, the companies of the Vitesco Technologies Group will no longer participate in the intra-group cash management and financing system of the Continental Group. This also applies to the participation by the companies of the Vitesco Technologies Group in the foreign currency and raw materials price risk management system of Continental AG (see also Chapter V.3).

Thus, the future financing opportunities and costs of VT Group AG and the Vitesco Technologies Group will depend exclusively on their own creditworthiness, and the costs of foreign currency and raw material price hedging transactions will depend on their own activities. This is expected to result in higher costs than was the case in the past as part of the Continental Group.

For details on the costs of the spin-off, see Chapter VI.14.

bb) Effects of the spin-off on the financial condition

The effects of the spin-off on the financial condition of the Vitesco Technologies Group is described in Chapter VIII.1.

After the spin-off, the future financing opportunities and costs of VT Group AG and the Vitesco Technologies Group will depend exclusively on their own creditworthiness. The spin-off generally has no effects on the financial condition of the Vitesco Technologies Group because it does not directly concern its assets but only results in a change in the shareholder structure. However, there are certain specific legal or contractual consequences of the spin-off, and individual measures in connection with the spin-off are planned or have already been implemented which will have effects on the financial condition, see also Chapter VIII.1.e)bb). One of these measures is, in particular, the termination of the participation in the intra-group cash management and financing system of the Continental Group prior to the spin-off.

The remaining 3.56% of the shares in Vitesco Technologies GmbH, which are currently held by CA France, are intended to be sold at market value to VT 1. and 2. Beteiligungs KGs prior to the spin-off taking effect. The payment of the purchase price will reduce the available cash and cash equivalents of the Vitesco Technologies Group.

cc) Effects of the spin-off on the capital structure and financing of the Vitesco Technologies Group

The executive boards of Continental AG and VT Group AG aim to achieve a solid capital structure which will enable the Vitesco Technologies Group to operate successfully in the market from the start. The equity of the Vitesco Technologies Group was increased in the years 2018 to 2020 in three steps by a total amount of €5.75 billion, see also Chapter V.4 Equity. In addition, the equity was increased by the contribution of the stake held by CA France in Vitesco Technologies GmbH in the amount of €184 million. With the planned sale of the stake held by CA France at market value to VT 1. and 2. Beteiligungs KGs prior to the spin-off, the equity will decrease by the amount of the purchase price. An amount of €4.3 billion of the capital increase was used for the acquisition of Vitesco Technologies' business as part of the Carve-Out. No further capital contributions are intended to be made until the spin-off.

It is planned that the Vitesco Technologies Group will settle the receivables and liabilities resulting from the participation in the joint financing structure with the Continental Group prior to the spin-off (see also Chapter XIII.2.c)), which, taken in isolation, is expected to result in a reduction in total assets.

dd) Debt financing of the Vitesco Technologies Group after the spin-off

After the closing of the spin-off, the Vitesco Technologies Group is intended to be financed primarily by the utilization of available liquidity and a syndicated credit facility from an international banking consortium. For this purpose, a credit facility agreement in a planned total size of €1 billion is intended to be entered into with this banking consortium prior to the closing of the spin-off. Currently, talks are being held with a consortium consisting of two banks with the aim to obtain a binding commitment by March 2021. It is intended that the banking consortium will arrange for a participation of further banks in a timely manner after obtaining the commitment (syndication). Furthermore, it is planned that the revolving credit facility to be made available under the credit facility agreement can also be drawn in U.S. dollar.

The revolving credit facility is intended to have a term of three years with two optional extensions by an additional period of one year in each case (subject to approval by the lenders) and will be used for general corporate purposes, i.e. in particular the financing of the operational business. The credit facility is intended to be agreed on standard commercial terms. The size, structure and term of the credit facility are intended to ensure that the Vitesco Technologies Group will have sufficient funds and flexibility in line with its business planning over the medium term.

The Vitesco Technologies Group agrees to a limited extent that funds raised by it through debt capital measures shall be used by it for the early repayment or reducing the amount of the syndicated credit facility available to it by a corresponding amount.

Where required, for example in countries with highly regulated capital markets, the Vitesco Technologies Group will additionally obtain funds through bilateral bank loans. Furthermore, the Continental Group grants to the Vitesco Technologies Group a temporary extension of the payment terms for supplies made by companies of the Continental

Group to companies of the Vitesco Technologies Group (see Chapter XI.1.a)).

ee) Other effects

For a description of the effects of the market situation and general economic conditions on the financial condition and results of operations in 2020, see Chapter IX.2.c)aa); these factors may also be relevant to the future development. In addition to the effects directly related to the spin-off, in particular the following factors may be important for the future development of the Vitesco Technologies Group. Further effects and factors affecting the business development of the Vitesco Technologies Group may arise from general economic and market developments, risks related to the automotive market and market trends, operational business risks as well as financial, legal and tax risks.

Market development and impacts of semiconductor supply shortages

The COVID-19 pandemic and its economic impacts caused extreme market volatility in the automotive industry in 2020. Following the lockdown in Germany and various other countries in spring 2020 and the resulting sudden decline in demand, automotive manufacturers in all regions increased their production volumes much faster then expected by market experts. This development caused shortages in the supply chain, in particular in the field of semiconductors. Although semiconductor manufacturers had already reacted to the sudden demand by expanding their capacities, the additional volumes needed have not been available on time since the beginning of the fiscal year 2021 due to the necessary lead times in the semiconductor industry. According to currently available information, this supply shortage in the semiconductor industry is expected to continue and to cause supply shortages in the production of Vitesco Technologies (just as in the production of the Continental Group) in 2021.

In the light of this, it cannot be ruled out that possible interruptions in production due to semiconductor supply shortages may have negative financial consequences for the development of Vitesco Technologies' results of operations.

Investigations in connection with the use of illegal defeat devices in diesel engines

The public prosecutor's office in Hanover searched locations of Continental AG and certain companies of the Continental Group as part of investigations in connection with the use of illegal defeat devices in VW diesel engines. The investigations concern products of the (former) Powertrain division of the Continental Group that belong to the business transferred as part of the Carve-Out to Vitesco Technologies. These investigations are currently directed against employees of the Continental Group and of Vitesco Technologies and against Continental AG and certain companies of the Continental Group but not against companies of the Vitesco Technologies Group. Continental AG and the companies of the Continental Group are fully cooperating with the public prosecutor's office in Hanover. There is a risk that fines may be imposed as a result of these allegations. The amount of these fines, which may consist of a portion representing a disgorgement of economic benefits and a punitive portion, is currently uncertain but could be significant. Moreover, the risk that third parties may bring civil claims cannot be ruled out.

In the event that fines or other measures which concern the transferred business would be imposed against Continental AG and/or certain companies of the Continental Group, VT Group AG will indemnify Continental AG and the relevant affected companies of the Continental Group from and against any expenses and liabilities on the basis of the contractual terms of the Carve-Out agreements and the Group Separation Agreement (see also Chapter XIII.2.e)). This is consistent with the agreement between the parties that all the rewards but also all the risks related to the transferred business shall be transferred to VT Group AG and the companies of the Vitesco Technologies Group. Therefore, it cannot be ruled out that these investigations may have, directly or indirectly, financial consequences for Vitesco Technologies which may affect its results (see also Chapter XIII.2.e)). The potential financial consequences of the investigations in connection with the use of illegal defeat devices in VW diesel engines cannot yet be quantified. At present, it cannot be ruled out that they may affect the future development of Vitesco Technologies' results of operations.

Furthermore, the public prosecutor's office in Frankfurt/Main is conducting investigations against at least one former employee of an international automotive manufacturer and against unknown employees of the Continental Group with regard to illegal defeat devices in diesel engines of this automotive manufacturer. Continental AG and certain companies of the Continental Group are currently named as witnesses. Continental AG and the companies of the Continental Group are cooperating with the public prosecutor's office in Frankfurt/Main. There is a risk that, in future, investigations could be conducted against Continental AG and/or companies of the Continental Group. In this case, fines could be imposed and civil claims could be brought by third parties. Within the scope of an indemnification under the Carve-Out agreements and the Group Separation Agreement (see also Chapter XIII.2.e)), these investigations may, like those described in the foregoing paragraph, have, directly or indirectly, financial consequences for Vitesco Technologies.

Due to the considerable scale of the investigations conducted on a national and international level against automotive manufacturers and suppliers, further regulatory or civil proceedings and the associated financial risks cannot be ruled out.

3. Legal structure of VT Group AG and of the Vitesco Technologies Group after the spin-off

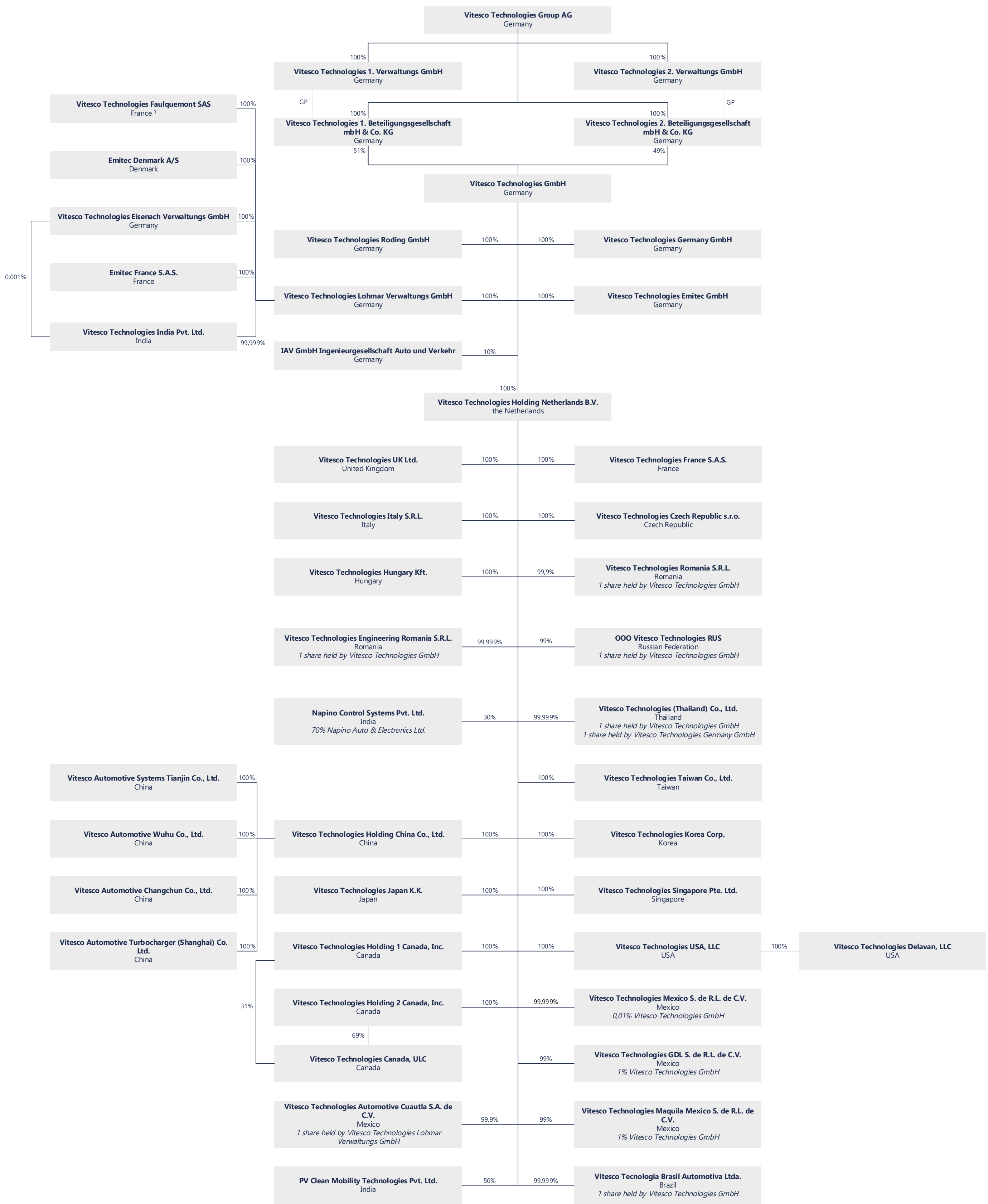
a) Shareholder structure

When the spin-off takes effect, the shares in VT Group AG (except for the 20,000 shares in VT Group AG which will continue to be held for a short period of time by Continental AG immediately after the spin-off) will be held by the shareholders of Continental AG in proportion to their participations in Continental AG. This means that, subject to the rounding of the fractional entitlements, VT Group AG will, at the time of the initial stock exchange listing, have the same shareholder structure as Continental AG. After the initial stock exchange listing, however, the shareholder structures may develop independently of each other. Due to the fact that all Continental shareholders receive shares in VT Group AG in connection with the spin-off, it can be expected that a significant number of investors will sell the shares allocated to them, In particular, it can be expected that shareholders for whom it is relevant that Continental AG is represented in the DAX equity index (e.g. index funds) can no longer hold the shares in VT Group AG, which are allocated to them as a result of the spin-off, due to their investment rules and objectives, and will sell these shares, which may result in a change in the shareholder structure. Such sell-offs may also influence the stock exchange price of the shares of VT Group AG.

b) Group structure

When the spin-off takes effect, a holding structure will come into existence at the Vitesco Technologies Group under which VT Group AG will be the parent company.

The following chart shows the expected future structure and major participations of the Vitesco Technologies Group after the spin-off has taken effect (participations as per December 31, 2020).



[1] *With regard to the sale of Vitesco Technologies Faulquemont SAS, see Chapters VIII.1.e)bb) and IX.1.a).*

c) Articles of association of VT Group AG

VT Group AG will adopt new articles of association prior to the spin-off taking effect, which will contain the standard provisions for articles of association of a listed company. Only the provision on the supervisory board (supervisory board that is not subject to the rules on co-determination of the employees) will continue to apply for a short transition period because the co-determined supervisory board can only be established after completion of status proceedings (for details, see Chapter IX.3.d) and Chapter XII.3).

The draft articles of association, which will become applicable after the spin-off has taken effect, are attached as Annex 2 to the Spin-off and Transfer Agreement attached hereto as **Annex 1**.

aa) General provisions

§§ 1 to 3 of the articles of association contain general provisions on the name of the company (Vitesco Technologies Group Aktiengesellschaft), the registered office (Hanover) and the fiscal year (calendar year), the object of the company and standard provisions regarding announcements and the transmission of information.

