# Management Report

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

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## Management Report

# Glossary of Financial Terms

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

**Adjusted EBIT.** EBIT before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects. Special effects include, for example:

- Impairment (including impairment on goodwill)
- Income and expenses from restructuring measures
- Gains and losses from disposals of companies and business operations
- Significant special effects from non-recurring events; in particular, one-off effects from acquisitions of companies and business operations (e.g. negative goodwill, purchase price refunds) or significant changes to the corporate structure (e.g. spin-off effects)

Since it eliminates one-off effects, adjusted EBIT can also be used to compare operational profitability between periods.

**Adjusted free cash flow.** Free cash flow adjusted for acquisitions and divestments of companies and business operations. Since it eliminates one-off effects, adjusted free cash flow can also be used to compare financial strength between periods.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Corporate Profile
# Structure of the Continental Group

## Five dynamic and flexible business areas in Automotive. Tires and ContiTech now independent group sectors.

**New organizational structure**
Since January 1, 2022, the Continental Group has been divided into four group sectors: Automotive, Tires, ContiTech and Contract Manufacturing. These comprise a total of 17 business areas.

The former Autonomous Mobility and Safety (AMS) and Vehicle Networking and Information (VNI) business areas were dissolved with effect from January 1, 2022. At the same time, five new, dynamic and flexible business areas were created. Their organizational structure is based on the business strategy of the Automotive group sector and thus on market development in the context of the transformation of the mobility industry.

**Tires** and **ContiTech** are now independent group sectors, and the former consolidation of business areas in Rubber Technologies has been dissolved.

Following the spin-off of Vitesco Technologies, **Contract Manufacturing** was created as both a new group sector and business area. Contract Manufacturing comprises contract manufacturing for Vitesco Technologies and therefore the continuing operations of the former Powertrain Technologies group sector.

**Business responsibility**
A group sector or business area with overall responsibility for a business, including its results, is classified according to product requirements, market trends, customer groups and distribution channels.

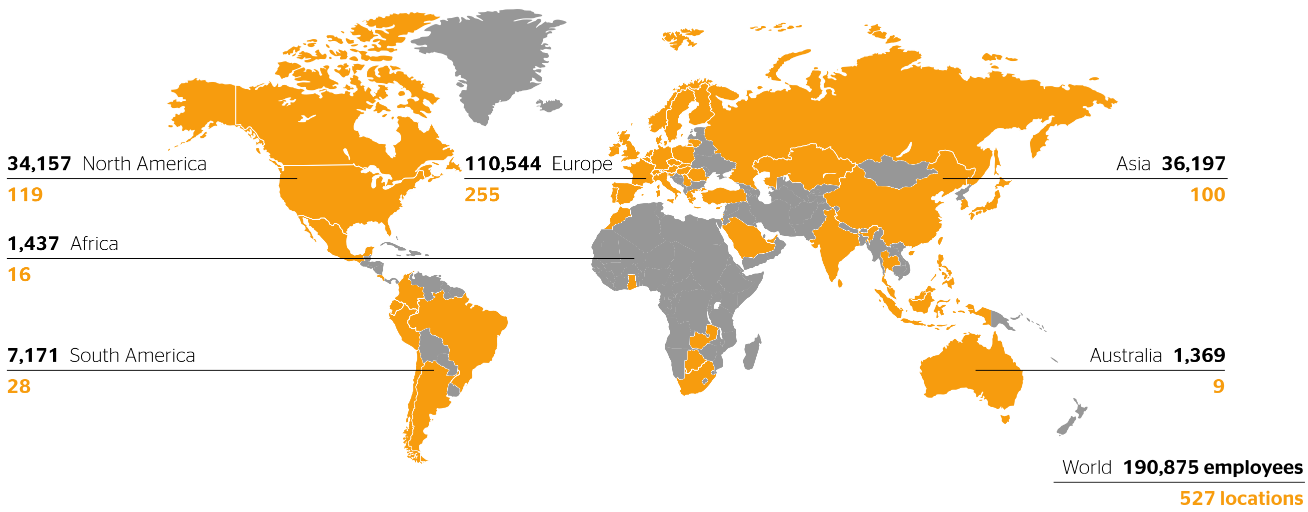
Overall responsibility for managing the company is borne by the Executive Board of Continental Aktiengesellschaft (AG). The Automotive, Tires and ContiTech group sectors are each represented on the Executive Board.

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, and assume the functions required to manage the Continental Group across the group sectors. These include, in particular, finance, controlling, compliance, law, IT, human relations, sustainability, as well as quality and environment.

**Customer structure**
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is our most important customer group. This industry is particularly important for the growth of the Automotive group sector. In the Tires group sector, sales to dealers and end users represent the largest share of the tire-replacement business. In the ContiTech group sector, the customer base is made up of the automotive industry and other key industries such as railway engineering, machine and plant construction, mining and the replacement business. In the Contract Manufacturing group sector, Vitesco Technologies constitutes the sole customer.

**Companies and locations**
Continental AG is the parent company of the Continental Group. In addition to Continental AG, the Continental Group comprises 472 companies, including non-controlled companies. The Continental team is made up of 190,875 employees at a total of 527 locations in the areas of production, research and development, and administration, in 58 countries and markets. Added to this are distribution locations, with 944 company-owned tire outlets and a total of around 5,200 franchises and operations with a Continental brand presence.

**527 locations in 58 countries and markets**



**Structure of the Continental Group in 2022**

## Continental Group

| Automotive | Tires | ContiTech | Contract Manufacturing |
|---|---|---|---|

The **Automotive group sector** comprises technologies for passive safety, brake, chassis, motion and motion control systems. Innovative solutions for assisted and automated driving, display and operating technologies, as well as audio and camera solutions for the vehicle interior, are also part of the portfolio, as is intelligent information and communication technology for the mobility services of fleet operators and commercial vehicle manufacturers. Comprehensive activities relating to connectivity technologies, vehicle electronics and high-performance computers round off the range of products and services. The group sector is divided into five business areas:

- Architecture and Networking
- Autonomous Mobility
- Safety and Motion
- Smart Mobility
- User Experience

With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the **Tires group sector** stands for innovative solutions in tire technology. Intelligent products and services related to tires and the promotion of sustainability complete the product portfolio. For specialist dealers and fleet management, Tires offers digital tire monitoring and tire management systems, in addition to other services, with the aim of keeping fleets mobile and increasing their efficiency. With its tires, Continental makes a significant contribution to safe, efficient and environmentally friendly mobility. In the reporting year, 21% of sales in Tires related to business with vehicle manufacturers, and 79% related to the tire-replacement business. The group sector is divided into five business areas:

- Original Equipment
- Replacement APAC
- Replacement EMEA
- Replacement The Americas
- Specialty Tires

The **ContiTech group sector** develops and manufactures, for example, cross-material, environmentally friendly and intelligent products and systems for the automotive industry, railway engineering, mining, agriculture and other key industries. Guided by the vision of “smart and sustainable solutions beyond rubber,” the group sector draws on its long-standing knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. In the reporting year, 48% of sales in ContiTech related to business with automotive manufacturers, and 52% to business with other industries and in the automotive replacement market. The group sector is divided into six business areas:

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

As of September 2021, the contract manufacturing of products by Continental companies for Vitesco Technologies has been consolidated in the **Contract Manufacturing group sector**. This contract manufacturing is not intended to be a permanent situation; rather, the operational separation of production will be promoted in the coming years, and the volume of contract manufacturing reduced. Contract Manufacturing includes one business area:

- Contract Manufacturing

**Globally interconnected value creation**

Research and development (R&D) took place at 84 locations in the reporting year, predominantly in close proximity to our customers to ensure that we can respond flexibly to their various requirements and to regional market conditions. This applies particularly to projects of the Automotive and ContiTech group sectors. In the Tires group sector, R&D is largely centrally organized, since product requirements for tires are much the same across the world. They are adapted according to the specific requirements of each market. Continental generally invests between 7% and 8% of sales in R&D each year. For more information, see the Research and Development section.

Continental processes a wide range of raw materials and semi-finished products. The purchasing volume in the reporting year was €23.2 billion in total, €15.7 billion of which was for production materials. The Automotive and Contract Manufacturing group sectors use primarily steel, aluminum, precious metals, copper and plastics. Electronics and electromechanical components together make up around 37% of the Continental Group's purchasing volume for production materials, while mechanical components account for around 15%. Natural rubber and oil-based chemicals such as synthetic rubber and carbon black are key raw materials for the Tires and ContiTech group sectors. The total purchasing volume for these materials amounts to around 23% of the total volume for production materials. For more information, see the Development of Raw Materials Markets section in the economic report.

Production and sales in the Automotive and ContiTech group sectors are organized across regions. For the Tires group sector, economies of scale play a key role when it comes to tire manufacturing. Low production costs coupled with large volumes and proximity to our customers or high rates of regional growth constitute key success factors. For this reason, manufacturing takes place at major locations in the dominant automotive markets, namely Europe, the USA and China. Tires are sold worldwide via our dealer network with tire outlets and franchises, as well as through tire trading in general.

**Globally interconnected value creation**

| R&D | Purchasing | Production | Sales & Distribution |
|---|---|---|---|
| **Innovative**<br>€2.6 billion in expenditure | **Diverse**<br>€23.2 billion in volumes | **Global**<br>210 locations | **Local**<br>€33.8 billion in sales |

# Strategy of the Continental Group

## Strategy of profitable growth to address the transformation in the mobility industry. We are committed to our targets.

With our strategy, which was realigned to address the transformation in the mobility industry in 2020, we have paved the way for profitable growth over the coming years. In 2021, we systematically realigned our entire organizational structure and our management processes to this strategy. We see the transformation in the mobility industry as an opportunity. Our strategy is based on three cornerstones:

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

**1. Strengthening operational performance**
By strengthening our operational performance, we can ensure our future viability and competitiveness. We are aligning our cost structure to global market conditions. In 2019, we introduced appropriate measures with our Transformation 2019–2029 structural program. This will allow us to achieve gross savings of €850 million annually from 2023 onward. The new strategy was implemented in 2020, and the organizational structure was aligned with it in 2021.

The former Automotive Technologies group sector (which became the Automotive group sector from January 1, 2022) now has an entirely new organizational structure. The five new business areas are responsible for the successful implementation of this strategy. They have the decision-making authority and flexibility required to be able to quickly respond to market changes. They are supported by an overarching advanced engineering organization called Holistic Engineering and Technologies, or "he[a]t." he[a]t operates in particular on projects across all strategic action fields, such as the development of high-performance computers. The former Rubber Technologies group sector has been dissolved, and Tires and ContiTech are now independent group sectors. This new structure eliminates an entire intermediate level, making us more streamlined, faster and more efficient.

In connection with the semiconductor shortage, we have launched a task force with the aim of enabling us to better respond to fluctuations on the procurement markets. As a result, we have optimized our early warning systems and adapted our purchasing structure to the procurement networks. In addition, we are building up safety stocks in a targeted manner in order to bridge possible supply shortages more reliably.

**2. Differentiating the portfolio**
Efforts to differentiate our product portfolio in a more targeted manner concentrating on growth and value are progressing well. Our focus on growth is aimed at establishing strong market positions in innovative fields featuring highly dynamic growth, while our focus on value addresses saturated markets with stable but low growth.

In our Automotive, Tires and ContiTech group sectors, our focus on growth is centered around innovations for safe, connected and automated driving, which will be a critical factor in customers' future purchasing decisions. Vehicles require technologies from Continental, such as tires, braking systems, hoses for thermal management, digital solutions and services, as well as high-performance computers – irrespective of the vehicle's drive technology.

We are purposefully entering into partnerships that make us better and faster, in particular with smaller specialist firms and start-up companies. In the year under review, for example, we invested in collaborations for assisted and autonomous driving. Funding that we do not contribute to partnerships is used to establish and develop our in-house expertise.