For the planned relocation of VT Group AG's registered office to Regensburg, see Chapter II.5.e) above.

The object of the company and the related provisions read as follows:

"(1) The object of the company is the development, manufacturing and sales of products for vehicles of all kind and other mobility concepts and of other industrial products, in particular the development, manufacturing and sales of systems and components and the provision of services for powertrains, including electrical machines, power electronics, control electronics, software, energy converters (such as fuel cells) and energy storage devices (such as batteries), sensors for physical and chemical properties, actuators, technologies for pollutant reduction and combustion technologies. In these and other fields, the Company may engage in activities in the area of research, development, manufacturing and sales of electronic, mechatronic and mechanical components and systems, and of software and technical devices, and provide related advisory and other services and servicing.

(2) The Company may pursue its object itself or indirectly through group companies and affiliated companies (including joint ventures). The Company may also confine its activity to a part of the activities specified in paragraph 1.

(3) The Company shall be entitled to transact all business and take all steps which are related to the object of the Company or appear suitable to directly or indirectly promote the object of the Company, in particular to acquire and dispose of real estate, to establish auxiliary and ancillary operations and branches in any domestic or foreign location, and to enter into contracts on the pooling of interests and intercompany agreements. The Company may combine enterprises under

single management and confine itself to the management of the enterprises or the administration of its participation. In particular, the Company is entitled to establish, take over, acquire or hold participations in other enterprises of the same or a similar type. The Company may establish affiliated companies, acquire participations, change their structure, combine them under single management or confine itself to the administration of the participation, and sell participations. Furthermore, the Company may enter into intercompany agreements and cooperation agreements of all kind."

bb) Share capital and shares

§ 4 of the articles of association contains provisions on the share capital, the shares and the share certificates. The share capital after the spin-off capital increase for the implementation of the spin-off amounts to €100,052,990, divided into 40,021,196 registered no-par value shares (*Stückaktien*).

Furthermore, § 5 of the articles of association contains further standard provisions under which VT Group AG is entitled to issue global certificates. The entitlement of the shareholders to demand the issue of share certificates is excluded.

cc) Corporate bodies

§§ 6 to 20 of the articles of association deal with the executive board, the supervisory board and the shareholders' meeting of the company. They contain provisions which are standard for a German stock corporation (for a description of the provisions of the articles of association regarding the executive board and the supervisory board, see also Chapter IX.3.d) and Chapter IX.3.e)).

d) Executive board of VT Group AG

VT Group AG has a three-member executive board, consisting of Andreas Wolf (Chairman), Werner Volz and Ingo Holstein. These members of the executive board were appointed by resolution of the supervisory board of March 9, 2021 with immediate effect for a term of office until September 30, 2024 (see also Chapter II.5.c)).

A brief overview of the key areas of responsibility is provided below:

Name	**Area of responsibility**
Andreas Wolf (Chairman of the Executive Board, Chief Executive Officer)	Business Units EC, ET, S&A, VT CM, Business Development & Strategy, Communications, Information Technology, Operations, Purchasing & Supplier Quality Management, Quality & Environment, Sales, Technology & Innovation
Werner Volz (CFO)	Finance & Controlling, Corporate Real Estate Management, Finance & Treasury, Investor Relations, Internal

	Audit, Insurance, Legal, Mergers & Acquisitions, Taxes

Ingo Holstein (CHRO)	Human Relations, HR Central Functions, Talent Management, Organizational Development, Employer Branding & Recruiting , Compensation & Benefits, Labor Relations, Sustainability, Health, Safety & Security, Global People Services, People Analytics and Technology, HR Governance and Processes, Diversity, Equity & Inclusion

Pursuant to § 8 of the future articles of association of VT Group AG, the executive board is legally represented by two members of the executive board or by one member of the executive board jointly with a Prokurist (authorized signatory). It is also planned to appoint Ingo Holstein as CHRO as soon as VT Group AG will fall within the scope of application of the MitbestG. In addition, it has been agreed with Mr. Volz that the supervisory board shall approve a request by Mr. Volz to resign from the executive board before the expiry of his term of office when he will reach the age of 65 and that his employment contract shall terminate at the same time.

The future members of the executive board of VT Group AG will, for the time being, continue to be managing directors of Vitesco Technologies GmbH.

It is planned to increase the number of members of the executive board of VT Group AG by three additional members after the spin-off has taken effect. It has not yet been decided when these additional members will be appointed. The designated three additional members are the relevant heads of the business units.

Based on the resolution adopted by the supervisory board of VT Group AG on March 9, 2021, the remuneration system is designed as follows:

The remuneration of the executive board members consists of fixed non-performance-related and variable performance-related components.

The fixed non-performance-related remuneration components comprise the fixed annual salary which is paid in twelve equal monthly installments, additional benefits, such as the provision of a company car and the payment of insurance premiums, as well as a pension commitment with contributions being credited annually.

The variable performance-related remuneration components comprise a short-term remuneration component (performance bonus excluding equity deferral) as well as long-term remuneration components (long-term incentive and equity deferral of the performance bonus):

The short-term variable remuneration in the form of the performance bonus (***Short Term Incentive*** or ***STI***) rewards the contribution to value creation with regard to the achievement of the short-term economic and other targets during a fiscal year. In the employment contract, an STI target amount is agreed, which is granted in the case of 100% target achievement. The maximum amount is limited to 200% of the target amount. The amount of the STI to be paid out depends on the extent to which an executive board member achieves the targets set by the supervisory board for the following key financial performance indicators: earnings before interest and taxes (***EBIT***), return on capital employed (***ROCE***) and cash flow before financing activities (***Free Cash Flow***). In addition, the supervisory board can set personal performance criteria from the following areas, which can be included in the target achievement as a so-called personal contribution factor (***PCF***) with a value of between 0.8 and 1.2: market development and customer focus, implementation of transformational projects, organizational and cultural development. If no personal performance criteria are set, the PCF value is 1. After the end of each fiscal year, the target achievement for each financial performance criterion is determined. In this determination, the degree of target achievement is calculated linearly between 0% and 200% by comparing the target value with the respective actual value, and the EBIT target is weighted at 40%, the ROCE target at 30%, and the Free Cash Flow target at 30%. The amount so determined is multiplied by the STI target amount. The gross value of the amount of the STI to be paid out is determined by multiplying this result with the PCF. Each executive board member is obliged to invest 20% of the gross value of the payout amount of the STI in shares of VT Group AG (***Equity Deferral***). The remaining amount is paid out as short-term variable remuneration.

The long-term incentive (***LTI***) is intended to promote long-term commitment among the executive board members to VT Group AG and its sustainable growth. The performance criteria for the LTI are, first, the long-term total shareholder return (***TSR***) of the VT Group AG share compared to an index made up of, for example, European companies which operate in the automotive industry and are comparable with VT Group AG. The second performance criterion is a sustainability factor, which is multiplied by the degree of target achievement of the TSR to determine the amount of the LTI to be paid out. In addition, the development of the VT Group AG share price over the term of the LTI is crucial in determining the amount of the LTI to be paid out. Each LTI is valid for a term of four fiscal years. An allotment value in euros for the LTI is agreed in the employment contract. At the start of the first fiscal year of the LTI plan's term, this allotment value is converted into a basic holding of virtual shares. For this purpose, the allotment value is divided by the arithmetic mean of the closing prices of the VT Group AG share in XETRA trading on the Frankfurt Stock Exchange (or a successor system) in the last two months preceding the start of the term of the relevant LTI plan (issue price). By way of derogation, the allotment value in the fiscal year 2021 shall be divided by the arithmetic mean of the closing prices of the VT Group AG share in XETRA trading on the Frankfurt Stock Exchange in the first three months from (and including) the date of commencement of trading. The maximum amount of the LTI to be paid out is limited to 200% of the relevant allotment value. The long-term (relative) TSR is determined by comparing the development of the VT Group AG share after a period of four years of the term of the LTI plan – for the fiscal year 2021, however, the relevant period shall be the period from the date of commencement of trading of the VT Group AG share until the end of the term – with the development of the comparison index during the relevant period as follows: if the TSR of the VT Group AG share falls short of or exceeds the TSR of the comparison index by less than 25 percentage points, the degree of target achievement is calculated linearly between 50% and 150%. If the shortfall is higher, the target achievement is 0%, and if the excess is higher, the target achievement is 150%. In addition, the Supervisory Board determines up to six performance criteria and targets for the sustainability factor of each LTI plan on the basis of the following areas of focus: climate protection, clean mobility, circular economy, sustainable supply chains, clean and safe factories, good working conditions, product quality, corporate governance, innovation and digitalization, safe mobility, long-term profitability, and social commitment. The sustainability factor is the result of the addition of individual target values, and the maximum sustainability factor amounts to 1.3. The relative TSR is multiplied by the sustainability factor. The amount so determined is multiplied by the basic holding of virtual shares. The result is the final holding of virtual shares, which is multiplied by the payout ratio in order to determine the gross value of the LTI to be paid out in euros. The payout amount may not exceed 200% of the agreed allotment value.

In addition to the previously outlined remuneration components, each executive board member is obliged to invest a minimum amount into shares of VT Group AG and to hold such shares for a period of up to two years after the end of such member's appointment and termination of such member's employment contract.

If a member of the executive board demonstrably and knowingly commits a gross violation of the obligations under such member's employment contract, the supervisory board is entitled, in its reasonable discretion, to reduce the variable remuneration partially or completely to zero or to demand its repayment (penalty provision and clawback provision).

The share of the long-term variable remuneration significantly exceeds the share of the short-term variable remuneration in order to ensure a long-term and sustainable remuneration. At 100% target achievement, the annual fixed salary (excluding pension commitment and additional benefits) comprises approximately 19% to 31% of the target remuneration, the performance bonus (excluding Equity Deferral) comprises approximately 13% to 26% of the target remuneration, and the Equity Deferral and LTI comprise approximately 30% to 50% of the target remuneration. The pension commitment may comprise up to 34% and the additional benefits approximately 1% of the target remuneration, respectively. The total of all payments that result from the remuneration regulations for one fiscal year ("maximum remuneration") is €6.2 million for the chairman of the executive board and €3.2 million for each other member of the executive board.

e) Supervisory board of VT Group AG

The current plan is that, after status proceedings have been completed and the spin-off has taken effect, VT Group AG will have a supervisory board consisting of 16 members composed of eight shareholder representatives and eight employee representatives (for details, see Chapter XII.3 below).

It is intended that the eight shareholder representatives on the supervisory board will be elected by Continental AG as the sole shareholder in the shareholders' meeting of VT Group AG prior to the spin-off taking effect. The persons who will act as shareholder representatives on the future supervisory board of VT Group AG have not yet been determined. It is expected that the employee representatives on the supervisory board will initially be appointed by court order after completion of the status proceedings (for details, see Chapter XII.3 below). The term of office of each member will commence subject to the condition precedent, and as from the date, of the spin-off taking effect. The details of the court appointment still need to be agreed with the competent Regional Court (*Landgericht*) of Hanover. It is currently planned that the executive board of VT Group AG will file an application for the court appointment, in agreement with the employee representative bodies, of the following persons as employee representatives on the supervisory board: Carsten Bruns, Lothar Galli, Yvonne Hartmetz, Michael Köppl, Erwin Löffler, Ralf Schamel, Kirsten Vörkel and Anne Zeumer.

In addition to reimbursement of reasonable cash outlay and of turnover tax to which they are subject for their activity on the supervisory board, the members of the supervisory board of VT Group AG will each receive a fixed basic remuneration of €60,000 per year, payable in the last month of each fiscal year. The chairman of the supervisory board will receive a fixed basic remuneration of €120,000 and each deputy chairperson will receive a basic remuneration of €90,000 for each fiscal year of the company. The chairmen of the audit committee and of the chairman's committee will each receive an additional remuneration of €30,000 for their activity. The other members of the audit committee and of the chairman's committee will each receive an additional remuneration of €20,000 for their activity. The total amount of additional remuneration for activities in committees of the supervisory board will be limited to €40,000 for the chairman of the audit committee, to €40,000 for the chairman of the chairman's committee, and to €30,000 for all other members of the supervisory board. In each case, the highest upper limit for the relevant supervisory board member shall apply. In addition, each member of the supervisory board will receive an attendance fee of €1,500 per supervisory board meeting personally attended. This applies also to personal attendance at committee meetings not held on the same day as a meeting of the supervisory board. The participation in a meeting held by telephone or video conference or the participation by telephone or video conference will be considered as personal attendance at a meeting.

f) Share-based compensation plans and employee participation plans at Vitesco Technologies

To the extent that employees participate in the LTI Plans existing in the Continental Group (see Chapter II.2.c) above), the corresponding rights may be adjusted as a result of the spin-off, unless the terms and conditions of the relevant LTI Plan provide that they shall remain unchanged. In the case of employees of the future Vitesco Technologies Group which will leave the Continental Group as a direct consequence of the spin-off, the executive board of VT Group AG will, at its reasonable discretion, decide to adjust the plan criteria. In addition, the LTI Plan for the period beginning in 2021 provides that, in the event of the spin-off, the sustainability criteria shall be linked to targets of the future Vitesco Technologies Group.

Vitesco Technologies GmbH promised to pay a retention bonus to a certain limited number of employees at the management levels below the future executive board of VT Group AG who have special responsibility in connection with the spin-off and the success of the independent operation of the business of the future Vitesco Technologies Group. This retention bonus consists of a fixed amount payable in two tranches. The second tranche may increase depending on the development of the stock exchange price of the VT Group AG share. The first tranche of the fixed payment under the plan is a one-time special payment which will be due and payable after the shareholders' meeting of Continental AG has approved the spin-off of Vitesco Technologies. In order to create a specific incentive for the beneficiaries to contribute to the success of the Vitesco Technologies Group also over the medium term, the second tranche of the payment, which constitutes the main part of the special payment, will be due and payable only upon expiry of a two-year vesting period which starts to run from the date of commencement of trading in the shares. The amount of the second tranche will depend on the development of the stock exchange price of the VT Group AG share during this period. If the beneficiary leaves the Vitesco Technologies Group or is appointed as member of the executive board of VT Group AG before the expiry of the vesting period, the claim for payment is automatically forfeited. The retention bonus plan (taking into account a possible increase of the second tranche) has a total volume of approximately €20 million.

g) Auditor

An accounting firm to be selected in accordance with the requirements of VT Group AG will be appointed as auditor of the individual financial statements and consolidated financial statements and as auditor for the review of interim financial statements to be prepared after the stock exchange listing of VT Group AG for the fiscal year 2021. A selection process is currently in progress, which is expected to be completed in May 2021.

X. The Continental Group after the spin-off

1. Business operations of the Continental Group after the spin-off

After the spin-off has taken effect, Vitesco Technologies previously belonging to the Continental Group will be continued by the then newly created Vitesco Technologies Group and, thus, no longer be part of the Continental Group. Since Vitesco Technologies was, already prior to the spin-off, a largely independent unit within the Continental Group in operational terms (see Chapter II.3.c)), the spin-off will have no material effects on its business operations. The links between the business operations of Vitesco Technologies and the other companies of the Continental Group, which currently exist within the Continental Group, will continue after the spin-off in the form described in Chapter XI.

It cannot be ruled out that the business operations of the Continental Group may continue to be likewise affected after the spin-off by the impacts of the COVID-19 pandemic and the semiconductor supply shortages caused by it. For details on the aforementioned aspects, see also the descriptions with regard to Vitesco Technologies in Chapters IX.2.c)aa) and IX.2.e)ee).

2. Financial condition and results of operations of Continental AG and of the Continental Group after the spin-off

When the spin-off takes effect, Vitesco Technologies will be separated from the Continental Group and will be continued by the newly created Vitesco Technologies Group with VT Group AG as the group parent company.

For a description of the effects of the spin-off on the financial condition of Continental AG and of the Continental Group, see also Chapter VIII.1. For a description of the tax effects of the spin-off, see Chapter VIII.2.

a) Continental AG

When the spin-off takes effect, the participations held by Continental AG in VT 1. and 2. Beteiligungs KGs and their general partners, VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH, will be transferred to VT Group AG. Domination and profit and loss pooling agreements existing between Continental AG or companies of the Continental Group and companies of Vitesco Technologies were terminated as part of the Carve-Out with effect as of the end of December 31, 2018 (24.00 hrs). Accordingly, there are no domination and profit and loss pooling agreements that would have to be terminated in connection with the spin-off taking effect.

b) The Continental Group

The spin-off will have essentially the following effects for the Continental Group:

Prior to the spin-off, the activities attributable to the Powertrain business area were part of the business activities of the Continental Group and were consolidated in the consolidated financial statements of Continental AG. With the loss of the control under the rules of IFRS 10 and upon taking effect of the spin-off by registration in the commercial register for Continental AG, these activities then combined under the roof of VT Group AG will no longer be included in the consolidated financial statements of Continental AG.

As from the date on which the supervisory board of Continental AG has approved the Spin-off Agreement, which occurred in its meeting of March 16, 2021, Continental AG has recognized the business activities of the Vitesco Technologies Group in its accounting as “discontinued operations”. Until the spin-off takes effect, they will be measured at the lower of the book value of the Vitesco Technologies Group and the relevant fair value less transaction costs. This may have effects recognized in profit or loss in the event of a reclassification and the subsequent measurement.

In essence, when the spin-off takes effect, the assets and liabilities attributable to the Vitesco Technologies Group will no longer be recognized in the relevant items of the statement of financial position of the Continental Group.

The group sectors Automotive Technologies and Rubber Technologies will not be affected by the spin-off and will, accordingly, not be reclassified in the consolidated financial statements of Continental AG. In addition, Continental CM will be newly introduced as a group sector or business area after the spin-off. From the time the spin-off takes effect, supply and service relationships with the new Vitesco Technologies Group will be recognized in the consolidated financial statements of Continental AG as revenues, income or expenses.

The fact that the Vitesco Technologies Group will no longer be part of the Continental Group will have effects on the Continental Group especially in the following areas:

aa) Financing

Prior to the spin-off taking effect, the Vitesco Technologies Group participates in the financial management of the Continental Group. With the spin-off, the Vitesco Technologies Group will become financially independent. Outstanding balances from the intragroup financing between companies of the Continental Group and companies of the Vitesco Technologies Group will be settled at the latest when the spin-off takes effect. In total, a positive net balance in favor of Vitesco Technologies resulted from the intragroup financing as of December 31, 2020. Apart from that, the spin-off will, from today's perspective, not have any substantial effects on the financing volume needed by the Continental Group.

Currently, Continental AG has an investment grade rating. The executive board of Continental AG does not expect that, taking into account the aforementioned considerations, this rating will change as a result of the spin-off.

All in all, from today's perspective, the spin-off will not result in any material changes to the future financing opportunities and costs of the Continental Group.

bb) IT

In the area of information technology, the Continental Group is expected to incur additional expenses after the spin-off. As a result of the spin-off, services previously existing within the Continental Group will have to be separated (for a description of the separation of the IT in relation to Vitesco Technologies, see also Chapter V.9). This will result in costs, dissynergies and the economic loss of economies of scale also for the Continental Group due to changes regarding the IT, e.g. as a result of the extension of the scope, the acquisition and/or the renegotiation of software licenses and license agreements. When implementing the relevant measures and adjusting the relevant agreements, it is carefully pursued to achieve an implementation that is as cost-neutral as possible, and it is also intended to reduce operational expenses incurred in the future by taking appropriate countermeasures.

cc) Purchasing

The separation of Vitesco Technologies and of the related purchasing function will significantly reduce the purchasing volume under the responsibility of the Continental Group in the area of production and non-production materials. Especially in the case of identical components (i.e. components used or installed in products of both the Continental Group and the Vitesco Technologies Group) or suppliers shared between the Continental Group and Vitesco Technologies, this may adversely affect the market position of the Continental Group.

dd) Continental Contract Manufacturing

As described in Chapter XI.1.a) below, there are mutual supply and service relationships between companies of the Continental Group and the Vitesco Technologies Group in the field of contract manufacturing. The relevant agreements will be terminated with effect as of June 30, 2021 and replaced with new agreements with effect as of July 1, 2021. The current framework agreement for contract manufacturing reflects the existing intergroup relationships and, accordingly, pricing is mainly determined on a uniform basis in accordance with the intergroup rules, which provide for full transparency of the relevant cost structures. The new framework agreement will include a new pricing model which will, in particular, reflect the fact that a disclosure of cost structures will be no longer possible for reasons of competition law after the spin-off has taken effect. Currently, it is not expected that the terms of the new agreements will have a material effect on the Continental Group.

3. Legal structure of Continental AG and of the Continental Group after the spin-off

The spin-off has, except for the fact that the Spin-off Assets will be spun-off, no effects on the legal structure of Continental AG and of the Continental Group. The corporate structure of the Continental Group will remain unchanged after the spin-off. Continental AG will continue to be the parent company of the Continental Group. The portfolio of Continental AG will continue to include the operational group sectors Automotive Technologies and Rubber Technologies. In addition, Continental CM will be newly introduced as a group sector or business area (see Chapter X.2.b)dd)). There will be no changes with regard to the investments of Continental AG in German and foreign companies, except for the fact that the companies of the Vitesco Technologies Group which will no longer be part of the Continental Group after the spin-off.

Upon registration of the spin-off in the commercial register for Continental AG, Andreas Wolf will leave the executive board of Continental AG. Apart from that, the composition of the executive board of Continental AG, the responsibilities of its members as well as their terms of office will not change as a result of the spin-off.

The spin-off will not have any effects on the size and composition of the supervisory board of Continental AG. Continental AG will continue to be a company with a co-determined supervisory board consisting of 20 members composed of an equal number of ten shareholder representatives and ten employee representatives in accordance with the provisions of the German Co-Determination Act (*MitbestG*). Since VT Group AG and the other companies of the future Vitesco Technologies Group will no longer be consolidated companies of Continental AG after the spin-off has taken effect, the term of office of those employee representatives on the supervisory board of Continental AG whose employer companies are part of the future Vitesco Technologies Group will, pursuant to Section 24(1) MitbestG, expire (for details, see Chapter XII.3 below). This currently concerns one member, Ms. Kirsten Vörkel (see also Chapter II.2.f)).

The shareholder structure of Continental AG will also not change as a direct consequence of the spin-off of the activities of the Vitesco Technologies Group.

The share capital of Continental will remain unchanged. A reduction of the share capital in order to implement the spin-off pursuant to Section 145 UmwG in conjunction with Sections 229 et seq. AktG is not required (for details on the accounting effects of the spin-off, see Chapter VIII.1.).

XI. Relationship between the Continental Group and the Vitesco Technologies Group after the spin-off

The Continental Group and the Vitesco Technologies Group will continue to maintain contractual relationships at various levels after the closing of the spin-off. The main relationships are described below.

1. Supply and service relationships

a) Contract manufacturing

In a total of 21 manufacturing sites, products of both the Vitesco Technologies Group and automotive products of (other companies of) the Continental Group are manufactured. As part of the Carve-Out, these manufacturing sites were legally either completely transferred to Vitesco Technologies or completely retained by companies of the Continental Group. The operative separation of the production will be driven forward in the years to come. As a result, it will be necessary that companies of the Continental Group will manufacture products for the Vitesco Technologies Group and vice versa by way of contract manufacturing. For this purpose, Continental AG and Vitesco Technologies GmbH and their respective subsidiaries entered into a Framework Contract Manufacturing Agreement with effect as of January 1, 2019. This framework agreement contains general provisions, for example, regarding capacities, supply, dealing with delays, amendment procedures, pricing, quality, warranties, liability and durations. Details on individual contract manufacturing (essentially products, prices and quantities) are documented in so-called project agreements to be entered into directly between the relevant supplier and the relevant purchaser. The relationship with the end customer is, from an economic perspective, maintained exclusively by the purchaser of the contract manufacturing. However, the supplier is entitled to take emergency actions to address urgent customer requests or to prevent damage. The framework agreement provides for a detailed responsibilities matrix, in which the responsibilities and risks of manufacturing are divided between the parties. Where required, deviations from the responsibilities matrix may be agreed in the project agreements in order to reflect individual special situations.

The current Framework Contract Manufacturing Agreement and the related project agreements will be terminated with effect as of June 30, 2021 and replaced by a new Framework Contract Manufacturing Agreement and project agreements which are intended to come into force as of July 1, 2021. The new framework agreement will further develop the provisions of the current agreement and will be characterized by a higher degree of regulation in comparison therewith. In particular, the pricing model will be changed in order to reflect the fact that, after the spin-off, the Vitesco Technologies Group will no longer be part of the Continental Group so that processes currently in place within the Continental Group, such as the annual budgeting process, can no longer be applied. According to the current planning, the prices under the new framework agreement are intended to be fixed for the next three years in the form of a price volume matrix where the prices for the relevant first year will be binding and the prices for the respective second and third year will be indicative. Both parties have the right to renegotiate until September 30 of each year the prices for the following year. If an agreement cannot be reached, the binding prices will remain valid. In this case, however, each party may terminate the contract manufacturing for the relevant product groups with a notice period of 24 months or, if earlier, with effect as of the agreed date of transfer of the relevant product lines to the purchaser. During the notice period, the terms of the framework agreement and of the project agreement, including the last agreed product price, will remain applicable.

For the purpose of evening out intra-year fluctuations in the prices of materials (which represent a significant part of the total prices), there will be a so-called equalization process which will ensure that only the material prices actually incurred will be charged to the purchaser.

While a payment term of 30 days from the invoice date will apply for companies of the Continental Group after the spin-off has taken effect, a payment term of 270 days from the invoice date will be granted to Vitesco Technologies, which will be shortened, starting in August 2023, each month by 30 days so that it will finally be 30 days. According to the current planning, individual companies of the Continental Group will make an advance payment in the amount of approximately €80 million to Vitesco Technologies with regard to the contract manufacturing services to be received after the spin-off. This amount is expected to be applied against services to be provided by Vitesco Technologies from 2023 onwards.

Currently, products are manufactured on behalf of Vitesco Technologies at 14 locations of companies of the Continental Group, while products are manufactured on behalf of companies of the Continental Group at seven locations of

Vitesco Technologies. Generally, contract manufacturing is not meant to be a permanent arrangement. Rather, the plan is to reduce the volume of contract manufacturing in the years to come. Contract manufacturing is generally limited to currently existing orders from end customers. By contrast, new orders from end customers are intended to be generally manufactured at the own manufacturing sites of the Continental Group and the Vitesco Technologies Group, respectively. In addition, the new Framework Contract Manufacturing Agreement applicable as from July 1, 2021 will be based on a binding Line Transfer Plan according to which it is intended to further reduce the volume of contract manufacturing over the next years, including by transfer of production lines from companies of the Continental Group to the Vitesco Technologies Group and vice versa.

The volume of contract manufacturing in 2020, calculated on a cumulative basis for the companies of the Continental Group and Vitesco Technologies, totaled approximately €2.1 billion. The sales revenues that Continental and Vitesco Technologies each generate in contract manufacturing are roughly balanced. According to the current planning, the volume of contract manufacturing is expected to fall by more than 50% until the end of 2023 and to be considerably reduced until 2025. The decline in volume until the end of 2023 is expected to be similar for the Continental Group and the Vitesco Technologies Group.

b) Research and development services

After the Carve-Out, Vitesco Technologies will continue to receive R&D services (and related services) from companies of the Continental Group, in particular in the following areas:

- Automotive Quality Labs (AQL)
- Development services in the field of “Application Specific Integrated Circuit (ASIC)”
- Development of prototypes
- Development services of Continental Engineering Services GmbH (and its subsidiaries)
- Services provided by Continental Teves AG & Co. oHG and Elektrobit Automotive GmbH (through its unit Security & Privacy Competence Center (SCC)) in the field of cybersecurity standards and processes
- Services provided by Continental Automotive Systems, Inc., Continental Automotive GmbH, Continental Automotive Guadalajara México, S. de R.L. de C.V. and Continental Automotive Components (India) Private Ltd. in the field of open source software
- Services provided in connection with the analysis of software with regard to free and open source software components

- Individual R&D services (including services provided by individual employees at the R&D sites of the Continental Group)

The general terms of these services (e.g. performance standards, warranties, liability, ownership and rights of use relating to intellectual property rights established in connection with development services, amendment procedures) were, for the most part, stipulated in a Framework Research and Development Agreement entered into between Continental AG and Vitesco Technologies GmbH and their respective subsidiaries with effect as of January 1, 2019 as part of the Carve-Out. Details on the individual services and projects were set forth in statements of work agreed directly between the relevant client and the relevant contractor. The services were invoiced in most cases on an hourly basis.