When it comes to "value," our focus is on profitable product areas where we have solid competitive positions in markets with a high degree of maturity. These include, for example, display and control systems, surface materials and the European tire business. The aim here is to sustain profitability and generate sufficient funds to enable us to ensure competitive expansion geared to market and technology leadership in growth areas that as yet are unable to fully finance their ambitious growth themselves.

| 1 | 2 | 3 |
|---|---|---|
| **Strengthen operational performance** | **Differentiate our portfolio** | **Turn change into opportunity** |
| › Right-size cost structure<br>› Commitment to efficiency and quality | › Win in growth businesses<br>› Manage value businesses for profitability and cash | › Embrace sustainability<br>› Focus on passion to win and transparency and ownership |

The portfolio strategy also includes possible acquisitions, divestments and partnerships. The business areas are regularly assessed to determine whether they are capable of creating the best possible value for Continental, and how their value can be maximized. The spin-off of Vitesco Technologies was completed in the year under review as part of these efforts.

**3. Turning change into opportunity**

Continental's sustainability ambition comprises the four focus areas of carbon neutrality, emission-free mobility and industries, circular economy, and responsible value chain. It describes how, together with our partners, we seek to shape the transformation in the relevant topic areas along the entire value chain by 2050 at the latest. Along with the corresponding guidelines, this sustainability ambition brings together the existing strategies, programs and processes, as well as their further development. The systematic expansion of our business in particular with zero-tailpipe-emission vehicles contributes significantly toward achieving our ambitions in the area of carbon neutrality and emission-free mobility and industries, as well as toward reducing greenhouse gas emissions in the mobility sector. As part of our global Net|Zero|Now program, we also offer our customers the neutralization of our business carbon backpack through negative emissions as of fiscal 2022. The program focuses on business with zero-tailpipe-emission vehicles and thus promotes their expanded use. Detailed information on the implementation of our sustainability ambition can be found in the Sustainability and Combined Non-Financial Statement section starting on page 36 of this annual report.

Our comprehensive new organizational structure helps us seize market opportunities and translate them into profit even more quickly. Transparent structures and a high level of autonomy make us more flexible in an increasingly complex market environment.

In the Automotive group sector, we are focusing on the growing global demand for safer, connected and convenient mobility. This means, in particular, the development of non-differentiating software, which makes up around 60% of a vehicle's software. Such software consists of programs that are not critical for the marketing of vehicles, but that are necessary to ensure their safe operation. It is crucial to achieve cost advantages through standardization and scaling in this area. 40% of a vehicle's software relates to functions that make a visible difference, such as for automated driving or infotainment systems. For Automotive overall, we anticipate an adjusted EBIT margin of around 6% to 8% in the medium term as well as a return on capital employed (ROCE) of over 15%.

We want to further consolidate our position among the world's top tire manufacturers, particularly in the growth markets of Asia and North America. In the passenger-car tire segment, we intend to expand our business with tires for electric mobility and ultra-high-performance tires. We also see future growth in vehicle fleet management services. For the Tires group sector, we anticipate an adjusted EBIT margin of around 12% to 16% in the medium term as well as an ROCE of over 20%.

For the ContiTech group sector, the main opportunities are presented by the growing demand for digital and intelligent solutions. Business continues to be based on products and systems made from rubber, plastic, metal, textiles and electronic components which in the future we will be able to combine with customized and digital service offerings. For ContiTech overall, we anticipate an adjusted EBIT margin of around 9% to 11% in the medium term as well as an ROCE of over 20%.

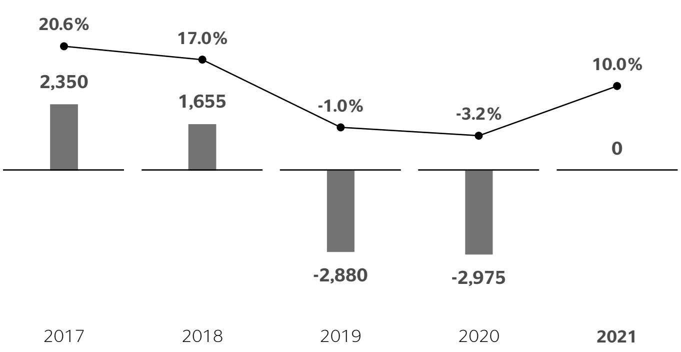
At corporate level, we aim in the medium term to achieve an adjusted EBIT margin of around 8% to 11% and an ROCE of around 15% to 20%. The cash conversion ratio is expected to exceed 70%.

# Corporate Management

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

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

**Continental Value Contribution (CVC)** € millions **ROCE** %




*For 2021, the figures for continuing operations are shown.*

EBIT is the net total of sales, other income and expenses plus income from equity-accounted investees and from investments but before financial result and income tax expense. In the year under review, EBIT from continuing operations amounted to €1.8 billion.

Capital employed is the funds used by the company to generate its sales. At Continental, this figure is calculated as the average of operating assets as at the end of the quarterly reporting periods. In 2021, average operating assets from continuing operations amounted to €18.4 billion.

The return on capital employed (ROCE) represents the ratio of these two calculated values. Comparing a figure from the statement of income (EBIT) with one from the statement of financial position (capital employed) produces an integral analysis. We deal with the problem of the different periods of analysis by calculating the capital employed as an average figure over the ends of quarterly reporting periods. The ROCE for the continuing operations of Continental amounted to 10.0% in 2021.

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

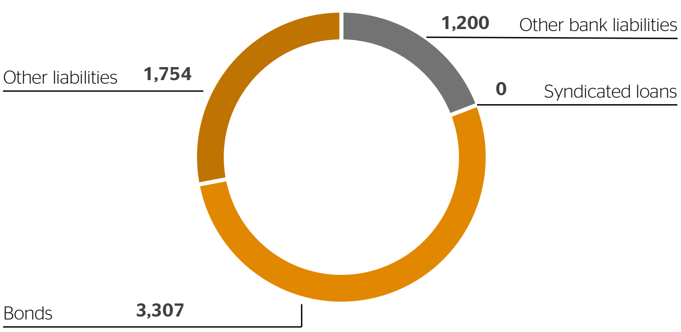
Value is added if the ROCE exceeds the weighted average cost of capital (WACC). We call this value added, produced by subtracting the WACC from the ROCE multiplied by average operating assets, the Continental Value Contribution (CVC). For continuing operations in 2021, both the ROCE and the WACC amounted to 10%, hence no added value (CVC) was generated.

| **ROCE by business area (in %)** | **2021** | 2020 continuing operations | 2020 continuing and discontinued operations |
|---|---|---|---|
| Autonomous Mobility and Safety | -2.8 | -2.8 | -2.1 |
| Vehicle Networking and Information | -6.8 | -33.3 | -31.9 |
| Tires | 25.7 | 14.3 | 14.3 |
| ContiTech | 16.8 | 7.7 | 7.7 |
| Contract Manufacturing | 29.0 | -28.8 | – |
| Powertrain | — | – | -14.1 |
| **Continental Group** | **10.0** | **-2.2** | **-3.2** |

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

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

**Composition of gross indebtedness (€6,261 million)**




Our goal is to finance ongoing investment requirements from the operating cash flow. Other investment projects, for example acquisitions, should be financed from a balanced mix of equity and debt depending on the ratio of net indebtedness to equity (gearing ratio) and the liquidity situation to achieve constant improvement in the respective capital market environment. In general, the gearing ratio should be below 40% in the coming years and not exceed 60% in general. If justified by extraordinary financing reasons or specific market circumstances, we can rise above this level under certain conditions. The equity ratio should exceed 30%. In the reporting year, it was 35.3% and the gearing ratio 29.8%.

Our gross indebtedness should be a balanced mix of liabilities to banks and other sources of financing on the capital market. For short-term financing in particular, we use a wide range of financing instruments. As at the end of 2021, this mix consisted of bonds (53%), a syndicated loan (not utilized), other bank liabilities (19%) and other indebtedness (28%) based on the gross indebtedness of €6,260.5 million. The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4.0 billion and has an original term of five years. The margin will also depend on the Continental Group's sustainability performance. In November 2021, Continental exercised the second and final option to extend the term by one year. The lending banks then extended this financing commitment until December 2026 at unchanged conditions. The additional syndicated loan of €3.0 billion concluded in May 2020 with a term of 364 days expired in May 2021 and was not utilized.

The company strives to have at its disposal unrestricted liquidity of about €1.5 billion. This is supplemented by committed, unutilized credit lines from banks in order to cover liquidity requirements at all times. These requirements fluctuate during a calendar year owing in particular to the seasonal nature of some business areas. In addition, the amount of liquidity required is also influenced by corporate growth. Unrestricted cash and cash equivalents amounted to €1,998.2 million as at December 31, 2021. There were also committed and unutilized credit lines of €4,880.3 million.

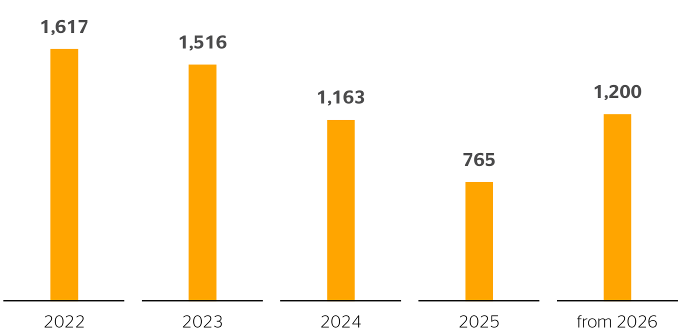
Gross indebtedness amounted to €6,260.5 million as at December 31, 2021. Key financing instruments are the syndicated loan with a revolving credit line of €4.0 billion that has been granted until December 2026, and bonds issued on the capital market.

As at December 31, 2021, the revolving credit line of €4.0 billion had not been utilized. Around 53% of gross indebtedness is financed on the capital market in the form of bonds. The interest coupons vary between 0.0% and 2.5%. The bonds with maturities between 2023 and 2026 ensure a balanced overall maturity profile for the repayment amounts. In addition to the forms of financing already mentioned, there were also bilateral credit lines with various banks in the amount of €2,103.7 million as at December 31, 2021. Continental's corporate financing instruments currently also include sale-of-receivables programs and commercial paper programs. In 2021, Continental had two commercial paper programs in Germany and the USA.

**Maturity profile**

Continental strives for a balanced maturity profile of its liabilities in order to be able to repay the amounts due each year from free cash flow as far as possible. Aside from short-term indebtedness, most of which can be rolled on to the next year, promissory note loans totaling €264.0 million will mature at the end of April/beginning of May 2022. No repayments of bonds are scheduled in 2022. The bonds issued in 2019 and 2020 require repayments of €1,250.0 million in 2023, €725.0 million in 2024, €600.0 million in 2025 and €750.0 million in 2026.

**Maturities of gross indebtedness (€6,261 million)**



### Continental's credit rating unchanged

In the reporting period, Continental AG was rated by the three rating agencies Standard & Poor's, Fitch and Moody's, each of which maintained their investment-grade credit ratings in 2021. The most recent rating adjustment took place in spring 2020, when all three rating agencies adjusted their long-term credit rating downward by one notch. Our goal remains a credit rating of BBB/BBB+.

### Credit rating for Continental AG

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

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

# Research and Development

## Mobility of the future is sustainable, automated and connected.

In the future, vehicles will have a variety of powerful senses. They will speak the same language and communicate with their environment and the driver. They will be highly responsive and seamlessly interconnected, and a central intelligence system will steer them reliably and safely to their destination in all situations.

**Driving Planner for highly automated driving**
Continental is developing a software solution that allows vehicles to independently perform complex driving maneuvers. The Driving Planner demonstrates that automated driving is not reserved exclusively for premium vehicles with special equipment. The software determines precise decision-making alternatives from a wide range of sensor data in order to automatically master complex driving maneuvers on the highway or expressway. The Driving Planner can thereby calculate traffic situations several seconds in advance and use this information to derive the vehicle's appropriate response.