The Framework Research and Development Agreement will be amended prior to the spin-off taking effect and replace the previous framework agreement. The new agreement will remain valid after the spin-off has taken effect until termination of the last statement of work. The current plan is that the provision of most part of the services will be terminated at the latest by the end of 2025, with the proviso that individual projects may be continued for a longer time. Furthermore, services provided by Continental Engineering Services GmbH are intended to be available for an indefinite term; however, each party may terminate these services without cause by giving 12 months' notice. The new framework agreement further develops the provisions of the current agreement and is characterized by a higher degree of regulation in comparison therewith. In addition, special terms and conditions for each category of services specified above were agreed (so-called "Additional General Terms and Conditions"). However, changes are planned notably with respect to pricing: while, under the current framework agreement, prices (in particular, hourly rates) are determined as part of the budgeting process within the Continental Group (and are subject to certain adjustments during the course of the year), prices under the new framework agreement are agreed in most areas on an annual basis as hourly rates, provided that also fixed prices may be agreed for certain packages of work. In addition, the new framework agreement contains detailed provisions for requirements planning and capacity planning in some areas, partly also for keeping capacity available. To the extent permitted under competition law, Vitesco Technologies and companies of the Continental Group will continue to implement joint research and development projects outside the scope of the Framework Research and Development Agreement after the spin-off has taken effect. For this purpose, they will enter into joint project agreements (Joint R&D Project Agreements) on a case-by-case basis, which are expected to contain terms regarding the project schedule, responsibilities of each party, as well as ownership and rights of use relating to intellectual property rights established in connection with the project. The current plan is that there will be a Joint R&D Project Agreement for the joint development of an adjustment between the brake and an electronics machine reducer and a Joint R&D Project Agreement for a joint software development for various simulations in the field of printed circuit boards.

c) General services

After the Carve-Out, Vitesco Technologies continues to receive various general services from the global corporate and cross-sector functions of the Continental Group, as well as local services, e.g. in the areas of finance, controlling, HR, legal, compliance, communications, materials management, quality, sales and marketing, business development, IT, purchasing, IP management, tax, logistics and real estate management. The relevant companies of the Continental Group receive some of these services, in turn, from third parties (e.g. external IT services) and pass them on to Vitesco Technologies. Service functions had already been separated to the widest possible extent by the end of 2020. In light of this, the scope of the services to be provided had already been reduced by that time.

With effect as of January 1, 2019, Continental AG and Vitesco Technologies GmbH and their respective subsidiaries entered into a Transitional General Services Agreement stipulating the general terms for the provision of the services (e.g. standard of services, warranties, liability, pricing, durations, termination rights) as part of the Carve-Out. According to this agreement, the scope of and remuneration for the services were mainly determined by the annual budgeting process within the Continental Group and the resulting cost allocation in accordance with specific allocation keys within the Continental Group.

This agreement was terminated with effect as of January 1, 2021 and a new Transitional General Services Agreement was entered into with effect as of January 1, 2021. Under this new agreement, it is intended that specific statements of work for all services are concluded between the relevant providers and recipients of the services, to the extent that the provision of these services is permitted by law and for tax purposes. It is intended that the scope of the services is described, and prices are agreed, in the statements of work. In addition, the duration of the provision of the individual services can be individually adjusted. However, the general services will be provided for a maximum period of two years from the date on which the spin-off takes effect in order to achieve a complete independence of Vitesco Technologies as soon as possible. By the end of February 2021, around 80 statements of work had been concluded under the new Transitional General Services Agreement, of which around 30 statements of work have a duration which will end only after the closing of the spin-off.

d) Purchasing cooperation

It is expected that the spin-off will have effects on purchasing both at the level of the Continental Group and at the level of the Vitesco Technologies Group (see Chapter X.2.b)cc)). It is currently being discussed to agree, to the extent permitted under competition law, a purchasing cooperation between the Continental Group and the Vitesco Technologies Group for the period after the spin-off. This purchasing cooperation would, in particular, allow to agree common terms and conditions for shared suppliers. However, it has not yet been decided whether and to what extent such a purchasing cooperation will be agreed.

2. Other relationships

a) Intellectual property rights

For a description of the cross-license agreements entered into between the Continental Group and Vitesco Technologies and the licenses for certain technologies controlled by the Continental Group and Vitesco Technologies, respectively (and the intellectual property rights relating thereto), which will remain valid to a limited extent, see Chapter V.8.

For details on the license for the use of the name “Continental” and related logos, which will remain valid to a limited extent after the spin-off has taken effect, see Chapter V.11 above.

b) Obligation to assume liability for the benefit of customers and internal indemnification agreement

As part of the Carve-Out, Vitesco Technologies assumed from Continental AG those customer contracts which related to the business of Vitesco Technologies. After the Carve-Out, customers continued to place orders with companies of the Continental Group which relate to the business of Vitesco Technologies. These orders must also be transferred to Vitesco Technologies. The assumptions of the relevant contracts will take effect in relation to the customers only with their consent. Some customers make this consent conditional on Continental AG assuming liability for the performance of the contractual obligations under the contracts assumed by Vitesco Technologies.

In the light of this, Continental AG undertakes vis-à-vis its customers to assume liability for claims to which the customers may be entitled as a result of a potential breach of contractual obligations by Vitesco Technologies. This obligation to assume liability is limited in time and only covers secondary claims of the relevant customer against Vitesco Technologies (including but not limited to claims for damages). Primary claims, such as claims for the performance of the contract, are not covered.

In the event that claims are asserted against Continental AG under this obligation to assume liability, VT Group AG will indemnify Continental AG in accordance with the terms of the Group Separation Agreement.

c) Lease agreements

As part of the Carve-Out, Vitesco Technologies and companies of the Continental Group have entered into lease agreements and, to the extent that the locations were, in turn, only leased by companies of the Continental Group or Vitesco Technologies, as applicable, from unconnected third parties, sub-lease agreements for a large number of shared locations. These agreements were based on templates used within the Continental Group and are intended to be replaced by new agreements on arm’s length terms when the spin-off takes effect. It is intended to terminate the sub-leases as far as possible and to replace them by new leases between Vitesco Technologies or companies of the Continental Group, as applicable, and the relevant lessors.

d) Group Separation Agreement

When the spin-off takes effect, the Continental Group will no longer hold any participations in the Vitesco Technologies Group. However, due to their shared history, there are some areas in which the parties need to cooperate and reach agreements after the spin-off. These are agreed in a Group Separation Agreement which is attached as annex to the Spin-off Agreement and forms part thereof. The terms of the Group Separation Agreement are described in Chapter XIII.2.

XII. Consequences of the spin-off for the employees and their representative bodies

1. Consequences of the spin-off for the employees

Since the subject of the spin-off are the participations of Continental AG in VT 1. and 2. Beteiligungs KGs, their respective general partners and VT Group AG (see Chapter IV above), the employment relationships of the employees of Continental AG and of the other companies of the Continental Group will not be affected by the spin-off. The relevant employees will remain employed by their respective employer companies. The spin-off will, in particular, have no consequences for the validity or content of pension commitments which may have been made by the respective employer companies (see Chapter V.5 above). The spin-off will also have no consequences under collective bargaining laws for the employees of the Continental Group. To the extent that the relevant employer company is bound by collective bargaining agreements as party to a collective bargaining agreement or by virtue of its membership in an employer association, this will remain unaffected by the spin-off. The spin-off will also not affect the validity of the LTI Plans (see Chapter II.2.c) above). To the extent that tranches of the LTI Plans not yet completed or settled as planned are based on the stock exchange price of the Continental AG share, an adjustment may be made in order to appropriately reflect any direct effects that the spin-off may have on the stock exchange price of the Continental AG share (see Chapter VIII.3.e) above). The same applies to the extent that other employee compensation schemes are based on key performance indicators (***KPI***) of the Continental Group; here, too, an adjustment may be made in order to appropriately reflect the effects of the spin-off. However, it has not yet been decided whether and to what extent an adjustment will be made.

VT Group AG has not commenced business operations and does not have any employees yet. Therefore, the spin-off has no consequences for the employees of VT Group AG. The same applies to the intermediate holding companies through which VT Group AG will hold its shares in Vitesco Technologies GmbH when the spin-off takes effect, i.e. VT 1. Beteiligungs KG, VT 2. Beteiligungs KG, VT 1. Verwaltungs GmbH and VT 2. Verwaltungs GmbH.

The spin-off will also have no direct consequences for individual rights of the employees of the other companies of the future Vitesco Technologies Group which will come into existence with VT Group AG as the new parent company when the spin-off takes effect. They will remain employed by their respective employer companies; their employment relationships will not be affected by the spin-off. In particular, the spin-off will not affect the validity of the LTI Plans (see Chapter II.2.c) above). Remuneration awards under the current LTI Plans of the Continental Group have been granted to employees of companies of the Vitesco Technologies Group. The remuneration awards under Continental's LTI Plans which have been granted but are still outstanding will either be settled without any changes or, if the remuneration plan was subject to an adjustment, be adjusted to comparable performance indicators of the Vitesco Technologies Group (see Chapter IX.3.f) above).

Employees to whom remuneration awards have been granted under Continental's LTI Plans may be granted, in future, remuneration awards under the LTI plans of the Vitesco Technologies Group, provided that the conditions for such grants are fulfilled. The details of the transition to performance indicators of the Vitesco Technologies Group have not yet been agreed. The LTI Plan for the period beginning in 2021 provides that, in the event of the spin-off, the sustainability criteria shall be linked to targets of the future Vitesco Technologies Group. The Vitesco Technologies Group also reserves its right to review the group of eligible employees and the terms of the LTI plans at a later date with effect for future tranches and to better align them with the focus of the Vitesco Technologies Group. However, no decisions have yet been taken in this respect. Moreover, VT Group AG reserves its right to consider the introduction of new share-based remuneration plans.

The same applies to the extent that other employee compensation schemes are based on KPI of the Continental Group; here, too, an adjustment to the situation at the future Vitesco Technologies Group may be made. However, it has not yet been decided what adjustments will be made. Moreover, the spin-off will not affect the validity or content of pension commitments which may have been made by the respective employer companies (for details, see Chapter V.5 above). The spin-off will also have no consequences under collective bargaining laws for the employees of Vitesco Technologies. To the extent that the relevant employer company is bound by collective bargaining agreements as party to a collective bargaining agreement or by virtue of its membership in an employer association, this will remain unaffected by the spin-off. In particular, Vitesco Technologies GmbH's membership in the employers' association of the Metal and Electronics Industry of Bavaria (bayme vbm – Verband der Bayerischen Metall- und Elektro-Industrie e.V.), Thuringia (VMET – Verband der Metall- und Elektro-Industrie in Thüringen e.V.), Saxony (VSME – Verband der Sächsischen Metall- und Elektroindustrie e.V.), Hesse (Hessenmetall – Verband der Metall- und Elektro-Unternehmen Hessen e.V.), Rhineland-Palatinate (Pfalz Metall – Verband der Pfälzischen Metall- und Elektroindustrie e.V.), and Dortmund (UV-DO – Unternehmensverband der Metallindustrie für Dortmund und Umgebung e.V.) will not be affected by the spin-off. The same applies to the membership of other companies of the future Vitesco Technologies Group in employers' associations.

On April 7, 2018, Continental AG entered into the framework agreement "Conti in Motion" with the group works council of Continental AG, the Industriegewerkschaft Bergbau, Chemie, Energie and the Industriegewerkschaft Metall. The objective of the framework agreement was to establish an internal job market within the Continenal Group. The framework agreement was implemented by the group works agreement dated September 18, 2019.

After the spin-off has taken effect, the group works agreement regarding the internal job market will be continued unchanged within the Continental Group after the spin-off. Employees of companies remaining part of the Continental Group will be able to use the internal job market within the Continental Group without any changes. However, the companies of the Vitesco Technologies Group will no longer be part of the internal job market of the Continental Group after the spin-off taking effect. An internal job market of the Vitesco Technologies Group will be available to employees of the Vitesco Technologies Group from the time the spin-off takes effect, which will also be governed by the rules of the group works agreement. However, only the companies of the Vitesco Technologies Group will be part of this internal job market of the Vitesco Technologies Group. An arrangement has been made under which, during a transition period, employees of the respective other Group can be recognized as equivalent to internal applicants. However, there is no exchange of information on this between the companies of the two Groups and this arrangement does not create any rights of applicants to be employed.

Within the scope of the general strategic direction, headcount reductions at the establishments of Vitesco Technologies GmbH in Limbach-Oberfrohna, Dortmund, Regensburg, Bebra/Mühlhausen and Schwalbach have been planned and announced which, according to the current planning, are expected to be completed between 2021 and 2028 (depending on the location). As regards the establishment of Vitesco Technologies Roding GmbH in Roding, a closure of the site has been planned and announced, which is expected to be completed in the first quarter of 2024. For these measures, which will be implemented independently of the planned spin-off, agreements (settlement agreement and social plan) have been entered into at Dortmund, Bebra and Limbach-Oberfrohna (Vitesco Technologies GmbH) and at Roding (Vitesco Technologies Roding GmbH), while negotiations on a settlement agreement and a social plan are being conducted or will be conducted as soon as possible with the competent works council bodies at the other locations.

2. Consequences of the spin-off for the representative bodies of the employees under works constitution law

a) Works councils, youth and trainee representative bodies and representative bodies for disabled persons

The existing establishments in Continental AG and the other establishments in the Continental Group are not affected by the spin-off. Therefore, the existence, composition and term of office of the existing works councils and company works councils, of the existing youth and trainee representative bodies and central youth and trainee representative bodies as well as of the representative bodies and company representative bodies for disabled persons in the companies of the Continental Group will remain unchanged after the spin-off.

From the time the spin-off takes effect, the group works council, the group representative body for disabled persons and the group youth and trainee representative body in the Continental Group will continue to exist but will no longer be responsible for the companies of the future Vitesco Technologies Group because VT Group AG together with its affiliated companies will form a separate Vitesco Technologies Group.

The separation of the establishments of the Vitesco Technologies Group from the Continental Group in connection with the spin-off will also result in personnel changes in the composition of the group works council, the group representative body for disabled persons and the group youth and trainee representative body at the level of Continental AG. Accordingly, those members of these bodies who are employees of the future Vitesco Technologies Group will cease to be members when the spin-off takes effect. This currently concerns eleven members of the group works council, one member (deputy) of the group representative body for disabled persons and four members of the group youth and trainee representative body. However, group works agreements existing in the Continental Group at the time when the spin-off takes effect will, as a general rule, continue to apply in the companies of the Vitesco Technologies Group, to the extent that they can be performed in accordance with their purpose. In the event that a group works council will be established at the level of VT Group AG, these agreements will continue to apply as group works agreements of the Vitesco Technologies Group, and otherwise as company works agreements or works agreements in the companies of the future Vitesco Technologies Group.

The currently existing establishments in companies of the future Vitesco Technologies Group are also not affected by the spin-off. The existence, composition and term of office of the works councils and company works councils, of the youth and trainee representative bodies and company youth and trainee representative bodies as well as of the representative bodies and company representative bodies for disabled persons established for them will remain unchanged.

Since VT Group AG has not commenced business operations and does not have any employees yet, neither a works council nor a youth and trainee representative body nor a representative body for disabled persons has been established at VT Group AG. This situation will not change as a direct consequence of the spin-off. However, after the spin-off has taken effect, VT Group AG will be the parent company of the Vitesco Technologies Group. Thus, the prerequisites for establishing a group works council pursuant to Section 54 of the German Works Constitution Act (*Betriebsverfassungsgesetz*, ***BetrVG***) will generally be fulfilled at VT Group AG. To the extent that such group works council will be established, the prerequisites for establishing a group representative body for disabled persons pursuant to Section 180(2) of the Ninth Book of the German Social Code (*Sozialgesetzbuch*) will also be fulfilled.

In addition, after the spin-off has taken effect, the prerequisites for establishing a European works council in the future Vitesco Technologies Group will generally be fulfilled.

b) Company committee and group committee of executive employees

The existence, composition and term of office of the company committee of executive employees existing at Continental AG will not be affected by the spin-off.

From the time the spin-off takes effect, the group committee of executive employees in the Continental Group will continue to exist but will no longer be responsible for the companies of the future Vitesco Technologies Group because VT Group AG together with its affiliated companies will no longer be part of the Continental Group. Furthermore, the separation of the establishments of the Vitesco Technologies Group from the Continental Group in connection with the spin-off will result in personnel changes in the composition of the group committee of executive employees of Continental AG. Accordingly, those members of the group committee of executive employees who are employees of VT Group AG or its affiliated companies will cease to be members when the spin-off takes effect. This currently concerns one member of the group committee of executive employees.

Since VT Group AG has not yet commenced business operations, a committee of executive employees has not been established at VT Group AG. This situation will not change as a direct consequence of the spin-off. However, after the spin-off has taken effect, the prerequisites for establishing a group committee of executive representatives pursuant to Section 21 of the German Executive Committees Act (*Sprecherausschussgesetz*) in the Vitesco Technologies Group will generally be fulfilled.

The existence and composition of the committee of executive representatives currently existing at the companies of the future Vitesco Technologies Group will not be affected by the spin-off.

c) Economic committees

The economic committees existing at Continental AG and the other companies of the Continental Group will remain unchanged after the spin-off.

Since VT Group AG has not commenced business operations and does not have any employees yet, an economic committee has not be established at VT Group AG. This situation will not change as a consequence of the spin-off.

The economic committee currently established at the companies of the future Vitesco Technologies Group will remain unchanged after the spin-off.

3. Consequences of the spin-off for the employee participation in the supervisory board

The spin-off will have no effects on the existence and size of the supervisory board of Continental AG. The same applies, subject to the exception described in the following paragraph, to the term of office of its members. Continental AG will continue to be a company with a supervisory board consisting of twenty members composed of an equal number of ten shareholder representatives and ten employee representatives in accordance with the provisions of the German Co-Determination Act (*MitbestG*).

The employee representatives on the supervisory board of Continental AG are elected by the employees of all companies/establishments of the Continental Group located in Germany. After the spin-off has taken effect, VT Group AG and the other companies of the future Vitesco Technologies Group will no longer be consolidated companies of Continental AG so that employees of VT Group AG and the other German companies of the future Vitesco Technologies Group will no longer be entitled to vote for and be elected to the supervisory board of Continental AG, and instead will be entitled to vote for and be elected to the supervisory board of VT Group AG. Therefore, the term of office of those employee representatives on the supervisory board of Continental AG whose employer companies are part of the future Vitesco Technologies Group will, pursuant to Section 24(1) MitbestG, expire when the spin-off takes effect. This currently concerns one member (Ms. Kirsten Vörkel, see Chapter II.2.f)) whose office is to be filled by an replacement member to be appointed by way of court order pursuant to Section 104(2) and (3) AktG as soon as possible after the spin-off has taken effect.

VT Group AG currently has a supervisory board with three members who were elected by the sole shareholder Continental AG. Since VT Group AG has not yet any employees, it does not have a supervisory board that is subject to statutory co-determination by the employees. However, after the spin-off has taken effect, VT Group AG will establish a supervisory board composed of an equal number of shareholder representatives and employee representatives in accordance with the provisions of the German Co-Determination Act (*MitbestG*) because it will be the parent company of the Vitesco Technologies Group and will have more than 2,000 employees in Germany under the provision on the attribution of employees pursuant to Section 5(1) sentence 1 MitbestG. It is currently planned that the executive board will initiate so-called status proceedings pursuant to Sections 97 et seq. AktG in due time prior to the spin-off taking effect. It is currently expected that, when the spin-off takes effect, generally more than 10,000 but not more than 20,000 employees will be considered as employees of VT Group AG in accordance with the provisions of the German Co-Determination Act (*MitbestG*) and, upon completion of the status proceedings, it is therefore expected that the supervisory board will comprise 16 members in accordance with Section 7(1) sentence 1 no. 2 MitbestG (eight shareholder representatives and eight employee representatives).

The eight shareholder representatives on the supervisory board will be elected by the shareholders' meeting of VT Group AG, i.e. by Continental AG as the sole shareholder, prior to the spin-off taking effect. However, the persons who will represent the shareholders on the future supervisory board of VT Group AG have not yet been determined. It is expected that the employee representatives on the supervisory board will initially be appointed by court order after completion of the status proceedings (for details, see Chapter IX.3.e) above). The term of office of each member will commence subject to the condition precedent, and as from the date, of the spin-off taking effect. The details of the court appointment still need to be agreed with the competent Regional Court (*Landgericht*) of Hanover.

Vitesco Technologies GmbH has a supervisory board which currently consists of 16 members and is composed of eight shareholder representatives and eight employee representatives. It is currently not intended that the spin-off will result in any changes to the number of members of the supervisory board of Vitesco Technologies GmbH.

Finally, the spin-off has no effect on the existence and size of the supervisory boards of Vitesco Technologies Emitec GmbH and of Vitesco Technologies Germany GmbH.

XIII. Description of the Spin-off and Transfer Agreement with Annexes

1. Spin-off and Transfer Agreement

The Spin-off and Transfer Agreement attached as **Annex 1** to this Spin-off Report is organized in six parts. After the preamble, general provisions about the type of the spin-off, the Spin-off Effective Date, the Effective Transfer Date for Tax Purposes, the closing balance sheet and the spin-off balance sheet as well as the postponement of effective dates follow in part I (secs. 1-4). The part of the assets which Continental AG is transferring by way of the spin-off to VT Group AG is then described in detail in part II (secs. 5-9). In addition, individual modalities for the transfer are determined and provisions are made for the period between the time when the Spin-off and Transfer Agreement takes effect and the time of registration of the spin-off. Part III (secs. 10-12) deals with the granting of shares in VT Group AG as consideration for the transfer of the Spin-off Assets as well as the intended capital increase. Furthermore, it deals with special rights and special benefits granted in connection with the spin-off. Part IV (secs. 13 and 14) contains provisions of corporate law relating to VT Group AG with regard to the future articles of association as well as the Group Separation Agreement to be entered into. Part V (secs. 15-17) describes the consequences of the spin-off for the employees and their representative bodies. Finally, part VI (secs. 18 and 19) contains provisions on costs and taxes as well as the final provisions.

The description of the Spin-off and Transfer Agreement uses the definitions contained therein. Annexes and sections referred to in the description are those to the Spin-off and Transfer Agreement.

a) Sec. 1 Spin-off

Pursuant to sec. 1.1, Continental AG as the transferring entity shall transfer the part of its assets specified in sec. 5 as a whole to VT Group AG as the acquiring entity by way of a spin-off by absorption (*Abspaltung zur Aufnahme*) pursuant to Section 123(2) no. 1 UmwG. In exchange, shares in VT Group AG shall be granted to the shareholders of Continental AG (see sec. 10).

Sec. 1.2 clarifies that items which are not attributable to the Spin-off Assets under the Spin-off and Transfer Agreement or are expressly excluded from the transfer shall not be transferred to VT Group AG.

b) Sec. 2 Spin-off Effective Date and Effective Transfer Date for Tax Purposes

Sec. 2.1 defines the Spin-off Effective Date as January 1, 2021, 0:00 hrs. As of the Spin-off Effective Date, the actions of Continental AG relating to the Spin-off Assets are deemed to have been made for the account of VT Group AG (Section 126(1) no. 6 UmwG). This means that the spin-off will have retroactive economic effect as of January 1, 2021, 0:00 hrs. Continental AG and VT Group AG will put each other in the positions they would have been in if the Spin-off Assets had been transferred to VT Group AG already on January 1, 2021, 0:00 hrs.

Sec. 2.2 refers to the Effective Transfer Date for Tax Purposes for the spin-off. Pursuant to Section 2 UmwStG, the effective transfer date for tax purposes follows from the closing balance sheet which is used as the basis for the spin-off pursuant to Sections 125 sentence 1, 17(2) UmwG and is, therefore, December 31, 2020, 24:00 hrs.

c) Sec. 3 Spin-off balance sheet and closing balance sheet

The basis for determining the items of the assets and liabilities attributable to the Spin-off Assets is, pursuant to sec. 3.1 of the Spin-off and Transfer Agreement, the spin-off balance sheet as of January 1, 2021, 0:00 hrs, attached as Annex 3.1. It reflects the assets of Continental AG passing to VT Group AG by way of the spin-off in accounting terms. The spin-off balance sheet was derived from the annual balance sheet of Continental AG prepared as of December 31, 2020 which constitutes part of the annual financial statements of Continental AG. The annual financial statements of Continental AG were audited by its auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, which issued an unqualified opinion thereon, and were approved on March 16, 2021 by the supervisory board of Continental AG.

Sections 125 sentence 1, 17(2) UmwG provide that a so-called closing balance sheet shall be attached to the application for registration in the commercial register for the transferring entity. Sec. 3.2 of the Spin-off and Transfer Agreement provides in this regard that the closing balance sheet shall be the audited and certified annual balance sheet of Continental AG as of December 31, 2020, 24:00 hrs.

Sec. 3.3 provides that Continental AG will recognize the Spin-off Assets in its closing balance sheet under commercial law at book values and that it will decide within the statutory time limits at which values the Spin-off Assets will be recognized in its closing balance sheet for tax purposes. VT Group AG will recognize the Spin-off Assets in its commercial accounts at book values pursuant to sec. 3.4 and will recognize these assets in its balance sheet for tax purposes at the value contained in the closing balance sheet for tax purposes of Continental AG.

d) Sec. 4 Postponement of effective dates

Sec. 4 provides that, if the spin-off has not been registered in the commercial register for Continental AG by January 20, 2022, the Spin-off Effective Date, the Effective Transfer Date for Tax Purposes and the balance sheet date for the closing balance sheet of Continental AG shall be postponed in each case by one year, i.e. the Spin-off Effective Date shall be January 1, 2022, 0:00 hrs, and the Effective Transfer Date for Tax Purposes and the balance sheet date for the closing balance sheet of Continental AG shall each be December 31, 2021. In the event of a further delay in the registration beyond January 20 of a following year, the aforementioned effective dates shall be postponed in each case by another year (so-called rolling effective date). This provision ensures flexibility if the spin-off no longer takes effect in the fiscal year 2021 due to unforeseen events. The rolling effective date is supplemented by the corresponding postponement of the dividend entitlement of the shares to be issued for the implementation of the spin-off (sec. 10.2) as well as by the provision on withdrawal in sec. 19.1 if the spin-off has not been become effective by December 31, 2021 (see also Chapter XIII.1.q)).

e) Sec. 5 Spin-off Assets and modalities for the transfer

The Spin-off Assets consist of the participations of Continental AG specified in sec. 5.1. These are: (i) the entire limited partnership interest in VT 1. Beteiligungs KG, consisting of one limited partnership interest with a registered maximum liability amount of €25,000; (ii) the entire limited partnership interest in VT 2. Beteiligungs KG, consisting of one limited partnership interest with a registered maximum liability amount of €10,000; (iii) the entire shareholding in VT 1. Verwaltungs GmbH, consisting of one share with a nominal amount of €25,000; and (iv) the entire shareholding in VT 2. Verwaltungs GmbH, consisting of one share with a nominal amount of €25,000. As a result, the participation in Vitesco Technologies GmbH corresponding to 100% of the shares (after the sale of the 3.56% stake in Vitesco Technologies GmbH by CA France to VT 1. and 2. Beteiligungs KGs which is intended to occur prior to the spin-off taking effect) will be indirectly spun off. After the spin-off, the shareholders of Continental AG will hold a direct stake in VT Group AG.

Sec. 5.2 clarifies that the transfer of the participations shall include in each case all related rights and obligations, especially the entitlement to a distribution of profits from the Spin-off Assets for the period from the Spin-off Effective Date.

Sec. 5.3 provides, as a catch-all clause, for the obligation of Continental AG and of VT Group AG to take all actions which might additionally be necessary or appropriate in connection with the transfer of the Spin-off Assets.

f) Sec. 6 Taking effect, Closing Date

Pursuant to sec. 6.1, the transfer of legal title to the Spin-off Assets, including the related rights and obligations, takes place as a whole by operation of law pursuant to Section 131(1) no. 1 UmwG upon the registration of the spin-off in the commercial register for Continental AG at the Hanover Local Court (*Amtsgericht*). The date of the registration giving effect to the transfer is defined as the Closing Date. The Closing Date is, therefore, different from the Spin-off Effective Date (January 1, 2021, 0:00 hrs).

Sec. 6.2 provides for the duties of Continental AG in the transition period between the time when the Spin-off and Transfer Agreement takes effect and the Closing Date with regard to the Spin-off Assets. The provision states that Continental AG shall only administer the Spin-off Assets in the ordinary course of business and with the diligence of a prudent businessman in compliance with the requirements of the Spin-off and Transfer Agreement, shall not dispose of the Spin-off Assets, and shall take certain measures only with the prior consent of VT Group AG.