One example illustrating where this new system can relieve drivers in the future is when entering highways via a merging acceleration lane. The Driving Planner calculates this complex maneuver from radar sensor and camera data and makes the best decision. Other software modules then carry out the calculated driving maneuver. The vehicle accelerates, merges onto the highway and then picks up speed according to the flow of traffic.

The Driving Planner can calculate driving maneuvers up to a speed of 130 km/h. The development phase of the software system has been completed, and the technology is expected to be launched in 2024.

**ShyTech displays – essential information at a glance or touch**
ShyTech displays are an innovative and intelligent solution from Continental that help drivers keep an eye on important information at all times. As modern vehicles become more and more connected and automated, the amount of data they process and display continues to grow. In order to visualize this wealth of information, increasingly large screens are being installed in cars. However, not all messages are relevant in all situations, and excessive notifications can cause distraction and endanger driving safety. ShyTech displays increase user-friendliness and enhance safety by hiding potential distractions.

If required, they can take up the entire width of the dashboard, but they will only become visible when needed. This is made possible by a semi-transparent surface that allows the screens to be seamlessly integrated into the surrounding panel – both visually and haptically. When the displays are not needed, they are practically invisible to the human eye. Navigation and communication information and the touch screen menu are therefore readily available at all times, but the dashboard appears as if it is a single component. The indicators and controls are only activated when a hand, for example, draws near the display. It is also possible to activate the display via voice control or by briefly tapping the screen surface. The display surface is designed to imitate the look of the dashboard. This appearance can take many forms depending on the configuration; examples include wooden panels, carbon panels or leather-covered surfaces. In addition, it not only looks like the original material, but feels like it too. ShyTech innovations allow screens to be placed virtually anywhere in the vehicle interior. Continental plans to launch the ShyTech display in 2023.

| | **2021** | | 2020 | |
|---|---|---|---|---|
| **Research and development expenses (net)** | € millions | % of sales | € millions | % of sales |
| Autonomous Mobility and Safety | 1,082.3 | 14.4 | 1,005.0 | 13.3 |
| Vehicle Networking and Information | 1,054.3 | 13.2 | 1,274.8 | 16.1 |
| Tires | 293.8 | 2.5 | 268.0 | 2.6 |
| ContiTech | 156.5 | 2.6 | 149.7 | 2.7 |
| Contract Manufacturing | -0.1 | 0.0 | 3.2 | 0.3 |
| **Continental Group** | **2,586.8** | **7.7** | **2,700.7** | **8.5** |
| | | | | |
| **Capitalization of research and development expenses** | **31.5** | | **137.6** | |
| in % of research and development expenses | 1.2 | | 4.8 | |
| **Depreciation on research and development expenses** | **44.0** | | **164.6** | |

**Conti GreenConcept – sustainable, lightweight, efficient**

The Conti GreenConcept from Continental leverages both current and emerging technological approaches to the engineering of sustainable tires for passenger cars. The new concept tire is based on three levels: a particularly high proportion of traceable, renewable and recycled materials, a resource-saving, lightweight design and an extended service life thanks to a renewable tread.

More than 50% of the materials used to make the Conti GreenConcept are renewable or recycled. In other words, they originate from closed-loop cycles, have no harmful effects on people or the environment, are responsibly sourced, and are carbon-neutral throughout the supply chain. The proportion of renewable raw materials amounts to 35%. The organic materials used include natural rubber from dandelions (Taraxagum), silicate from the ashes of rice husks, as well as vegetable oils and resins.

In addition, the Conti GreenConcept is made from 17% recycled materials. The materials Continental uses in the tire's casing include reclaimed steel and recovered carbon black, plus – in an industry first – polyester from recycled polyethylene terephthalate (PET) bottles. Continental is planning the gradual rollout of its ContiRe.Tex technology from 2022, thus paving the way for the manufacture of tires using polyester yarn from recycled PET bottles. The recycling process does without the usual intermediate chemical processing steps, and the resulting polyester yarn is then made functionally capable of handling the high mechanical forces to which tires are subjected. As part of the so-called upcycling process, used PET bottles get a new life as high-performance polyester material. Conventional passenger car tires consist of roughly 400 grams of polyester yarn each. In manufacturing a set of four tires, a total of over 60 recycled PET bottles can be reused.

Thanks to its lightweight design, the Conti GreenConcept is also up to 40% lighter than today's standard tires. At the same time, the tire's rolling resistance has been reduced. This means the vehicle consumes less energy, thus leading to a positive effect on the environment. Internal combustion vehicles therefore have a greater mileage and lower carbon emissions, while electric vehicles can cover an extended range.

**AMBIENC3 – the vehicle interior of the future**

In its new AMBIENC3 concept vehicle – a converted VW microvan – Continental shows how driving, working and relaxing can be combined in a single space. "Third space" is the term used to describe the underlying concept, which brings together living and working areas within the vehicle.

The AMBIENC3 features new surface solutions for the floor and ceiling, walls, seats, recliners, storage areas and the instrument panel, all of which are made from innovative and sustainable materials. These are either natural and renewable, or recycled and reclaimed. Good air quality inside the vehicle is ensured through low-emission, low-pollutant materials, while the lightweight surfaces also help to reduce vehicle weight. This lowers energy consumption and therefore $CO_2$ emissions, and increases the range of electric vehicles.

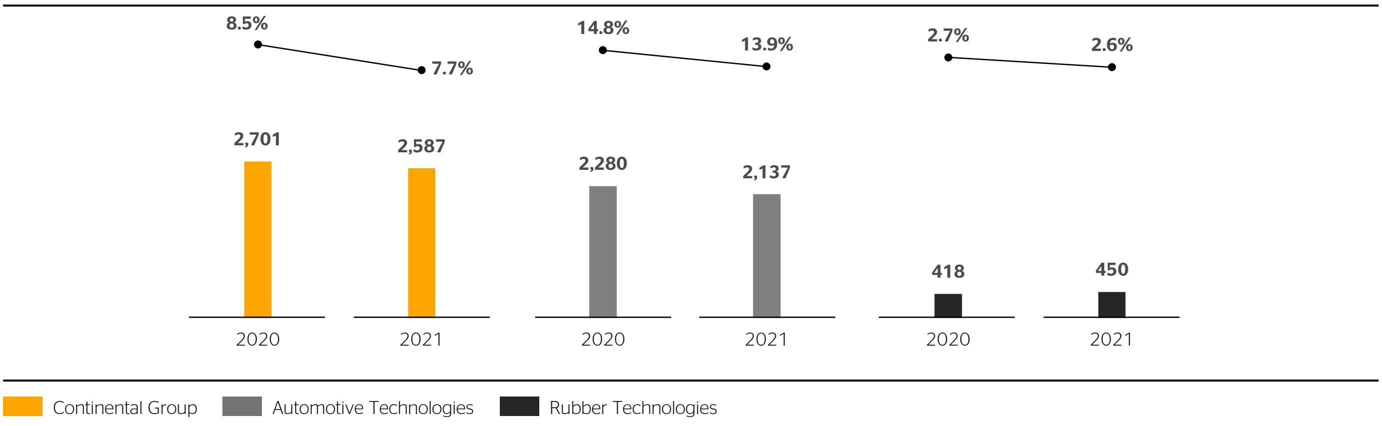
The cockpit does not contain any buttons or switches. Instead, thanks to shy technology, the functions are always intuitively at hand but not permanently displayed. Many of the functions integrated into the surface are invisible at first glance when in "off" mode.

Further highlights in the concept vehicle include a light and sound concept that creates different moods, and heatable materials. Made using functional printing methods, these can generate heat in seconds. Other surfaces in the AMBIENC3 are distinguished by special attributes such as optimized dirt resistance, maximum abrasion resistance and even self-repair in the event of damage.

By the time fully automated driving has arrived – if not before – the time spent in cars will be used for other activities besides steering, accelerating and braking. Alongside the driving zone, the new concept vehicle therefore also offers working and relaxing areas, each with their own design and materials. As more attention is focused on the vehicle interior, the surfaces employed here will become ever more important, calling for a holistic spatial concept.

With solutions and surfaces that can be customized using digital printing techniques, automotive manufacturers will have numerous options when it comes to tailoring vehicles to their customers' individual requirements.

**R&D expenses (net)** € millions **R&D ratio** %



# Sustainability and Combined Non-Financial Statement

The following section constitutes the combined non-financial statement in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e of the German Commercial Code *(Handelsgesetzbuch – HGB)*, for the Continental Group and Continental AG, for fiscal 2021.

It contains, in a separate section, the information that needs to be disclosed for the first time for fiscal 2021 in accordance with Art. 8 of EU Taxonomy Regulation 2020/852 in conjunction with Art. 10 (2) of Delegated Regulation 2021/2178.

The independent auditor's report also covers the combined non-financial statement and can be found starting on page 104.

## Information on Reporting

**Use of a framework**
No individual framework was used for the preparation of the combined non-financial statement. Continental sees the full implementation of an individual framework as inappropriate, in particular due to the definitions of materiality, which deviate from the *HGB*. However, individual reporting elements such as the preparation of individual indicators are aligned with existing reporting standards, as indicated accordingly in the relevant text passages.

**Material reporting topic areas**
The Executive Board of Continental adopted a sustainability ambition in autumn 2020 on the basis of a survey of customers, investors and employees, among others. For the combined non-financial statement, the topic areas included in the ambition were assessed as to their materiality in accordance with Section 289c (2) *HGB*. To this end, they were analyzed in terms of risks and opportunities for the company and their effects on non-financial matters. As a result, the following eight topic areas were identified as reporting topic areas: emission-free mobility and industries, carbon neutrality, circular economy, responsible value chain, good working conditions, green and safe factories, benchmark in quality, and sustainable management practice. The reporting topic areas are valid for fiscal 2021 as well.

An overview of the reporting topic areas and their correlation with non-financial aspects can be found in the table "Continental sustainability reporting topic areas."

**Presentation of the business model and risks**
The required information on the business model can be found in the Structure of the Continental Group and Strategy of the Continental Group sections on pages 26 and 27 and pages 29 and 30, respectively, and the information on risks can be found in the report on risks and opportunities starting on page 85. Beyond this, no additional risks were identified pursuant to Section 289c (3) *HGB*.

**Presentation of concepts, results and performance indicators**
The information on concepts and results as well as performance indicators refer – unless otherwise indicated – to the Continental Group as a whole, comprising continuing operations and discontinued operations. However, the performance indicators for fiscal 2021 only relate to continuing operations and therefore exclude Vitesco Technologies, which was spun off on September 15, 2021. The data for fiscal 2020 was not adjusted and was transferred over from the combined non-financial statement for 2020. The comparability of data with the previous year is ensured at the relevant points through qualitative information.

In accordance with the *HGB*, the performance indicators are not the most significant corporate-management indicators, which means that they are not required to be integrated into the report on expected developments.

**References**
Wherever necessary for comprehension, the combined non-financial statement contains references to amounts reported in the consolidated financial statements, including notes.

References to information in other sections of the management report and the consolidated financial statements are officially part of this combined non-financial statement. References to information outside of the management report and the consolidated financial statements are not officially part of this combined non-financial statement.

**Full sustainability reporting**
Full sustainability reporting on all relevant topic areas for the Continental sustainability ambition can be found in the integrated sustainability report. This consolidates the information from the combined non-financial statement, the management report, the consolidated financial statements and other sources, as well as further supplementary information, in a modular format.

The integrated sustainability report will be published in April 2022 and will be available at www.continental-sustainability.com.