Pursuant to sec. 6.3, VT Group AG shall be granted a power of attorney authorizing it to exercise, already during the period between the time when the Spin-off and Transfer Agreement takes effect and the Closing Date, the shareholder rights arising from the participations comprised in the Spin-off Assets with regard to the holding of shareholders' meetings, and shall be granted rights to information equivalent to those of a limited partner in VT 1. and 2. Beteiligungs KGs already during that period. In the view of the executive boards of Continental AG and VT Group AG, this is intended to help to ensure that the economic ownership in the partnership interests held by Continental AG in VT 1. and 2. Beteiligungs KGs is transferred for tax purposes to VT Group AG already when the Spin-off and Transfer Agreement takes effect (for details on the tax effects of the transfer of economic ownership, see Chapter VIII.2.b)cc)).

g) Sec. 7 Catch-all provisions

Sec. 7.1 ensures that Continental AG shall transfer the Spin-off Assets to VT Group AG by way of a separate transfer of title to the extent that, as an exception, they do not already pass by operation of law to VT Group AG. VT Group AG is required to consent to the transfer. In their relationship between each other, the two companies shall treat each other as if the transfer had occurred in their relationship to third parties as of the Spin-off Effective Date. Therefore, the provision is merely a precautionary catch-all provision.

Sec. 7.2 provides in addition to sec. 7.1 that, in connection with a transfer under sec. 7.1, Continental AG and VT Group AG shall initiate and cooperate in all measures and legal acts that may be necessary or appropriate in order to transfer the Spin-off Assets.

Sec. 7.3 provides that claims under sec. 7 shall become time barred at the end of December 31, 2030, i.e. ten years after the Spin-off Effective Date.

h) Sec. 8 Creditor protection and internal settlement

Pursuant to Section 133(1) and (3) UmwG, Continental AG is jointly and severally liable for the satisfaction of the liabilities transferred to VT Group AG if these liabilities become due within five years (for benefit obligations on the basis of the German Company Pension Act (*Betriebsrentengesetz*) ten years) after the announcement of the registration of the spin-off in the commercial register for Continental AG and if resulting claims against Continental AG are determined judicially or in another way as described in Section 133 UmwG. Sec. 8.1 provides in this regard in addition to the statutory provisions that VT Group AG shall indemnify Continental AG on first demand if and to the extent that creditors assert claims against Continental AG with respect to transferred liabilities, obligations or contingent liabilities. The same applies in the event that creditors assert claims against Continental AG to provide security for such liabilities, obligations or contingent liabilities. However, it must be taken into account that no liabilities, obligations or contingent liabilities are being directly spun off from Continental AG.

Pursuant to Section 133(1) and (3) UmwG, VT Group AG is, in turn, jointly and severally liable for the satisfaction of the liabilities remaining at Continental AG which were already established prior to the spin-off taking effect if these liabilities become due within five years (for benefit obligations on the basis of the German Company Pension Act (*Betriebsrentengesetz*) ten years) after the announcement of the registration of the spin-off in the commercial register for Continental AG and resulting claims against VT Group AG are determined judicially or in another way as described in Section 133 UmwG. To the extent that claims are asserted with respect to these liabilities against VT Group AG, Continental AG shall indemnify VT Group AG on first demand from and against the respective liability or obligation pursuant to sec. 8.2. The same applies in the event that claims are asserted by creditors against VT Group AG to provide security for such liabilities, obligations or contingent liabilities.

This is a standard provision between the companies involved on the internal settlement of the statutory liability under Section 133 UmwG. With this statutory provision, the legislator intends to prevent in the external relationship to creditors that they are deprived of liable assets to cover their claims as a result of the spin-off.

i) Sec. 9 Warranties

Sec. 9 contains conclusive provisions regarding the warranty claims of VT Group AG and excludes the statutory provisions to the extent permitted by law. Except for the cases described in sec. 9, the liability of Continental AG will be limited to the mandatory level provided under the law.

In sec. 9.1, Continental AG warrants to VT Group AG that, as of the Closing Date, it is the holder of the Spin-off Assets and that it is entitled to freely dispose of the Spin-off Assets and that the Spin-off Assets are not encumbered with rights of third parties. By way of precaution, it is also clarified that no specific qualities or value of the Spin-off Assets are agreed.

Sec. 9.2 excludes, to the extent permitted by law, claims, rights and warranties which might exist pursuant to statutory law or otherwise in addition to those in sec. 9.1.

j) Sec. 10 Granting of shares, trustee and capital increase

Sec. 10.1 of the Spin-off and Transfer Agreement contains provisions regarding the consideration for the transfer of the Spin-off Assets in accordance with

Section 126(1) no. 3 and 4 UmwG. Pursuant to sec. 10.1, the shareholders of Continental AG shall be granted one registered no-par value share (registered share) in VT Group AG for every five no-par value bearer shares in Continental AG pro rata in proportion to their respective participations (*verhältniswahrend*). In total, 40,001,196 registered no-par value shares (registered shares) of VT Group AG will be issued to the shareholders of Continental AG.

Pursuant to sec. 10.2, the shares in VT Group AG to be granted to the shareholders of Continental AG shall be entitled to dividends for the fiscal years beginning on January 1, 2021 (Section 126(1) no. 5 UmwG). If the Spin-off Effective Date is postponed pursuant to sec. 4, the beginning of the dividend entitlement for the shares to be granted shall be postponed accordingly (see Chapter XIII.1.d)).

Sec. 10.3 provides how the shares to be granted to the shareholders of Continental AG will be created. To implement the spin-off, VT Group AG will increase its share capital by €100,002,990 by issuing 40,001,196 registered no-par value shares (registered shares) in VT Group AG. It is intended that each share will represent a notional pro rata amount of €2.50 in the share capital. Pursuant to the provisions of the German Transformation Act (UmwG), the spin-off can be registered only after the implementation of this capital increase has been registered in the commercial register for VT Group AG (Sections 125 sentence 1, 66, 130(1) sentence 1 UmwG).

Sec. 10.4 clarifies that the contribution in kind will be made by transferring the Spin-off Assets. Sec. 10.4 further provides for the accounting treatment of a value of the contribution in kind which exceeds the pro rata amount of the share capital represented by the issued shares: to the extent that the value at which the contribution in kind made by Continental AG is taken over by VT Group AG, i.e. the book value of the Spin-off Assets as of the Spin-off Effective Date under commercial law, exceeds the amount of the increase in the share capital of VT Group AG set forth in sec. 10.3, the excess amount shall be allocated to the capital reserves of VT Group AG pursuant to Section 272(2) no. 4 HGB.

Pursuant to Sections 125 sentence 1, 71(1) sentence 1 UmwG, the transferring entity shall appoint a trustee to receive the shares to be granted. Sec. 10.5 provides that Deutsche Bank Aktiengesellschaft shall be appointed as trustee for the receipt of the shares in VT Group AG to be granted and for distributing them to the shareholders of Continental AG. Possession of the shares to be granted shall be granted to the trustee prior to the registration of the spin-off, and the trustee shall be instructed to deliver the shares to the shareholders of Continental AG after registration of the spin-off in the commercial register for Continental AG.

Immediately after the spin-off takes effect, the fungibility of the VT Group AG shares is intended to be ensured by having them admitted to stock exchange trading. This is intended to ensure that equivalent rights are granted to the Continental AG shareholders. Sec. 10.6 obliges the contracting parties to take all necessary steps in order to have the shares in VT Group AG admitted to trading in the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange.

k) Sec. 11 Granting of special rights

Sec. 11 provides that no rights are granted to individual shareholders or holders of special rights within the meaning of Section 126(1) no. 7 UmwG, and no measures within the meaning of Section 126(1) no. 7 UmwG are intended for such persons.

l) Sec. 12 Granting of special benefits

Sec. 12 provides that the future members of the executive board of VT Group AG will enter into new employment contracts with VT Group AG when the spin-off takes effect. For a description of the remuneration system for the executive board, reference is made to the statements in Chapter IX.3.d). Otherwise, no special benefits within the meaning of Section 126(1) no. 8 UmwG are granted to members of the executive board or supervisory board of the companies involved in the spin-off or to an auditor or spin-off auditor.

m) Sec. 13 Articles of association of VT Group AG

Sec. 13 provides for the obligation of Continental AG as the sole shareholder in VT Group AG to amend the articles of association of VT Group AG prior to the spin-off taking effect so that the articles of association are given the version attached as Annex 13 to the Spin-off and Transfer Agreement after the spin-off has taken effect and the status proceedings have been completed. The articles of association of VT Group AG contain standard provisions of articles of association for a listed company. Reference is made to the statements in Chapter IX.3.c).

n) Sec. 14 Group Separation Agreement

Sec. 14 provides that the Group Separation Agreement to be entered into between Continental AG, VT Group AG and Vitesco Technologies GmbH, which is attached as Annex 14 to the Spin-off and Transfer Agreement, forms part of the Spin-off and Transfer Agreement.

o) Secs. 15-17 Consequences of the spin-off for the employees and their representative bodies

According to the mandatory provision in Section 126(1) no. 11 UmwG, the Spin-off and Transfer Agreement itself must contain statements about the consequences of the spin-off for the employees and their representative bodies as well as the measures which are contemplated in this regard. These statements are contained specifically in secs. 15 through 17 of the Spin-off and Transfer Agreement. These provisions contain no contractual agreements between the parties to the Spin-off and Transfer Agreement but instead only a description of the consequences of the spin-off which result in part directly from the law and in part also from relevant agreements between the employer and the employees, and of the claims under share-based compensation plans or employee participation plans.

Reference is made to the explanations in secs. 15 through 17 of the Spin-off and Transfer Agreement and Chapter XII.

p) Sec. 18 Costs and taxes

Sec. 18.1 contains provisions on costs. Unless otherwise provided in the Spin-off and Transfer Agreement including Annexes, Continental AG and VT Group AG shall each bear their own costs for their respective shareholders' meetings and the costs for the respective applications for registration and registrations in the relevant commercial register, and each of them shall bear half of the costs for the joint spin-off report, the spin-off audit, the audits in connection with the capital increase against contributions in kind and the post-formation acquisition (including the related costs for advisers and banks). The costs of the planned stock exchange listing and the related costs for advisers and banks shall be borne by VT Group AG, if and to the extent incurred after October 22, 2019. The portion of the costs allocated to VT Group AG will be initially advanced by Continental. VT Group AG will reimburse the costs allocated to it to Continental AG after the Closing Date and upon issuance of an invoice by Continental AG. Further provisions on the allocation of costs in connection with the spin-off are agreed between Continental AG and VT Group AG in the Group Separation Agreement attached as Annex 14 to the Spin-off and Transfer Agreement.

Sec. 18.2 refers, in respect of the rules for the allocation of tax liabilities, to the Group Separation Agreement attached as Annex 14 to the Spin-off and Transfer Agreement (part IX of the Group Separation Agreement).

q) Sec. 19 Right of withdrawal

Sec. 19 provides for a right of withdrawal under which each party may withdraw from the Spin-off and Transfer Agreement by written declaration to the other party if the registration in the commercial register for the parties has not occurred by January 13, 2022. Therefore, there is a legal possibility to break off the implementation of the spin-off if, for example, unforeseen events occur which substantially delay the implementation of the planned measures. In this event, sec. 4 of the Spin-off and Transfer Agreement additionally provides for a rolling effective date (see Chapter XIII.1.d)).

r) Sec. 20 Final provisions

Sec. 20 contains various final provisions. Sec. 20.1 provides that the Spin-off and Transfer Agreement shall take effect upon signing and approval by the respective shareholders' meetings of both parties.

Sec. 20.2 further provides that generally all disputes in connection with the Spin-off and Transfer Agreement or about its validity shall be finally settled by arbitration proceedings in accordance with the Arbitration Rules of the German Arbitration Institute (*Deutsche Institution für Schiedsgerichtsbarkeit e.V. - DIS*) without recourse to the ordinary courts of law. In addition to aspects of procedural law, it is also agreed that the law applicable to the merits shall be the law of the Federal Republic of Germany.

Sec. 20.3 clarifies that the Annexes constitute an integral part of the Agreement.

Sec. 20.4 contains a standard written form clause.

Sec. 20.5 contains standard provisions on replacing any invalid or unenforceable provisions of the Agreement by valid and enforceable provisions reflecting the purpose and intent of the Agreement (so-called severability clause).

2. Group Separation Agreement

The Group Separation Agreement attached as Annex to the Spin-off and Transfer Agreement is divided into nine parts. The preamble is followed by part I (secs. 1-2) with provisions for ensuring the continuation of the former Powertrain division, and part II (secs. 3-4) with provisions regarding collateral, insurance payments, third-party losses, settlement of Financial Liabilities and trade accounts receivable. Part III (sec. 5) then deals with liability and specifically with mutual indemnifications, part IV (sec. 6) with a share transfer, and part V (secs. 7-10) provides for future obligations to cooperate and to provide information, also with regard to documents, data and IT resources, as well as rights to inspection, access to data and retention periods. Part VI (sec. 11) then deals with the material agreements between the two groups in the areas of contract manufacturing and services. Part VII (secs. 12-16) contains provisions regarding taxes, before part VIII provides for the obligation to review agreements internally. Finally, part IX (secs. 17-22) contains further provisions regarding confidentiality, the assertion of claims, subsidies, the establishment of a coordination committee, dispute resolution modalities and miscellaneous provisions.