**Continental sustainability reporting topic areas**

| | **Continental sustainability ambition topic areas** | **Material reporting topic areas for the non-financial statement in accordance with Sections 315b and 315c *HGB* in conjunction with Sections 289b to 289e *HGB*** | **Allocation of material reporting topic areas to non-financial aspects in accordance with Section 289c (2) *HGB*** |
|---|---|---|---|
| Four focus areas of sustainability[1] | Carbon neutrality | X | Environmental matters |
| | Emission-free mobility and industries | X | Environmental matters |
| | Circular economy | X | Environmental matters |
| | Responsible value chain | X | Environmental matters, employee matters, social matters, respect for human rights |
| Eight sustainability essentials[2] | Good working conditions | X | Employee matters, respect for human rights |
| | Green and safe factories | X | Environmental matters, employee matters, respect for human rights |
| | Innovations and digitalization | | – |
| | Benchmark in quality | X | Environmental matters, social matters |
| | Safe mobility | | – |
| | Long-term value creation | | – |
| | Sustainable management practice | X | Anti-corruption and bribery matters, employee matters |
| | Corporate citizenship | | – |

*1 For our four focus areas, we are committed to achieving our strong, visionary ambitions by 2050 at the latest, together with our partners along the value chain.*
*2 Our eight sustainability essentials are at the core of our sustainability management.*

# Sustainability Management in the Continental Group

### Ambition, strategy and program

Sustainability is a driver of innovation for Continental during the current transformation of mobility and industries, and is thus firmly anchored in its corporate strategy in the cornerstone of "turning change into opportunity."

In the Continental Group's sustainability ambition, we describe how we want to shape this transformation in the relevant topic areas with respect to sustainability. Along with the relevant guidelines, this sustainability ambition brings together existing strategies, programs and processes, as well as their further development. The specific ambitions, strategies, programs and processes are presented in the following sections for the reporting topic areas of the combined non-financial statement. The entire ambition can be found at www.continental-sustainability.com.

### Management, organization and responsibilities

Ultimate responsibility for sustainability lies with the Executive Board member for Group Human Relations and Group Sustainability, under whose supervision the Group Sustainability group function is responsible for sustainability management in the Continental Group. Sustainability organization is further supplemented by sustainability functions in the group sectors as well as coordinators in several business areas and countries.

The Group Sustainability Steering Committee is responsible for assessing interdepartmental issues, weighing up risks and opportunities and discussing relevant Executive Board decisions in advance. In fiscal 2021, it consisted of three members of the Executive Board (chairman of the Executive Board, Group Sustainability, Group Finance and Controlling) as well as the heads of the sustainability functions at corporate level and group sector level and the heads of other relevant group functions. The committee is chaired by the Executive Board member for Group Sustainability and managed by the head of the Group Sustainability group function. Some of the group sectors have their own interdepartmental sustainability committees, which are coordinated by the relevant sustainability functions.

The sustainability performance indicators are consolidated in the Continental Group's sustainability scorecard, which is approved by the Executive Board on an annual basis. The scorecard is based on defined quality criteria for the indicators, is continuously developed further and establishes the formal basis for integrating sustainability into other corporate processes.

As of fiscal 2021, the topic of sustainability has also been an integral part of the Continental Group's strategy development. Significant investments must be reviewed and assessed as to their contribution to sustainability as a standard part of the approval process. For the Automotive, Tires and ContiTech group sectors, detailed roadmaps for the implementation of sustainability ambitions in the relevant topic areas are currently being drawn up in stages.

**Remuneration**
The Executive Board and global managers are measured against the achievement of sustainability goals. Long-term remuneration components (long-term incentive – LTI) are thus linked to sustainability aspects. The LTI plans are updated on an annual basis. For more information, see the remuneration report on our website under Company/Executive Board.

**Cultural change**
In order to support cultural change in the organization, we stepped up internal communication with respect to sustainability in fiscal 2021, held numerous sustainability events – mostly virtual due to the COVID-19 pandemic – and integrated the topic into key internal event formats for managers.

## Development of Material Topic Areas

**Carbon neutrality**

Our ambition

As set out in our sustainability ambition, we strive for 100% carbon neutrality along our entire value chain (products, operations and supply) by 2050 at the latest, together with our partners along the value chain.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets.

Concept

We have set ourselves the corporate target of achieving carbon neutrality throughout our production processes – in terms of Scope 1 and market-based Scope 2 $CO_2$ emissions in accordance with the Greenhouse Gas (GHG) Protocol – by 2040. We aim to achieve this by means of three measures in particular:

- Switching our reported supply of energy to renewable energy, including through special electricity supply agreements and the purchase of energy attribute certificates.
- Implementing energy efficiency measures and using new technologies.
- Reviewing the neutralization of remaining emissions.

The corporate target of carbon neutrality throughout our production processes is managed by the Group Environmental and Climate Protection group function as part of the corporate roadmap for decarbonization. The group sectors are each responsible for the implementation of appropriate measures and must report on this internally on a regular basis.

Scope 1 and market-based Scope 2 $CO_2$ emissions have also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

In addition, we have identified various effective levers for achieving carbon neutrality beyond our own production processes and throughout the value chain (Scope 3 $CO_2$ emissions in accordance with the GHG Protocol) by 2050 at the latest. These relate to the use phase of our products, coupled with the global shift toward emission-free mobility and industries, product design and the conversion of materials used to renewable and recycled materials, as well as generally a transition to circular processes. For more information on our concepts in this respect, see the sections on emission-free mobility and industries and circular economy in this combined non-financial statement. For example, it will be necessary to switch to green electricity along the supply chain. The Business Partner Code of Conduct was expanded accordingly with a view to carbon neutrality in the reporting year. The implementation of carbon neutrality throughout the value chain is managed in the individual group sectors, each of which is responsible for implementing appropriate measures. This is not only the responsibility of Continental, however, but also requires sustainability efforts on the part of customers, suppliers and other partners.

In order to support these efforts, we offer our customers the neutralization of our business carbon backpack through negative emissions from fiscal 2022, as part of our global program Net|Zero|Now. Carbon backpack refers to $CO_2$ emissions produced along the value chain (Scope 1, 2 and 3), except for emissions related to the customer and product use. The offer focuses on business with zero-tailpipe-emission vehicles, but can now also be used for other business. Our measure announced in the 2020 annual report as “carbon neutrality of the allocated business with zero-tailpipe-emission vehicles” is thus developed further.

The Continental Group’s 2040 climate goal and 2050 ambition were reviewed by the Science Based Targets initiative (SBTi) in 2020. On the basis of the method used, the linear derivations for 2030 were validated and confirmed as being compliant with the Paris climate agreement. The derived absolute emission reductions for Scope 1 and Scope 2 are set to keep us on track for the 1.5°C pathway.

Results of the concept

Scope 1 and market-based Scope 2 $CO_2$ emissions, i.e. own $CO_2$ emissions, amounted to 1.05 million metric tons in fiscal 2021 (PY: 0.99 million metric tons including Vitesco Technologies). The increase is attributable to various causes, in particular higher energy consumption (e.g. as a result of uninterrupted production operations with the exception of pandemic-related stoppages) and the completion of data collection. This previously covered the relevant production and research and development locations and now for the first time also includes the rest of the – mostly smaller – locations within the Continental Group.

Following the switch to green electricity for reported energy consumption in fiscal 2020, Continental’s total $CO_2$ emissions have been reduced by 70% compared with fiscal 2019, as this green electricity produces no $CO_2$ emissions. Appropriate energy attribute certificates were purchased for the full volume of reported electricity consumption not already covered by other instruments (such as green electricity contracts). Due to national register processes, not all deletions of energy attribute certificates were available for small residual quantities at the time the report was prepared.

| **Carbon neutrality performance indicators[1]** | **2021[2]** | 2020[4] |
|---|---|---|
| Direct $CO_2$ emissions (Scope 1) in millions of metric tons of $CO_2$ | 0.82 | 0.78[5] |
| Indirect $CO_2$ emissions (Scope 2) in millions of metric tons of $CO_2$[3] | 0.23 | 0.21 |
| **Total own $CO_2$ emissions (Scope 1 and 2) in millions of metric tons of $CO_2$** | **1.05** | **0.99** |

*1 Definitions in accordance with the GHG Protocol. Scope 1 includes emissions from the burning of fossil fuels as part of Continental's own processes, and Scope 2 includes emissions from purchased electricity, steam and heat. $CO_2$ emission factors correspond to $CO_2$ equivalents ($CO_2e$).*
*2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.*
*3 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (September 2020) were used.*
*4 Includes the relevant production and research and development locations.*
*5 $CO_2$ emissions from fleet consumption for company cars (leased vehicles) are only partially and not systematically included.*

For more information on carbon neutrality, including reporting on indirect $CO_2$ emissions along the value chain (Scope 3 of the GHG Protocol), see the integrated sustainability report at www.continental-sustainability.com.

### Emission-free mobility and industries

#### Our ambition

As set out in our sustainability ambition, we strive for 100% emission-free mobility and industry by 2050 at the latest, together with our partners along the value chain. "Emission-free" refers to zero emissions of greenhouse gases and nitrogen oxides ($NO_x$), for example, but does not include harmless emissions such as water vapor, non-toxic biodegradable particulate emissions or minimal noise emissions.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets.

#### Concept

Continental is shaping the transformation toward emission-free mobility and emission-free industries with customer-oriented solutions, such as for electric mobility, emission-free railway engineering, bicycles and wind turbines. In doing so, we rely both on new product developments and on the further development of our existing product portfolio.

The respective group sectors and business areas are responsible for implementing the sustainability ambition. To this end, relevant aspects have been and will continue to be incorporated in portfolio analyses, and are included in the strategy and business development processes for the group sectors and business areas.

For the implementation of our concept with respect to emission-free mobility and industries., we record our allocated business with emission-free mobility and industries as a performance indicator. This consists of allocated business with zero-tailpipe-emission vehicles as well as allocated low-carbon business beyond business with zero-tailpipe-emission vehicles. Only all clearly allocated sales are recorded. In terms of vehicles, these include sales of tires, displays, sensors, electronic control units, artificial leather and hoses for emission-free passenger cars and trucks, as well as air springs for emission-free trains and trams; in terms of other business, they include sales of hoses for wind turbines or photovoltaic systems.

#### Results of the concept

In fiscal 2021, the allocated business with emission-free mobility and industries amounted to a total of €991 million (PY: n. a.). The allocated business with zero-tailpipe-emission vehicles accounted for the largest share at €986 million (PY: €826 million including Vitesco Technologies). Despite the absence of corresponding sales for Vitesco Technologies, business with emission-free mobility and industries therefore increased considerably in fiscal 2021. This is attributable in particular to the growing market success of electric mobility, since Continental's products can now be found in many mass-produced models.

| **Emission-free mobility and industries performance indicators** | **2021** | 2020 |
|---|---|---|
| Allocated business with zero-tailpipe-emission vehicles in millions of euros[1, 2] | 986 | 826 |
| Allocated low-carbon business beyond business with zero-tailpipe-emission vehicles in millions of euros[3] | 6 | n. a. |
| **Allocated business with emission-free mobility and industries in millions of euros** | **991** | **n. a.** |

*1 Definition: allocated business with zero-tailpipe-emission vehicles comprises all business with products for vehicles transporting goods and people that count as Taxonomy-eligible low-carbon technologies for transport under the delegated regulation (2021/2800) for climate change mitigation and adaptation of the Taxonomy Regulation (2020/852).*
*2 The business can be allocated via the vehicle manufacturer, the vehicle platform or the product specification, for example. The data includes both pure business and attributable business, such as in the case of combined vehicle platforms. For the Tires, ContiTech and Contract Manufacturing business areas, the sales reported at the end of the year were included. For Contract Manufacturing, this was based on an estimation by the customer Vitesco Technologies. In the case of the Automotive Technologies group sector, a calculation was carried out for passenger cars and light commercial vehicles using internal, vehicle-specific planning data for sales and external data for production quantities, and for medium and heavy commercial vehicles this was based on the relevant customer portfolio.*
*3 Definition: allocated low-carbon business beyond business with zero-tailpipe-emission vehicles measures business that enables our customers to significantly contribute to climate change mitigation and is considered Taxonomy-eligible under the delegated regulation (2021/2800) for climate change mitigation and adaptation of the Taxonomy Regulation (2020/852), excluding low-carbon technologies for transport.*

For more information on emission-free mobility and industries, see the integrated sustainability report at www.continental-sustainability.com.