The description of the Group Separation Agreement uses terms which are defined therein. Annexes referred to in the description are those to the Group Separation Agreement.

a) Sec. 1 Allocation of assets, rights and obligations

Pursuant to sec. 1, the Parties assume that assets, rights and obligations have been allocated between the Parties and their respective Groups in such a way that the Parties and their respective Groups will be able to continue their respective activities to the same extent as before the Closing Date and that the functioning of each Group as a whole is secured. Therefore, the Parties transferred already as part of the Carve-Out (i) the business as operated by the former Powertrain division of the Continental Group and all other activities attributable to the former Powertrain division, and (ii) all assets and employees as well as certain agreements to companies of the Vitesco Technologies Group.

b) Sec. 2 Negotiations on the adjustment of the allocation

Pursuant to sec. 2, the Parties shall discuss whether the allocation made was actually incorrect. if, after the Agreement has taken effect, a Party determines that, in its view, assets, rights and obligations were not correctly allocated contrary to the assumptions made in sec. 1 and, therefore, the assumptions made in sec. 1 prove to be incorrect. If this is the case, the Parties shall, subject to certain conditions defined in more detail, enter into serious negotiations on an adjustment of the allocation, which may possibly be made for a consideration, and the Parties shall not unreasonably refuse to start and conduct serious negotiations. Claims under sec. 2 shall become time-barred at the end of December 31, 2022.

c) Sec. 3 Discharge of Cross-Collateral

Sec. 3.1 provides that, if any collateral has been provided by a company of one Group (***Collateral Provider***) for liabilities of a company of the other Group (***Principal Debtor***) and such collateral exists on the Closing Date (***Cross-Collateral***), the Parties shall (i) endeavor to ensure a discharge of the Cross-Collateral, and/or (ii) agree on an indemnification as between the Parties. Sec. 3.2 states in which case Cross-Collateral shall be discharged and in which case an indemnification as between the Parties shall be agreed. Sec. 3.3 provides for the obligation of the Group parent company (Continental AG or VT Group AG) of the relevant Principal Debtor to indemnify the Collateral Provider and to pay an annual guarantee fee to the extent that a secured party does not release the collateral. The parent company of the respective other Group shall, within the scope of the indemnification, ensure that the Collateral Provider will not assert any recourse claims of its own against the Principal Debtor, so that, in particular, no double burden will arise within the Principal Debtor's Group. The obligations arising from sec. 3.3 shall not lapse as a result of the sale of an interest in the Principal Debtor. Sec. 3.4 describes in detail a step-by-step procedure to be applied in the event that a third party asserts a claim against the Collateral Provider. Sec. 3.5 provides that – unless otherwise provided for in sec. 3.6 – any financial liabilities existing between companies of the two Groups shall be settled by the Closing Date in accordance with a separate agreement. Sec. 3.6 provides that the sum of Overdue Non-Financial Liabilities owed by Vitesco Technologies Group Companies to Continental Group Companies shall be settled no later than within a period of four weeks from the Closing Date by the relevant Vitesco Technologies Group Company or VT Group AG and that this settlement shall be also effected in accordance with a separate agreement.

d) Sec. 4 Insurance payments and compensation for third-party losses

Sec. 4.1 provides for the individual consequences of the potential scenario that an event of loss occurs or becomes known at a company of one Group (***Injured Party***) after the Closing Date, for which a company of the other Group (***Insurance Creditor***) is entitled (or would be entitled but for the spin-off) to a claim for compensation under an insurance policy. In this event, to the extent that periods prior to the Closing Date are concerned, the Parties shall ensure that the Insurance Claim inures to the economic benefit of the Injured Party. Sec. 4.2 describes, unless otherwise provided for in sec. 4.1, the procedure to be applied in the event that a company of one Group suffers a loss, and a company of the other Group is entitled to a claim for compensation in this respect against a third party. In this event, the latter Party shall assign such claim for compensation to the other Party or cause such assignment at the other Party's request. Sec. 4.3 provides for the termination of the joint insurance coverage at the latest on the Closing Date. Sec. 4.4 contains provisions for events of loss occurring prior to the Closing Date and an obligation that each Group shall take out property damage & business interruption insurance for events of loss relating to supplies and services.

e) Sec. 5 Mutual indemnification

Sec. 5.1 provides for a mutual indemnification in the event that claims are asserted against a company of one Group based on liability arising on a contractual, quasi-contractual, statutory, common law or other legal basis for circumstances existing before the Closing Date which relate to the business operations of companies of the other Group and are not covered by an insurance. In this event, an internal settlement of the costs incurred as a result of the relevant obligation and any related and necessary costs and expenses and suffered losses shall be effected as between the Parties. To the extent that contractual agreements are in place between the relevant companies of the two Groups, the settlement shall be effected exclusively in accordance with these agreements (sec. 5.1.1). Any claim resulting from a violation of supervisory obligations (e.g. under sections 130, 30 of the German Act on Regulatory Offences (*Ordnungswidrigkeitengesetz* – "OWiG") shall also be settled under the contractual agreement. To the extent that no contractual agreements are in place, the company of one Group to whom those business operations or products which gave rise to the claims of the relevant company of the other Group are attributable shall, pursuant to sec. 5.1.2, be primarily liable for the internal settlement; further parameters shall be taken into account on a secondary basis. Any claim resulting from a violation of supervisory obligations (e.g. under sections 130, 30 OWiG) shall be disregarded in the internal settlement provisions of sec. 5.1.2. The provisions of sec. 5.1 also apply to regulatory proceedings, also including the imposition of monetary charges such as, for example, fines. Pursuant to sec. 5.2, an internal settlement in accordance with the principles set out in sec. 5.1 shall be also effected if a company of one Group is subject to a liability due to circumstances before the Closing Date which are not covered by an insurance and this liability is increased due to the fact that the relevant company was part of the respective other Group until the Closing Date. Sec. 5.3 and sec. 5.4 contain information, cooperation and defense requirements. To the extent that a Party is entitled to a claim for internal settlement as between the Parties and a company of the other Group is entitled to a claim for compensation in this respect against a third party, the latter Party shall, upon the request of the other Party, assign or ensure the assignment of this claim for compensation to the other Party (sec. 5.5). Finally, sec. 5.6 provides that no internal settlement shall be effected with regard to the tax matters governed by part VII. Sec. 5.7 makes it clear that the Parties agree that the provisions of sec. 5 also apply to any obligations arising from or in connection with the proceedings conducted by the public prosecutor's offices in Hanover and Frankfurt am Main in connection with prohibited defeat devices in diesel engines.

f) Sec. 6 Transfer of the stake in Vitesco Technologies GmbH held by Continental Automotive France S.A.S.

Pursuant to sec. 6, the Parties shall transfer the 3.56% stake in Vitesco Technologies GmbH held by Continental Automotive France S.A.S. at market value to VT 1. and 2. Beteiligungs KGs prior to the Closing Date.

g) Sec. 7 Obligations to cooperate

Sec. 7.1 contains the obligation of the Parties to take all actions that are necessary or appropriate to enable the implementation of the spin-off, the completion of the Carve-Out and the subsequent stock exchange listing of VT Group AG. It is further clarified that this does not give rise to an obligation to provide funds or to effect transfers. Pursuant to sec. 7.2, the obligations to cooperate set out in sec. 7 represent a minimum standard; any further reaching obligations to cooperate and additional provisions regarding the transfer of contracts entered into in the context of operating activities (the ***Operating Contracts***) and the reaching of an agreement with third parties of Operating Contracts utilized by both Vitesco Technologies Group Companies and Continental Group Companies (the ***Shared Operating Contracts***) under the contractual agreements between the relevant companies of the two Groups shall remain valid. In this regard, Sec. 7.3 contains provisions for the transfer of the Operating Contracts and for the event that the transfer is not practicable in the relationship to third parties. In this event, sec. 7.4 provides that the relevant company of one Group will, in the internal relationship between the companies, place the relevant company of the other Group in a position as if the Operating Contract was validly transferred, to the extent that this is permitted by law and contract. A similar mechanism is stipulated for the Shared Operating Contracts. Sec. 7.4 also provides how to proceed during the period until the consents and agreements have been obtained or reached. Sec. 7.5 contains provisions on how the Parties shall, to the extent permitted by competition law, reach an agreement on allocation criteria with regard to the Shared Operating Contracts. Referring to the so-called fair-share provisions defined in the Group Separation Agreement, sec. 7.6 provides that and in which way, with regard to the supply of semiconductors, the Parties intend, to the extent permitted by law and practicable, to jointly negotiate the capacities for 2021 with the respective third parties prior to the Closing Date. Pursuant to sec. 7.7, the claims under secs.7.3 to 7.6 shall become time-barred at the end of December 31, 2022. Sec. 7.8 provides that the Fair Share Rules shall apply until the Closing Date but in no event beyond September 30, 2021. Sec. 7.9 contains the obligation to cooperate in matters the appropriate handling of which requires the cooperation of a company of the other Group due to special requirements resulting from the fact that both companies were part of the Continental Group prior to the Closing Date. Sec. 7.10 provides for an obligation to cooperate in cases in which a company of one Group intends to sell part of its business to third parties after the Closing Date, and the cooperation of companies of the other Group is at least appropriate for the sale due to the fact that both companies were part of the Continental Group or due to continuing contractual obligations between companies of the two Groups. However, this shall not give rise to an obligation to consent to the transfer of contracts to third parties. In regulatory and judicial proceedings which concern a company of the respective other Group and (at least also) relate to the period prior to the Closing Date, the Parties shall, pursuant to sec. 7.11, also consult each other and, to the extent permitted by law, support each other. The details of the nature and extent of such support, in particular with regard to (i) information and documents, (ii) access to employees, and (iii) regulatory and judicial proceedings is provided for in sec. 7.11.(a), (b) and (c). In addition, each Party shall consult the respective other Party on the handling of, and further action in respect of, any options that may be available for terminating any such regulatory or judicial proceedings, and shall consider the interests of the respective other Group and the extent of any existing internal settlement claims pursuant sec. 5 when making decisions. In doing so, the Parties shall, to the extent permitted by law, attempt to reach agreement as to whether and, if so, in which way the relevant regulatory or judicial proceedings may be terminated while paying as much regard as possible to the interests of both Parties. Should the Parties fail to reach such agreement, sec. 7.11 provides for the details of which provisions shall be applicable to which cases, part of which correspond to the provisions of sec. 7.12. The right of the Party directly involved in regulatory/judicial proceedings to perform any acts in connection with such regulatory/judicial proceedings shall remain unaffected; the respective other Party shall have no right to perform or omit any acts in connection with such regulatory/judicial proceedings. Sec. 7.12 contains provisions in respect of the proceedings currently conducted by the public prosecutor's offices in Hanover and Frankfurt am Main in connection with illegal defeat devices in diesel engines, partly deviating from those in sec. 7.11. The Parties shall enter into a separate agreement in respect of those matters. Furthermore and notwithstanding sec. 7.11, the Parties shall attempt, in accordance with such separate agreement and to the extent permitted by law, to reach agreement as to whether and, if so, in which way the relevant proceedings may be terminated while paying as much regard as possible to the interests of both Parties. If the Parties fail to reach such agreement, sec. 7.12.(a) and (b) provide for details for the case that one of the Parties wants to continue proceedings while the respective other Party wants to avail of any existing option to terminate such proceedings. Sec. 7.13 provides for the obligation that the Parties shall, in regulatory or judicial proceedings which exclusively or mainly concern companies of the Vitesco Technologies Group and which continue to be conducted with or against a company of the Continental Group after the Closing Date, jointly endeavor to ensure that the relevant party is replaced and the proceedings are taken over by a company of the Vitesco Technologies Group. Pursuant to sec. 7.14, the Parties shall also support and consult each other in case of (compliance) investigations in line with the provisions of sec. 7.11. Sec. 7.15 contains provisions regarding expenses after the Closing Date which are needed for the separation of shared systems (in particular in the areas IT, Finance, HR and Quality). Separation Expenses incurred until the Closing Date will be allocated between the Parties in accordance with a separate agreement, taking into account the practice pursued until then in the Continental Group. Separation Expenses incurred after the Closing Date will be borne by each Party or their respective Group Company themselves.

h) Sec. 8 Rights to information

Sec. 8.1 provides that, already from the time when the Group Separation Agreement takes effect, VT Group AG shall have rights to information and inspection vis-à-vis VT 1. and 2. Beteiligungs KGs equivalent to those of a limited partner in VT 1. and 2. Beteiligungs KGs. Sec. 8.2 clarifies that the information requests made by one Party must not actually exclude the rights to information of the other Party.

i) Sec. 9 Surrender of documents and migration of data

Pursuant to sec. 9.1, each Party shall surrender to the other Party, to the extent permitted by law, any and all records that were generated before the spin-off took effect (***Historical Documents***), to the extent that such Documents are attributable exclusively to the respective other Party or the respective other Group. The same applies to data which were generated before the spin-off took effect (***Historical Data***), provided that, to the extent permitted by law, the obligation to surrender shall be replaced with an obligation to migrate the data. Pursuant to sec. 9.2, each Party may request that the other Party shall retain any and all documents and data, to the extent that they are attributable exclusively to the respective other Party or the respective other Group, itself and at its own expense. If one Party offers to the other Party that the relevant documents or data be collected or transferred but this offer is not accepted, or the documents and data are not collected and transferred, within six (6) months, the former Party is released from the retention obligation. Pursuant to sec. 9.3, further reaching obligations under contractual agreements shall remain unaffected.

j) Sec. 10 Rights to inspection, access to data and retention periods

Pursuant to sec. 10.1, each Party shall, to the extent permitted by law, grant the other Party the right to inspect Historical Documents retained by it and access to Historical Data retained by it and the right to make copies thereof, to the extent that the relevant Party has and proves to have a legitimate interest in this. Sec. 10.2 contains more detailed provisions regarding the question when a legitimate interest exists. Pursuant to sec. 10.3, one Party may request the other Party that documents and data be retained by companies of the Group of the other Party even after expiry of the statutory retention periods, if it has a legitimate interest in this and provided that it shall generally bear the related costs, unless the destruction of such documents and data is mandatorily required by law. The other Party, however, may be released from this obligation if it offers that the relevant documents and data be collected or transferred but this offer is not accepted, or the documents and data are not collected and transferred, within six (6) months. Further reaching obligations under contractual agreements shall remain unaffected (sec. 10.4).

k) Sec. 11 Contract manufacturing and services

Pursuant to sec. 11.1, the Parties shall enter into a framework agreement relating to mutual contract manufacturing at mixed-use manufacturing sites, which will come into force on July 1, 2021. Pursuant to sec. 11.2, the Parties shall also enter into a framework agreement relating to mutual research and development services and related services and works. Sec. 11.3 provides that the Parties, having regard to their interests, shall negotiate and enter into an agreement on arm's length basis in order to ensure that the Vitesco Technologies Group Companies will be able to perform their obligations to customers also after the spin-off because Continental AG acknowledges that Vitesco Technologies Group Companies currently use preliminary services provided by Elektrobit Automotive GmbH for the performance of obligations under customer contracts.

l) Sec. 12 Taxes resulting from the spin-off

Sec. 12 contains provisions for the allocation of the taxes incurred as a result of the spin-off of the Spin-off Assets. In particular, sec. 12.1 provides that transfer taxes (including real estate transfer tax) which may be incurred as a result of the spin-off of the Spin-off Assets shall be borne equally between Continental AG and VT Group AG. Pursuant to sec. 12.2, any other taxes shall be borne by the company which owes the taxes in accordance with the applicable tax laws or is liable for the payment of the taxes under any other contractual provisions.