### Circular economy

Our ambition

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

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets.

Concept

The switch to a circular economy is a profound and complex transformation process for Continental, which at the same time is highly relevant for the achievement of other sustainability ambitions of the company. The group sectors are responsible for implementing circularity, in particular with respect to product design, business models, material use and material procurement. They have each started to design and/or implement specific initiatives and projects that are aimed at improving circularity. Examples include the use of recycled materials, the reprocessing of products and the reduction or substitution of resource inputs.

With regard to operational waste management, as a further key component of the circular economy, we have set ourselves the corporate target of increasing the waste recycling quota to 95% by 2030. Waste recycling includes material recycling, thermal recovery or any other form of recycling or reuse.

The implementation of the corporate target is managed by the Group Environmental and Climate Protection group function as part of operational environmental management. For more information on the organization of operational environmental management, see the section on green and safe factories in this combined non-financial statement. The waste recycling quota has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

Results of the concept

The waste recycling quota was at 81% in fiscal 2021 (PY: 81% including Vitesco Technologies) and was therefore on a par with the previous year, despite the discontinued reporting of waste recycling from Vitesco Technologies. This is attributable primarily to the completion of data collection. This previously covered the relevant production and research and development locations and now for the first time also includes the rest of the – mostly smaller – locations within the Continental Group.

| **Circular economy performance indicator** | **2021[2]** | 2020[3] |
|---|---|---|
| Waste recycling quota in %[1] | 81 | 81 |

*1 Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.*
*2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.*
*3 Includes the relevant production and research and development locations.*

For more information on the circular economy, see the integrated sustainability report at www.continental-sustainability.com.

### Responsible value chain

Our ambition

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

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

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets.

Concept

In our Business Partner Code of Conduct, which was most recently updated in fiscal 2021, we define the fundamental requirements, among others for our suppliers, and for their suppliers, including with regard to human rights, working conditions, environmental protection, conflict minerals and anti-corruption. Violations of our regulations can also be reported via the Compliance & Anti-Corruption Hotline, which is available around the clock and worldwide. In the event that violations of our binding regulations are identified, we demand improvements and reserve the right to terminate the business relationship. For suppliers of natural rubber, our sourcing policy for sustainable natural rubber additionally applies.

Before even establishing a business relationship, we screen potential suppliers by means of self-assessments as well as local audits, which may also include sustainability topics (such as fire protection and occupational safety). We assess selected suppliers with the help of self-assessment questionnaires, which we collect via the generally accepted sustainability platforms for our industries, EcoVadis and NQC, and the amount of which we assess at a corporate level on an annual basis.

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

Responsible sourcing is the responsibility of the relevant purchasing organizations, which are established at Continental by group sector and product group, for example, with teams in the various countries. A corporate purchasing network regularly deals with responsible sourcing topics as well. The Group Quality group function coordinates the management of conflict minerals, including the corresponding reporting processes.

More information on the implementation of a responsible value chain with regard to our own locations can be found in the following sections on good working conditions and green and safe factories.

In the reporting year, under the leadership of the Group Sustainability group function, a corporate project was launched for the implementation of the German Supply Chain Due Diligence Act (*Lieferkettensorgfalts-pflichtengesetz – LkSG*), which will enter into force in 2023.

### Results of the concept

With regard to the sourcing of sustainable natural rubber, the piloted approaches for traceability have been further expanded upon as part of the Rubberway project and collaboration with the German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit – GIZ) in Indonesia.

As at December 31, 2021, 631 valid supplier self-assessment questionnaires were available via the two sustainability platforms EcoVadis and NQC (PY: 696 including Vitesco Technologies). This corresponds to a completion rate of 53% of suppliers selected for this process (PY: 59% including Vitesco Technologies). The decline in the number of available valid self-assessment questionnaires and the lower completion rate are due in particular to a large number of self-assessment questionnaires completed by suppliers that have expired and need to be renewed, and, to a lesser extent, to the spin-off of Vitesco Technologies.

| **Responsible value chain performance indicator** | **2021** | 2020 |
|---|---|---|
| Number of available valid supplier self-assessment questionnaires (as at December 31)[1] | 631 | 696 |

*1 Based on the self-assessment questionnaires via the sustainability platforms EcoVadis and NQC completed by suppliers selected for this process.*

We present further performance indicators for the implementation of a responsible value chain with regard to our own locations in the sections on good working conditions as well as green and safe factories in this combined non-financial statement.

For more information on the responsible value chain, see the integrated sustainability report at www.continental-sustainability.com.

## Good working conditions

### Our ambition

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

### Concept

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

Our HR strategy is geared toward meeting staffing requirements in terms of both quantity and quality. The two HR strategy initiatives "Industrialize Best Fit" and "Enable Transformation" are therefore focused on efficiently and effectively bringing together the right people and positions and shaping the digital and technological transformation and cultural shift toward new forms of collaboration. Workforce planning, the search for, diagnostic selection and development of talent (in particular in the areas of software and IT), the promotion of employee diversity and lifelong learning, the further development of the management culture and the flexibilization of working hours are therefore essential action fields of strategic HR work.

We are tackling the impact of our Transformation 2019–2029 structural program, which among other things is associated with the transformation in mobility and is likely to change up to 23,000 jobs worldwide, with targeted training measures for the employees affected. New career prospects and employment opportunities are to be opened up on the internal as well as the external employment markets.

Those responsible for HR are the HR functions at Continental Group, group sector, business area and country level, which work together in a global network. A special network of country coordinators for labor relations is also part of this organization.

We measure the success of HR work against the OUR BASICS Live Sustainable Engagement index, which is calculated on the basis of the annual employee survey. The index measures employee agreement on topics such as whether they personally back the company values and whether they are proud to work for Continental. Other performance indicators we consult are the sickness rate and the unforced fluctuation rate. The sickness rate measures sickness-related absence relative to contractual work time, and the unforced fluctuation rate measures the voluntary departure of employees from the company relative to the average number of employees.

The OUR BASICS Live Sustainable Engagement index has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. The sickness rate is also part of this, although only for the plans launched in fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

### Results of the concept

In fiscal 2021, the Sustainable Engagement index was 80% (PY: 82% including Vitesco Technologies) and therefore fell short of the previous year.

The sickness rate was up compared with the previous year at 3.7% (PY: 3.5% including Vitesco Technologies). For the unforced fluctuation rate, we recorded an increase to 7.0% (PY: 4.6% including

Vitesco Technologies), which applies to all regions to varying degrees.

Information about personnel expenses in fiscal 2021 (i.e. wages and salaries, social security contributions and pension and post-employment benefit costs) can be found in Note 10 of the notes to the consolidated statement of income on page 150 of this annual report. Employee benefits such as pensions, post-employment benefits and long-term bonus payments are broken down in Note 30 of the notes to the consolidated statement of financial position on page 173.

| **Good working conditions performance indicators** | **2021** | 2020 |
|---|---|---|
| OUR BASICS Live Sustainable Engagement index in %[1, 2] | 80 | 82 |
| Sickness rate in %[3, 4] | 3.7 | 3.5 |
| Unforced fluctuation rate in %[4, 5] | 7.0 | 4.6 |

*1 Definition: employee agreement on topics relating to sustainable engagement in the employee survey OUR BASICS Live.*
*2 This is based on the responses of 47,472 participants (PY: 4,918 participants) as a representative random sample of Continental's group sectors and countries. The participation rate was 75% (PY: 68%).*
*3 Definition: sickness-related absence relative to contractual work time.*
*4 Excluding leasing personnel (i.e. permanent staff only).*
*5 Definition: voluntary departure of employees from the company relative to the average number of employees.*

For more information on good working conditions, see the integrated sustainability report at www.continental-sustainability.com.

## Green and safe factories

### Our ambition

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

### Concept

Our company policy for environment, safety and health protection (ESH) defines corporate-wide guidelines for green and safe factories. On this basis, we pursue ESH targets for the Continental Group as a whole: all persons in our company are to be protected against accidents and work-related sickness, and their health is to be actively promoted. $CO_2$ emissions, energy use, water consumption and waste generation at the locations are to be reduced, and the waste recycling quota and energy efficiency at the locations increased.

Local management systems drive forward the implementation of these guidelines. The concrete organizational and technical requirements can be found in the relevant ESH management manuals for the group sectors. Many locations have additionally undergone external certification audits. The extent of these certifications are assessed on an annual basis as to how many employees they cover with respect to environmental management, energy management, and occupational safety and health management systems. The accident rate – the number of accidents per million working hours – is used as an effectiveness indicator for occupational safety and health management. The accident rate has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

The Group Environmental and Climate Protection and Group Safety and Health group functions are responsible for the related strategic, corporate-wide ESH management process, and are supplemented by corresponding functions in the individual group sectors. Local operational environment, safety and health protection is the responsibility of the locations and is coordinated by local ESH managers in each case.

### Results of the concept

As at December 31, 2021, the majority of our employees throughout the Continental Group were covered by certified management systems. The environmental management system certification covered 76% of employees (PY: 82% including Vitesco Technologies), the energy management system certification covered 40% of employees (PY: 51% including Vitesco Technologies), and the occupational safety and health management system certification covered 62% of employees (PY: 69% including Vitesco Technologies). The lower year-on-year quotas are attributable in particular to the spin-off of Vitesco Technologies.

The accident rate declined to 2.6 accidents per million working hours in fiscal 2021 (PY: 2.9 accidents per million working hours including Vitesco Technologies). The decline in the accident rate is attributable to various effects, including the success of an occupational safety program in the ContiTech group sector.

In order to address the impact of the COVID-19 pandemic and facilitate safe production, the existing corporate-wide pandemic preparedness plan ("pandemic plan") was once again applied in fiscal 2021. The crisis teams set up at corporate and country level remained active. Continental's own mask production was continued, and psychosocial counseling for mental health continued to be offered in certain countries.

| **Green and safe factories performance indicators** | **2021** | 2020 |
|---|---|---|
| Environmental management system certification (ISO 14001)[1]<br>Employee coverage (as at December 31) in % | 76 | 82 |
| Energy management system certification (ISO 50001)[1]<br>Employee coverage (as at December 31) in % | 40 | 51 |
| Occupational safety and health management system certification (ISO 45001 or similar)[1]<br>Employee coverage (as at December 31) in % | 62 | 69 |
| Accident rate (number of accidents per million working hours)[2, 3] | 2.6 | 2.9 |

*1 Valid certification and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.*
*2 Definition: number of accidents during working hours per million paid working hours. Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.*
*3 Excluding leasing personnel (i.e. permanent staff only) and way-to-work accidents.*

For more information on green and safe factories, see the integrated sustainability report at www.continental-sustainability.com.

### Benchmark in quality

#### Our ambition

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

#### Concept

The decisive factor in becoming a benchmark in quality is a quality-oriented company culture. Our quality policy sets out guidelines for product and process quality at Continental. Product recalls, product liability claims and proceedings as a result of quality defects represent a business risk that we want to avoid due to the resulting losses of sales, costs, and loss of customer and market acceptance. The report on risks and opportunities containing more information about this can be found starting on page 85 of this annual report.

Local management systems drive forward the implementation of these guidelines. The concrete organizational and technical requirements can be found in the relevant quality management manuals for the group sectors. Many locations have additionally undergone external certification audits. The extent of these certifications is assessed on an annual basis as to how many employees they cover with respect to quality management systems. The number of new field quality events is used as an effectiveness indicator for our quality management. A field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental on the basis of a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.

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

#### Results of the concept

As at December 31, 2021, the majority of our employees throughout the Continental Group, namely 84%, were covered by certified quality management systems (PY: 91% including Vitesco Technologies). The year-on-year decline in the quota is attributable in particular to the spin-off of Vitesco Technologies.

Thirty-six new field quality events were identified (PY: 18 including Vitesco Technologies). The rise in events is attributable to increased regulatory requirements.

Information about the scope of warranty and product liability claims in fiscal 2021 can be found in Note 38 of the other disclosures in the notes to the consolidated financial statements, on pages 204 and 205.

| Benchmark in quality performance indicators | 2021 | 2020 |
|---|---|---|
| Quality management system certification (ISO 9001 or similar)[1] Employee coverage (as at December 31) in % | 84 | 91 |
| New field quality events (as at December 31)[2] | 36 | 18 |

*1 Valid certification and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.*
*2 Definition: a field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental based on a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.*

For more information on benchmark in quality, see the integrated sustainability report at www.continental-sustainability.com.

### Sustainable management practice

#### Our ambition

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

#### Concept

To prevent corruption and antitrust violations in particular, the Executive Board has established the global compliance organization together with the Compliance group function and regional subfunctions. This structure is supplemented by compliance coordinators in the countries and at the locations. The fundamental principles of compliance management are set out in the corporate-wide compliance handbook. Continental has a compliance management system, which is based on a comprehensive analysis of potential compliance risks, in particular for the core areas of antitrust law and corruption prevention. We set up a new ombudsman's office in fiscal 2021.

As a further cornerstone for sustainable management practice, we are committed to promoting employee diversity, which we understand as internationality, a balanced gender ratio, and a range of experiences and age categories. We have set ourselves the corporate-wide target of increasing the share of female executives and senior executives to 25% by 2025. We intend to achieve this in particular by promoting cultural change in the organization through the expansion of women's networks and the holding of diversity workshops and specific events. Gender diversity – the share of female executives and senior executives – has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

For more information on sustainable management practice and our diversity concept, see the Corporate Governance section starting on page 15 of this annual report. For more information on compliance, see the Compliance section on page 22 of this annual report, as well as the report on risks and opportunities starting on page 85.

Results of the concept

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

As at December 31, 2021, Continental had increased its share of female executives and senior executives to 17.8% (PY: 16.1% including Vitesco Technologies). A significant share of this was attributable to the spin-off of Vitesco Technologies. Our initiatives and measures to promote gender diversity are also proving effective.

| Sustainable management practice performance indicator | 2021 | 2020 |
|---|---|---|
| Gender diversity – share of female executives and senior executives (as at December 31) in % | 17.8 | 16.1 |

For more information on sustainable management practice, see the integrated sustainability report at www.continental-sustainability.com.

## Information in Accordance with the EU Taxonomy Regulation

The EU Taxonomy is a classification system for determining sustainable economic activities in the real economy. The following disclosures are the mandatory disclosures of the Continental Group in accordance with Art. 8 of EU Taxonomy Regulation 2020/852 in conjunction with Art. 10 (2) of Delegated Regulation 2021/2178 for fiscal 2021.

**Specific Information on the Implementation of disclosure requirements in accordance with the EU Taxonomy Regulation**

There is general uncertainty on Continental's part with respect to the reporting to be carried out for the first time as per the EU Taxonomy Regulation. This is due on the one hand to the short implementation period, since the specific disclosure requirements and corresponding notes were only resolved or published in the current reporting year or after the reporting year; on the other hand, it is also attributable to the fact that unclear and ambiguous wording continues to be used in the regulations and notes concerning the determination of Taxonomy-eligible economic activities as well as the calculations for key performance indicators for turnover, capital expenditure and operational expenditure.

When it came to preparing the required information, we took into account the information that was available to us up until the statement of the Executive Board on February 22, 2022 (statement of the Executive Board on the preparation, completeness and integrity of the consolidated financial statements and the management report for Continental AG and the Continental Group, and on the other information provided in the annual report). Our assessment with regard to determining the Taxonomy eligibility of economic activities is primarily based on publicly communicated assessments by industry associations in the supplier and automotive industry as well as the answers to frequently asked questions published by the EU Commission. However, these interpretations have only an informative, non-binding nature, and uncertainty over the accounting standards persists.

**Taxonomy-eligible economic activities**

As part of our sustainability ambition, we strive for carbon neutrality and emission-free mobility and industries by 2050 at the latest (see also the sections on carbon neutrality and on emission-free mobility and industries in this combined non-financial statement) and thus for the expansion of clean and carbon-neutral mobility. With this in mind, we have introduced performance indicators at a corporate level as part of our sustainability scorecard, with the aim of monitoring our progress. From this scorecard, we classify the allocated business with emission-free mobility and industries as the indicator that comprises all economic activities to be disclosed for Continental as Taxonomy-eligible with respect to the environmental target of climate change mitigation in accordance with the EU Taxonomy Regulation. It consists of allocated business with zero-tailpipe-emission vehicles and allocated low-carbon business beyond business with zero-tailpipe-emission vehicles.

All other economic activities of the Continental Group that are not included in the aforementioned economic activities are classified as Taxonomy non-eligible.

The allocated business with zero-tailpipe-emission vehicles therefore falls under category 3.6 ("Manufacture of other low-carbon technologies") of the delegated regulation for climate change mitigation, since it pursues the goal of developing clean or carbon-neutral mobility in accordance with Art. 10 (1) c) in conjunction with Art. 10 (1) i) of the EU Taxonomy Regulation. This expansion will substantially reduce $CO_2$ emissions from mobility use. The allocated low-carbon business beyond business with zero-tailpipe-emission vehicles primarily comprises the manufacture of products for wind turbines and photovoltaic systems, and therefore falls under category 3.1 ("Manufacture of renewable energy technologies"). To a lesser extent, this business also includes the manufacture of products for wastewater treatment and waste recycling plants as well as for infrastructure in the area of low-carbon water transport, which we likewise classify as category 3.6.

**Taxonomy-eligible turnover**

In fiscal 2021, turnover associated with the Taxonomy-eligible economic activities of the Continental Group described above amounted to 2.9% (PY: n. a.).

| Turnover (in %) | 2021 | 2020 |
|---|---|---|
| A. Taxonomy-eligible | | |
| Continental Group | 2.9 | n. a. |
| B. Taxonomy non-eligible | | |
| Continental Group | 97.1 | n. a. |
| Total (A + B) | | |
| Continental Group | 100 | n. a. |

The information on turnover is prepared in accordance with section 1.1.1 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) and in compliance with IFRS accounting regulations. It relates only to continuing operations for the fiscal year and therefore excludes Vitesco Technologies, which was spun off on September 15, 2021.

Information on the Continental Group's total turnover can be found in the consolidated statement of income under the "Sales" item on page 110 of this annual report.

**Taxonomy-eligible capital expenditure and operational expenditure**

Capital expenditure associated with the Taxonomy-eligible economic activities of the Continental Group amounted to 3.0% in fiscal 2021 (PY: n. a.).

| Capital expenditure (in %) | 2021 | 2020 |
|---|---|---|
| A. Taxonomy-eligible | | |
| Continental Group | 3.0 | n. a. |
| B. Taxonomy non-eligible | | |
| Continental Group | 97.0 | n. a. |
| Total (A + B) | | |
| Continental Group | 100 | n. a. |

Operational expenditure associated with the Taxonomy-eligible economic activities of the Continental Group amounted to 2.9% in fiscal 2021 (PY: n. a.).

| Operational expenditure (in %) | 2021 | 2020 |
|---|---|---|
| A. Taxonomy-eligible | | |
| Continental Group | 2.9 | n. a. |
| B. Taxonomy non-eligible | | |
| Continental Group | 97.1 | n. a. |
| Total (A + B) | | |
| Continental Group | 100 | n. a. |

The figures for Taxonomy-eligible capital expenditure and operational expenditure are allocations based on the proportion of Taxonomy-eligible sales at business area level. For reasons connected to the business model, the equipment, machinery and buildings of the Continental Group are thus used both for Taxonomy-eligible economic activities and for other economic activities. This applies both to capital expenditure and operational expenditure for assets or processes that are associated with Taxonomy-eligible economic activities (category a), their expansion (category b) and the acquisition of products from Taxonomy-aligned economic activities as well as the described individual measures (category c) in accordance with sections 1.1.2.2 and 1.1.3.2 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178). The allocation selected by Continental ensures that double counting of capital expenditure and operational expenditure is avoided. In its interpretation of the required disclosure of Taxonomy-eligible capital expenditure and operational expenditure, Continental reasonably assumed as part of the reporting process that no capital expenditure or operational expenditure as set out in category c) needed to be disclosed for Taxonomy non-eligible economic activities, as no reliable statements on the Taxonomy alignment of our suppliers' production are available and there is no obligation to assess the Taxonomy alignment of our individual measures. Furthermore, owing to the calculation method used, the other direct operational expenditure according to 1.1.3.1 or 1.2.3.3. of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) were not specified further.

The short-term nature of the interpretation regarding capital expenditure and operational expenditure for category c), which, contrary to our original interpretation, is based solely on Taxonomy eligibility, and the associated ambiguity of the interpretation of Taxonomy eligibility arising from the non-binding statement by the EU Commission on frequently asked questions dated February 2, 2022, meant that it was factually impossible to determine this information by the time of the statement of the Executive Board on February 22, 2022. As a result, no further capital expenditure and operational expenditure as set out in category c) were identified.

The information on capital expenditure is prepared in accordance with section 1.1.2 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) in compliance with IFRS accounting regulations. Information on the Continental Group's total capital expenditure can be found in the notes to the consolidated financial statements in the segment reporting (Note 1) under the "Investments" item starting on page 117 of this annual report. As presented in the notes to the consolidated financial statements, the capital expenditure comprises intangible assets (Note 15, page 154), property, plant and equipment (Note 16, pages 156 and 157), leases (Note 17, page 158) and investment property (Note 18, page 162) However, the figures referenced in the notes to the consolidated financial statements relate to both continuing and discontinued operations.

Operational expenditure is defined in accordance with section 1.1.3 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) and have been calculated on an imputed basis as described above.

Capital expenditure and operational expenditure relate only to continuing operations for the fiscal year and therefore exclude Vitesco Technologies, which was spun off on September 15, 2021.

## Information on the Development of Other Sustainability Topic Areas

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

- Innovation and digitalization: the Research and Development section on pages 34 and 35 of this annual report and in the integrated sustainability report
- Safe mobility: the Research and Development section on pages 34 and 35 of this annual report and in the integrated sustainability report
- Long-term value creation: the Corporate Management section on pages 31 and 32 of this annual report and in the integrated sustainability report
- Corporate citizenship: in the integrated sustainability report

The integrated sustainability report is available online at www.continental-sustainability.com.

# Economic Report
# General Conditions

## Macroeconomic Development

Following the economic decline in the previous year as a result of the COVID-19 pandemic, the economy normalized in all regions across the world in 2021. In addition to the increasing number of coronavirus vaccinations, the economic stimulus programs in certain major economies also contributed to this recovery. According to the January 2022 World Economic Outlook Update (WEO Update) published by the International Monetary Fund (IMF), the global economy grew by 5.9% in fiscal 2021. This slightly exceeded the IMF's forecast of 5.5% growth from January 2021.

In the eurozone, gross domestic product (GDP) rose by 5.2% compared to the previous year's figures in 2021 according to statistical office Eurostat. Of the major eurozone economies, France, Italy and Spain reported strong growth rates of around 5% to just under 7% in 2021 according to the IMF, after experiencing steep declines in GDP in the previous year. In Germany, according to the Federal Statistical Office, GDP rose by 2.7% in 2021. Other major European economies also recorded high growth rates for their economic output. For the UK and Russia, the IMF estimated GDP growth in 2021 of 7.2% and 4.5%, respectively.

In North America, according to the Bureau of Economic Analysis, the USA reported GDP growth of 5.7% for 2021. For Canada and Mexico, the IMF estimated GDP growth of 4.7% and 5.3%, respectively. Other countries in the Americas also recorded an economic recovery in 2021. For Brazil, for example, the IMF reported GDP growth of 4.7%.