m) Sec. 13 Payment of offsetting effects

The claim to the payment of offsetting effects provided for in sec. 13 has the following background: if taxes that were incurred and are incurred in connection with the Carve-Out (***Separation Taxes***) are assessed at a higher or lower amount than initially declared, especially as a result of tax audits, it is possible that these Separation Taxes assessed at a higher or lower amount are paid by companies of the Continental Group or are for the benefit of companies of the Vitesco Technologies Group, as applicable, but at the same time the higher or lower assessment may give rise to offsetting effects resulting in a reduction or increase of taxes at Vitesco Technologies companies. Sec. 13.1 provides that VT Group AG shall pay the present value of tax-reducing offsetting effects to be calculated using the Lump-Sum Settlement Approach to Continental AG or, in case of tax-increasing offsetting effects, Continental AG shall make such a payment to VT Group AG. Pursuant to sec. 13.2, the relevant claim shall be excluded if and to the extent that Continental AG or another company of the Continental Group receives an indemnification against, or other compensation, for the Separation Taxes from a third party. Sec. 13.3 provides in detail how the present value of the offsetting effect is calculated using the Lump-Sum Settlement Approach. Pursuant to sec. 13.4, Continental AG and VT Group AG shall inform the other party in writing within twenty (20) banking days after a claim has become known or after the claim should have become known within an appropriate group organization and shall cooperate with each other in accordance with sec. 14.2. In the case of offsetting effects resulting from a change in a purchase price for a collection of assets or in the other value at which the transfer of such a collection of assets is measured, sec. 13.5 determines how an agreement on the allocation of the purchase price or other value between the individual transferred assets shall be reached between Continental AG and VT Group AG. In addition, Sec. 13.6 defines an exemption threshold of one (1) million euro for the claims pursuant to sec. 13.1, which means that a claim to payment of offsetting effects only exists if the offsetting effects at the relevant companies of the Continental Group or of the Vitesco Technologies Group may result, in the aggregate, in a potential reduction or increase of the assessment basis of the relevant tax by one (1) million euro or more. The exemption threshold applies individually to each jurisdiction in which the relevant company or companies of the Continental Group or of the Vitesco Technologies Group are tax resident. Sec. 13.7 provides that claims to payment of offsetting effects pursuant to sec. 13.1 shall be due on the date falling twenty (20) banking days after the claims are asserted in writing. Finally, sec. 13.8 provides that the entire provisions of sec. 13 apply accordingly for the benefit of VT Group AG to the extent that companies of the Vitesco Technologies Group pay Separation Taxes under applicable law or contractual provisions.

n) Sec. 14 Cooperation in tax matters

Sec. 14 contains provisions for the cooperation of the Parties in tax matters. Sec. 14.1 clarifies that VT Group AG shall ensure as from the Closing Date that the companies of the Vitesco Technologies Group comply with their obligations with regard to tax proceedings. Sec. 14.2 provides that the Parties shall, in any relevant tax matters, i.e. tax matters which may give rise to an obligation for one of the Parties pursuant to secs. 12-16 of the Group Separation Agreement or under an agreement between a company of the Vitesco Technologies Group and a company of the Continental Group entered into as part of the Carve-Out (***Separation Agreement***), endeavor to ensure that the tax burden on each Party and the other companies of the Vitesco Technologies Group and of the Continental Group will, to the extent permitted by law, be reduced as far as possible or that a tax refund will be obtained or that an adverse change in losses, loss carry forwards or similar items be prevented. Sec. 14.3 contains detailed provisions for the cooperation pursuant to sec. 14.2 in relevant tax matters relating to taxes which are legally incurred by a company of the Vitesco Technologies Group but have to be paid by a company of the Continental Group under a Separation Agreement. Sec. 14.4 contains the obligation of Continental AG and of VT Group AG that notifications to be submitted as a result of the spin-off in accordance with Section 19 of the German Real Estate Transfer Tax Act (*Grunderwerbsteuergesetz*) shall only be filed upon mutual agreement by sending and discussing drafts of such notifications.

o) Sec. 15 Limitation period

Sec. 15 provides that claims under secs. 12-16 of the Group Separation Agreement shall become time-barred upon expiry of six months after the tax assessment notice on which the relevant claim is based has become final, binding and non-appealable. In addition, it is provided that claims shall become time-barred not earlier than upon expiry of six (6) months after the Closing Date, and not earlier than upon expiry of six (6 months) after the relevant claim becomes known to the relevant party and enforceable (for example, because relevant exemption thresholds have been exceeded).

p) Sec. 16 General rules

Sec. 16.1 provides that offsetting effect claims shall be calculated on a pro rata basis in proportion to the participation (taking into account the relevant successive interests) held by VT Group AG or Continental AG on the Closing Date. Sec. 16.2 provides that secs. 12-16 of the Group Separation Agreement relating to taxes and tax matters shall take precedence over other provisions in the Spin-off Agreement or in the Group Separation Agreement. Sec. 16.3 contains detailed provisions regarding information requirements and requirements as to form. Sec. 16.4 provides for a claim for damages as a legal consequence of a breach of information requirements according to secs. 12-16 of the Group Separation Agreement.

q) Part VIII: Obligation to review agreements internally

Part VIII contains an obligation to review agreements internally and provides that any conclusion of agreements between a company of one Group and a company of the respective other Group is subject to a prior internal review of potential tax and legal risks.

r) Sec. 17 Confidentiality

After a definition of the term Confidential Information in sec. 17.1 (positive definition) and sec. 17.2 (negative definition), sec. 17.3 contains, in particular, provisions for mutual obligations to maintain secrecy and non-disclosure obligations between the Group parent companies and extends these obligations to Group Companies in sec. 17.4. Sec. 17.5 provides for a general entitlement to disclose Confidential Information to the extent that such a disclosure is mandatorily required by statutory or administrative regulations.

s) Sec. 18 Assertion of claims

Sec. 18.1 provides that claims under the Group Separation Agreement shall inure to the sole benefit of the Parties and that the Agreement does not give rise to rights for the benefit of third parties and of the companies affiliated with a Party. Also, an assignment to third parties is excluded. Sec. 18.2 provides that the claims under the Group Separation Agreement shall be asserted in writing and specifies details. Sec. 18.3 provides how asserted claims shall be satisfied and specifies details. Finally, sec. 18.4 provides that the right of each Party to carry out a cause-based allocation of the expenses necessary for the satisfaction to its Group Companies shall remain unaffected.

t) Sec. 19 Subsidies

Sec. 19.1 contains provisions that apply in the event that a claim for the recovery of public subsidies which were granted to a company of a Group prior to the Closing Date, together with interest, is made by an authority or court after the Closing Date, and the claim results from an action or omission by a company of the respective other Group. In such a case, the affected company shall be supported in the defense against the claim for recovery. To the extent that the claim for recovery is ordered by a non-appealable decision of an authority or court, sec. 19.2 provides that an internal settlement in accordance with the rules set out in sec. 5.1 shall be effected.

u) Sec. 20 Coordination Committee

Sec. 20.1 provides that a Coordination Committee for monitoring compliance with the Group Separation Agreement shall be established. Sec. 20.2 provides that this Committee shall consist of two members representing one Group and two members representing the other Group. Sec. 20.3 specifies formal provisions for convening and holding meetings. Pursuant to sec. 20.4, the Coordination Committee shall pursue the aim to achieve an appropriate balance of interests between the two Parties. Sec. 20.5 contains provisions for the internal organization of the Committee, including the possibility to agree rules of procedure.

v) Sec. 21 Dispute resolution

If disputes in connection with the Group Separation Agreement or its validity cannot be settled amicably (sec. 21.1), the Coordination Committee shall be notified about such disputes before arbitral proceedings are initiated (sec. 21.2). Sec. 21.3 provides that the limitation period for such claims which are the subject matter of the dispute shall be suspended within the meaning of Section 209 of the German Civil Code (*BGB*) upon receipt of the notification of the dispute by the Coordination Committee. If a solution for the settlement of the dispute cannot be found within four weeks pursuant to sec. 21.4, the chairpersons of the executive boards of Continental AG and VT Group AG shall seek to find a solution (sec. 21.5); if this fails, the dispute shall be finally settled by an arbitral tribunal in accordance with the Arbitration Rules of the German Arbitration Institute (*Deutsche Institution für Schiedsgerichtsbarkeit e.V. - DIS*) (secs. 21.6 to 21.9). Sec. 21.9 contains provisions regarding the composition of the arbitral tribunal and on procedural law.

w) Sec. 22 Miscellaneous

Sec. 22 contains miscellaneous provisions. Pursuant to sec. 22.1, the Group Separation Agreement shall come into force upon adoption of the resolution of the shareholders' meeting of Continental AG on the approval of the Spin-off and Transfer Agreement. Pursuant to sec. 22.2, the Group Separation Agreement shall terminate upon receipt of a withdrawal declaration pursuant to sec. 19 of the Spin-off and Transfer Agreement, by which a party to the Spin-off and Transfer Agreement withdraws from that Agreement. Sec. 22.3 contains a standard written form clause. Sec. 22.4 provides that the relevant Group parent company is obliged to ensure that the companies of its Group comply with the provisions of the Group Separation Agreement, to the extent that the relevant companies do not become a Party to this Agreement. Sec. 22.5 provides that the Group Separation Agreement shall prevail over other agreements between companies of the Groups. Sec. 22.6 specifies the limitation period of claims. Sec. 22.7 clarifies that the Group Separation Agreement is governed by German law. Sec. 22.8 contains standard provisions on replacing any invalid or unenforceable provisions of the Agreement by valid and enforceable provisions reflecting the purpose and intent of the Agreement (so-called severability clause).

Definitions

BetrVG	has the meaning given in Chapter XII.2.a)
BEV	has the meaning given in Chapter IV.3
CA France	has the meaning given in Chapter I
CAP Measures	has the meaning given in Chapter IX.2.c)aa)
Carve-Out	has the meaning given in Chapter V
Clearstream	has the meaning given in Chapter VI.12.a)
CMS	has the meaning given in Chapter V.6
CO_2	has the meaning given in Chapter III.1.a)
Collateral Provider	has the meaning given in Chapter XIII.2.c)
Combined Financial Statements	has the meaning given in Chapter VIII.1.a)aa)
Continental AG	has the meaning given in Chapter I
Continental CM	has the meaning given in Chapter II.4
Continental Contract Manufacturing	has the meaning given in Chapter II.4
Continental Group	has the meaning given in Chapter I
Contract Manufacturing	has the meaning given in Chapter II.3.c)
CTA	has the meaning given in Chapter V.5
Cross-Collateral	has the meaning given in Chapter

	XIII.2.c)
Deutsche Bank	has the meaning given in Chapter VI.12.a)
EBIT	has the meaning given in Chapter IX.3.d)
EC	has the meaning given in Chapter IV.3
Effective Transfer Date for Tax Purposes	has the meaning given in Chapter VIII.2.b)aa)
Equity Deferral	has the meaning given in Chapter IX.3.d)
EStG	has the meaning given in Chapter VIII.2.a)
ET	has the meaning given in Chapter IV.3
EU	has the meaning given in Chapter VIII.1.a)bb)
FHEV	has the meaning given in Chapter IV.3
Free CashFlow	has the meaning given in Chapter IX.3.d)
HGB	has the meaning given in Chapter V.4
Historical Data	has the meaning given in Chapter XIII.2.h)
Historical Documents	has the meaning given in Chapter XIII.2.h)
IAV	has the meaning given in Chapter V.1
ICE	has the meaning given in Chapter IV.3
ICO Loan	has the meaning given in Chapter V.4
IFRS	has the meaning given in Chapter IV.3

Injured Party	has the meaning given in Chapter XIII.2.d)
Insurance Creditor	has the meaning given in Chapter XIII.2.d)
IPO	has the meaning given in Chapter III.2
KPI	has the meaning given in Chapter XII.1
LTI	has the meaning given in Chapter IX.3.d)
LTI Plans	has the meaning given in Chapter II.2.c)
MHEV	has the meaning given in Chapter IV.3
MitbestG	has the meaning given in Chapter II.2.f)
Non-Core ICE Technology	has the meaning given in Chapter IV.3
NOx	has the meaning given in Chapter III.1.a)
OEM	has the meaning given in Chapter I
Operating Contracts	has the meaning given in Chapter XIII.2.g)
PCF	has the meaning given in Chapter IX.3.d)
PHEV	has the meaning given in Chapter IV.3
Principal Debtor	has the meaning given in Chapter XIII.2.c)
ROCE	has the meaning given in Chapter IX.3.d)
R&D	has the meaning given in Chapter I
S&A	has the meaning given in Chapter IV.3

SCM	has the meaning given in Chapter IX.1.c)
SCR	has the meaning given in Chapter VIII.1.e)bb)
Separation Agreement	has the meaning given in Chapter XIII.2.n)
Separation Taxes	has the meaning given in Chapter XIII.2.m)
Share Allocation Effective Date	has the meaning given in Chapter VI.12.a)
Share Allocation Notification	has the meaning given in Chapter VI.12.a)
Short Term Incentive	has the meaning given in Chapter IX.3.d)
Spin-off and Transfer Agreement	has the meaning given in Chapter I
Spin-off Assets	has the meaning given in Chapter IV
Spin-off Effective Date	has the meaning given in Chapter I
Spin-off Report	has the meaning given in Chapter I
SQM	has the meaning given in Chapter IX.1.c)
STI	has the meaning given in Chapter IX.3.d)
TSR	has the meaning given in Chapter IX.3.d)
UmwG	has the meaning given in Chapter I
UmwStG	has the meaning given in Chapter VIII.1.d)bb)
Vitesco Technologies	has the meaning given in Chapter I

Vitesco Technologies Employees	has the meaning given in Chapter V.5
Vitesco Technologies Group	has the meaning given in Chapter I
Vitesco Technologies Korea	has the meaning given in Chapter V.1
VT 1. and 2. Beteiligungs KGs	has the meaning given in Chapter I
VT 1. Beteiligungs KG	has the meaning given in Chapter I
VT 2. Beteiligungs KG	has the meaning given in Chapter I
VT 1. Verwaltungs GmbH	has the meaning given in Chapter I
VT 2. Verwaltungs GmbH	has the meaning given in Chapter I
VT CM	has the meaning given in Chapter IV.3
VT Contract Manufacturing	has the meaning given in Chapter IV.3
VT Group AG	has the meaning given in Chapter I
WpHG	has the meaning given in Chapter II.2.d)