Asian countries also recorded an economic revival in the year under review according to the IMF. Very high growth rates were achieved in 2021 by India's economy, with growth of 9.0%, and China's economy, with GDP growth of 8.1%. According to the IMF, lower growth rates were reported for the Association of Southeast Asian Nations (ASEAN) and for Japan, with GDP growth of 3.1% and 1.6%, respectively.

## Development of Key Customer Sectors and Sales Regions

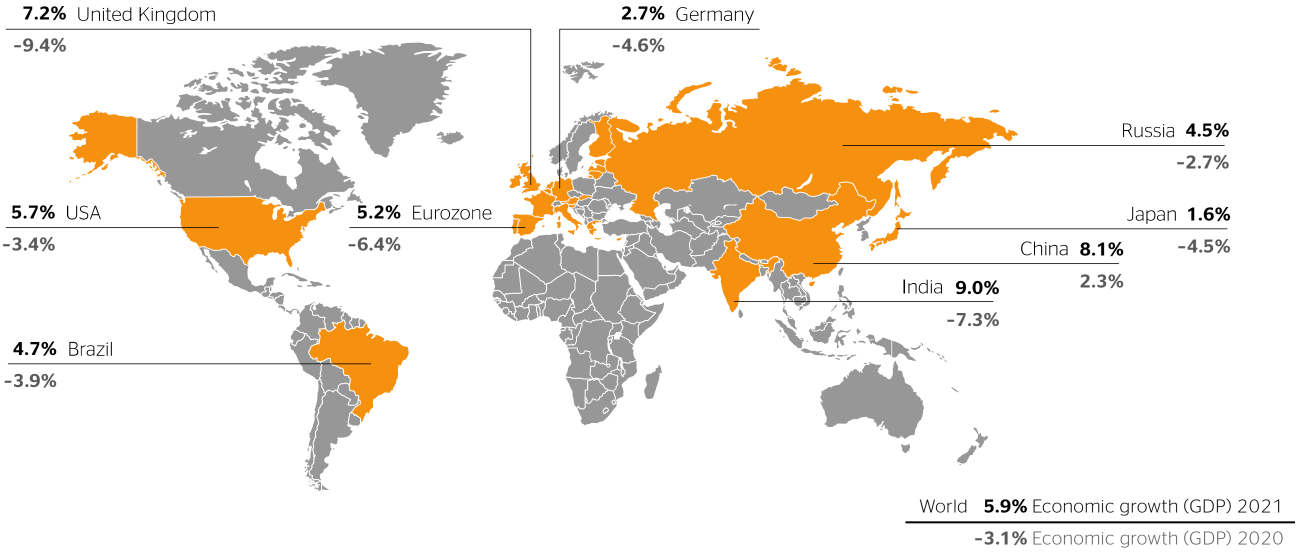
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – was Continental's most important customer group in fiscal 2021. Automotive Technologies accounted for the lion's share, but the Tires and ContiTech business areas also generated significant sales figures in this market segment.

The second-biggest market segment for Continental was the global replacement-tire business for passenger cars and commercial vehicles, with 28% of total sales in fiscal 2021. Because passenger cars and light commercial vehicles make up a considerably higher share of the replacement-tire business, their development is particularly important to our economic success.

The third-biggest market segment for Continental was the global business with industrial customers and spare parts from the ContiTech business area, with around 9% of total sales.

Continental's biggest sales region in the reporting year was still Europe, which accounted for 49% of sales, followed by North America at 25% and Asia-Pacific at 22%.

**Year-on-year economic growth (GDP) in 2021 (for selected countries and the world)**




*Sources: IMF – World Economic Outlook Update January 2022, Eurostat, statistical offices of the respective countries, Bloomberg.*

**Development of new passenger-car registrations**
2021 saw high demand for passenger cars in the world's automotive markets, including as a result of catch-up effects from the previous year, during which passenger car production was temporarily suspended due to the spread of the coronavirus. However, various events in the year under review led to an increasing shortage of semiconductors and ongoing production limitations among car manufacturers, particularly in the second and third quarters, resulting in limited availability of many car models in individual regions. In the European car market (EU27, EFTA and the United Kingdom), there were around 2% fewer new-car registrations in 2021 than in the previous year according to preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA). According to the VDA, passenger car sales fell in Japan by around 4%.

In other countries, however, registration figures improved in 2021. According to the VDA, passenger car sales rose in the major car markets of China and the USA by just under 7% and by 3%, respectively. Russia and Brazil recorded growth of 4% and 1%, respectively. After the sharp decline in the previous year, India recorded very strong growth of 27%. According to preliminary data from car manufacturer Renault, new-car registrations rose by 5% globally in 2021.

**Development of production of passenger cars and light commercial vehicles**
In the year under review, semiconductor supply shortages limited the recovery of global production of passenger cars and light commercial vehicles weighing less than 6 metric tons after the previous year's pandemic-related decline. According to preliminary figures, global production for 2021 rose by around 3% to 77.1 million units.

European automotive plants were hit particularly hard by the semiconductor shortages in the year under review. As a result, the production volumes for passenger cars and light commercial vehicles in Europe decreased by 4% year-on-year. North American manufacturers were also forced to temporarily shut down several plants in 2021 as a result of the semiconductor shortages, with production stagnating at the low level seen in the previous year as a result. In China, on the other hand, preliminary data indicates that manufacturers were able to increase production by 5% year-on-year.

**Development of production of medium and heavy commercial vehicles**
Following the pandemic-related decline in the previous year, the production of medium and heavy commercial vehicles weighing more than 6 metric tons stabilized worldwide in 2021 according to preliminary figures, and was almost on a par with the previous year with a decline of 1%.

In Europe and North America, the semiconductor shortages limited the recovery of truck production. According to preliminary figures, however, production in Europe and North America rose by 13% and 21%, respectively, compared with the very weak prior-year figures.

China recorded high demand for commercial vehicles in the first half of 2021 due to new emission standards coming into effect around the middle of the year. In the second half of the year, demand and production then fell considerably short of the very high prior-year figures. Overall, production of medium and heavy commercial vehicles in China in 2021 was down 20% compared to the record high seen in the previous year.

**Development of replacement-tire markets for passenger cars and light commercial vehicles**
Following the market decline in the previous year in the wake of the measures to contain the COVID-19 pandemic, demand for tires recovered in 2021. According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons rose by 11% in the reporting year.

On the basis of preliminary data, sales volumes of replacement tires for passenger cars and light commercial vehicles rose by 11% in Europe and by 14% in North America in 2021. In China, preliminary data indicates a rise in sales volumes of replacement tires of 5%.

**Development of replacement-tire markets for medium and heavy commercial vehicles**
In our core markets of Europe and North America, preliminary data indicates that year-on-year demand for replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons rose by 10% and 20%, respectively, in 2021.

**Changes to vehicle production and sales volumes in the tire-replacement business in 2021 (compared to 2020)**

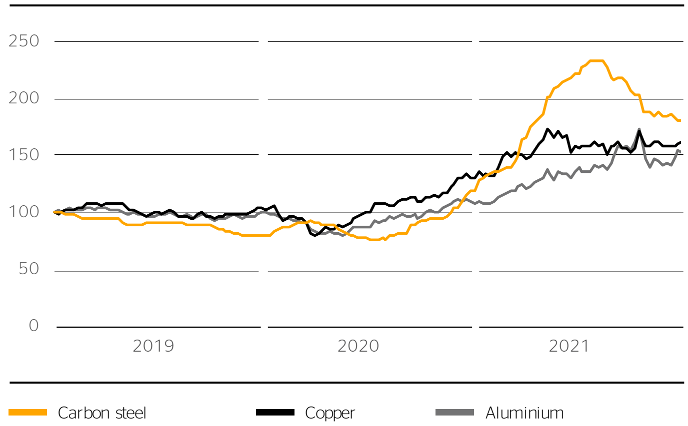
| | Vehicle production | | Replacement sales of tires | |
|---|---|---|---|---|
| | of passenger cars and light commercial vehicles | of medium and heavy commercial vehicles | for passenger cars and light commercial vehicles | for medium and heavy commercial vehicles |
| Europe | -4% | 13% | 11% | 10% |
| North America | 0% | 21% | 14% | 20% |
| China | 5% | -20% | 5% | n. a. |
| **Worldwide** | **3%** | **-1%** | **11%** | **n. a.** |

*Sources:*
*Vehicle production: IHS Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey).*
*Tire-replacement business: LMC International Ltd.*
*Preliminary figures and own estimates.*

## Development of Raw Materials Markets

Carbon steel and stainless steel are input materials for many of the mechanical components such as die-cast parts integrated by Continental into its products. Steel wire is used in particular in tire production as steel cord but also, for example, in conveyor belts and timing belts to increase tensile strength. Aluminum is used in particular for die-cast parts and stamped and bent components, while copper is used in particular in electric motors, mechatronic components and printed circuit boards. On a euro basis, prices for carbon steel rose by more than 50% on average in 2021. For some materials such as hot-rolled coil, they more than doubled. Prices for aluminum and copper, which had already increased in the previous year, rose even further in the year under review. The annual average price of aluminum increased by around 44% on a US dollar basis in 2021, while that of copper rose by around 50% on a US dollar basis.

**Steel, copper and aluminium** Indexed to January 1, 2019




*Sources:*
*Carbon steel: hot-rolled coil Northern Europe ex works, from Kallanish Commodities (€ per metric ton).*
*Copper and aluminum: rolling three-month contracts from the London Metal Exchange (US $ per metric ton).*

Precious metals such as silver and gold are used by Continental and by our suppliers to coat components. The average price of silver was up 22% year-on-year on a US dollar basis in 2021. In contrast to this, following the rise in the previous year, the price of gold remained relatively stable with an increase of 2%.

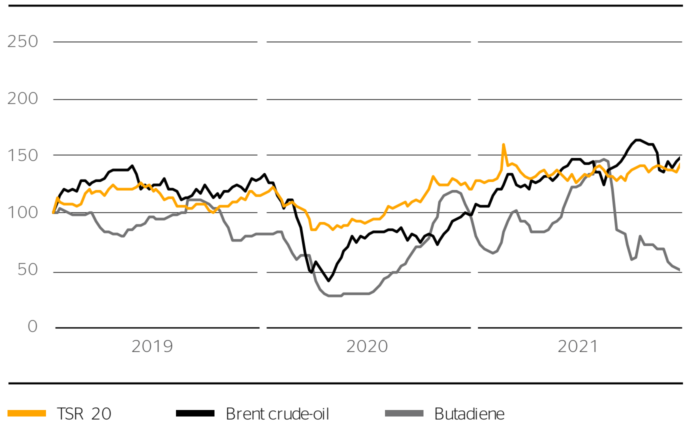
Renewed demand for tires led to a rise in prices for natural rubber in the year under review. The average price of natural rubber TSR 20 was up 27% year-on-year on a US dollar basis, for example.

Crude oil is the most important basic building block for synthetic-rubber input materials such as butadiene and styrene as well as for carbon black, various other chemicals, and plastics. The price of crude oil continued the upward trend seen in the second half of the previous year in 2021. Due to rising demand and only an incremental increase in production levels, the annual average price of Brent crude oil increased by 66% year-on-year on a US dollar basis.

The rise in the price of crude oil as well as increasing demand led to significant price increases for various input materials for synthetic rubber in 2021. Annual average prices for butadiene and styrene, for example, increased by 46% and 58%, respectively, on a US dollar basis.

Various plastic granules, known as resins, also saw a noticeable increase in 2021 as a result of the rise in the price of crude oil. Resins, as technical thermoplastics, are required by Continental and our suppliers, in particular for the manufacture of housing parts in the Automotive Technologies group sector and various other plastic parts in the ContiTech business area. On a US dollar basis, prices for resins rose by around 50% on average in 2021.

**TSR 20, crude oil and butadiene** Indexed to January 1, 2019




*Sources:*
*TSR 20: rolling one-month contracts from the Singapore Exchange (US $ cents per kg).*
*Crude oil: European Brent spot price from Bloomberg (US $ per barrel).*
*Butadiene: South Korea spot price (FOB) from PolymerUpdate.com (US $ per metric ton).*

Continental uses natural and synthetic rubber in large quantities for the manufacture of tires and industrial rubber products. It also uses relatively large quantities of carbon black as a filler material and of steel cord and nylon cord as structural materials. Due to the high volumes and direct purchasing of raw materials, their price development has a significant influence on the earnings of the Rubber Technologies group sector, particularly the Tires business area.

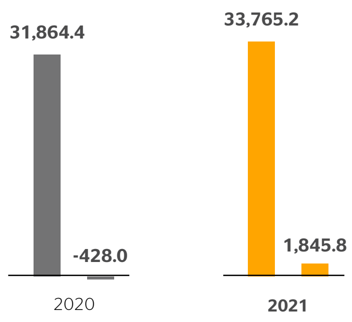
Overall, despite a slightly stronger euro, the described price developments for raw materials led to significant cost burdens in all group sectors in 2021, but in particular Rubber Technologies.

There is usually a gap of several months between purchasing raw materials, their delivery and their use in production, depending on the product and contractual arrangement. As a result, the rise in spot prices in the second half of 2021 is also expected to lead to increased costs for raw materials in fiscal 2022.

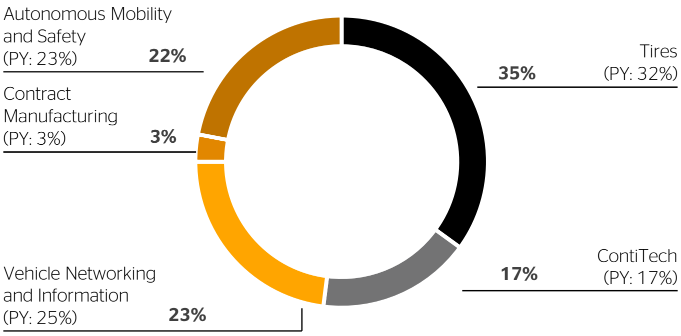
# Earnings, Financial and Net Assets Position

› Sales up 6.0% to €33.8 billion
› Organic sales up 7.4%
› Earnings per share at €7.28

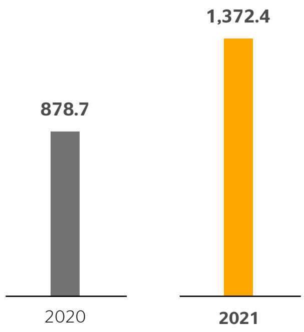
**Sales; EBIT** € millions



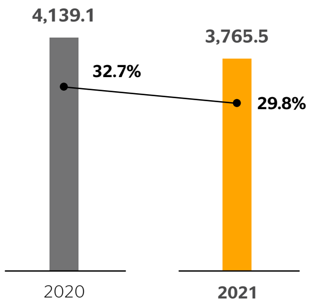

**Sales by business area**




**Free cash flow** € millions




**Net indebtedness** € millions **Gearing ratio** %




The spin-off of parts of the former Powertrain business area has resulted in the application of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. These parts make up most of the discontinued operations. In the following, the term "Continental Group" refers to continuing operations. The Contract Manufacturing group sector comprises the continuing operations of the former Powertrain Technologies group sector. Unless otherwise stated, the following figures are reported under the earnings, financial and net assets position:

› In the earnings position: the figures for the Continental Group for the reporting and comparative periods.

› In the net assets position: the figures for the Continental Group in the reporting period; and the figures for continuing and discontinued operations in the comparative period.

› In the financial position: the figures from the statement of cash flows for continuing and discontinued operations in the reporting and comparative periods; the figures from the statement of financial position for the Continental Group in the reporting period and for continuing and discontinued operations in the comparative period.

› In the reporting on the business areas: the figures for continuing operations in the reporting and comparative periods.

These principles also apply to the charts shown above.

# Earnings Position

❯ Sales up 6.0%
❯ Sales up 7.4% before changes in the scope of consolidation and exchange-rate effects
❯ Adjusted EBIT up 37.7%

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

| **Continental Group in € millions** | **2021** | 2020 | Δ in % |
|---|---|---|---|
| Sales | 33,765.2 | 31,864.4 | 6.0 |
| EBITDA | 4,104.2 | 2,763.5 | 48.5 |
| in % of sales | 12.2 | 8.7 | |
| EBIT | 1,845.8 | –428.0 | 531.3 |
| in % of sales | 5.5 | –1.3 | |
| Research and development expenses (net) | 2,586.8 | 2,700.7 | –4.2 |
| in % of sales | 7.7 | 8.5 | |
| Depreciation and amortization[1] | 2,258.4 | 3,191.5 | –29.2 |
| thereof impairment[2] | 29.1 | 800.1 | –96.4 |
| Operating assets as at December 31 | 18,949.4 | 17,583.5 | 7.8 |
| Operating assets (average) | 18,416.1 | 19,565.7 | –5.9 |
| ROCE in % | 10.0 | –2.2 | |
| Capital expenditure[3] | 1,947.4 | 1,779.7 | 9.4 |
| in % of sales | 5.8 | 5.6 | |
| Number of employees as at December 31[4] | 190,875 | 195,896 | –2.6 |
| | | | |
| Adjusted sales[5] | 33,754.3 | 31,648.8 | 6.7 |
| Adjusted operating result (adjusted EBIT)[6] | 1,900.4 | 1,379.9 | 37.7 |
| in % of adjusted sales | 5.6 | 4.4 | |

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

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

| Continuing and discontinued operations in € millions | 2021 | 2020 | Δ in % |
|---|---|---|---|
| Sales | 38,197.9 | 37,722.3 | 1.3 |
| EBITDA | 4,574.8 | 3,033.8 | 50.8 |
| in % of sales | 12.0 | 8.0 | |
| EBIT | 2,159.8 | -718.1 | 400.8 |
| in % of sales | 5.7 | -1.9 | |
| Net income attributable to the shareholders of the parent | 1,455.0 | -961.9 | 251.3 |
| Basic earnings per share in € | 7.28 | -4.81 | 251.3 |
| Diluted earnings per share in € | 7.28 | -4.81 | 251.3 |
| Capital expenditure[1] | 2,152.4 | 2,232.2 | -3.6 |
| in % of sales | 5.6 | 5.9 | |
| Free cash flow | 1,372.4 | 878.7 | 56.2 |

*1 Capital expenditure on property, plant and equipment, and software.*

### Sales up 6.0%
### Sales up 7.4% before changes in the scope of consolidation and exchange-rate effects

Consolidated sales increased by €1,900.8 million or 6.0% year-on-year in 2021 to €33,765.2 million (PY: €31,864.4 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 7.4%. The Rubber Technologies group sector reported a sales increase, in part because of the negative effects of the COVID-19 pandemic in the previous year and the resulting low basis for comparison. In the Automotive Technologies group sector, supply problems in the semiconductor industry negatively impacted sales growth, particularly in the second half of the year. Overall, Automotive Technologies generated unchanged year-on-year sales in 2021; they were slightly higher before changes in the scope of consolidation and exchange-rate effects. The Contract Manufacturing group sector comprises contract manufacturing for Vitesco Technologies. Its sales decreased in the reporting year in accordance with the contractually agreed procedure between Continental and Vitesco Technologies. The Continental Group's sales performance was impacted by negative exchange-rate effects of €247.2 million, while changes in the scope of consolidation had little effect. Sales from discontinued operations amounted to €4,432.7 million (PY: €5,857.9 million), resulting in total sales of €38,197.9 million (PY: €37,722.3 million) for continuing and discontinued operations.

### Adjusted EBIT up 37.7%

Adjusted EBIT for the Continental Group increased by €520.5 million or 37.7% year-on-year to €1,900.4 million (PY: €1,379.9 million) in 2021, corresponding to 5.6% (PY: 4.4%) of adjusted sales.

The regional distribution of sales in 2021 was as follows:

| Sales by region in % | 2021 | 2020 |
|---|---|---|
| Germany | 17 | 18 |
| Europe excluding Germany | 31 | 31 |
| North America | 25 | 25 |
| Asia-Pacific | 22 | 22 |
| Other countries | 5 | 4 |

**EBIT up 531.3%**
EBIT was up by €2,273.8 million year-on-year in 2021 to €1,845.8 million (PY: -€428.0 million), an increase of 531.3%. The return on sales improved to 5.5% (PY: -1.3%). The cost of sales rose by €1,654.3 million to €26,024.9 million (PY: €24,370.6 million), primarily due to higher costs for raw materials, energy and logistics. For more information, see the Development of Raw Materials Markets section in the economic report and the report on expected developments.

EBIT from discontinued operations amounted to €314.0 million (PY: -€290.1 million), resulting in total EBIT of €2,159.8 million from continuing and discontinued operations (PY: -€718.1 million), with a return on sales of 5.7% (PY: -1.9%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT from the Continental Group's continuing operations by €159.0 million (PY: €174.5 million).

The ROCE was 10.0% (PY: -2.2%).

**Special effects in 2021**
Total consolidated income from special effects in 2021 amounted to €122.6 million. ContiTech accounted for €130.1 million of this, Contract Manufacturing for €26.4 million and the holding for €67.3 million. Expenses from special effects amounted to €87.3 million for Autonomous Mobility and Safety, €4.0 million for Vehicle Networking and Information and €9.9 million for Tires.

The spin-off of parts of the former Powertrain business area resulted in expenses totaling €86.4 million (Autonomous Mobility and Safety €48.4 million; Vehicle Networking and Information €44.3 million; holding income of €6.3 million).

The organizational realignment of the Automotive Technologies group sector resulted in expenses totaling €3.0 million (Autonomous Mobility and Safety €2.4 million; Vehicle Networking and Information €0.6 million).

Impairment on intangible assets resulted in expenses totaling €3.1 million (Vehicle Networking and Information €0.1 million; Tires €3.0 million; ContiTech €0.0 million).

Impairment on property, plant and equipment resulted in expenses totaling €25.9 million (Autonomous Mobility and Safety €7.1 million; Vehicle Networking and Information €6.6 million; Tires €1.8 million; Contract Manufacturing €10.4 million). In addition, reversals of impairment losses on property, plant and equipment resulted in income totaling €9.4 million (Autonomous Mobility and Safety €6.0 million; ContiTech €3.4 million). These figures do not include impairment and reversal of impairment losses that arose in connection with restructuring.

Severance payments resulted in a negative special effect totaling €112.2 million (Autonomous Mobility and Safety €38.1 million; Vehicle Networking and Information €20.8 million; Tires €24.0 million; ContiTech €18.7 million; Contract Manufacturing €2.0 million; holding €8.6 million).

In the Autonomous Mobility and Safety business area, restructuring expenses of €4.8 million were incurred. These included impairment on property, plant and equipment in the amount of €0.4 million. In addition, the reversal of restructuring provisions resulted in income of €36.5 million.

In the Vehicle Networking and Information business area, there were restructuring expenses of €10.0 million. These included impairment on property, plant and equipment in the amount of €4.3 million. In addition, the reversal of restructuring provisions resulted in income of €31.9 million.

In the Tires business area, restructuring expenses of €5.4 million were incurred. These included impairment on property, plant and equipment in the amount of €1.1 million. The reversal of restructuring provisions also resulted in income of €24.3 million.

In the ContiTech business area, restructuring expenses of €14.6 million were incurred. These included impairment on property, plant and equipment in the amount of €0.3 million. In addition, the reversal of restructuring provisions resulted in income of €14.4 million.

In the Contract Manufacturing business area, there were restructuring expenses of €3.5 million, of which €3.4 million were attributable to impairment on property, plant and equipment. In addition, the reversal of restructuring provisions resulted in income of €43.2 million.

Restructuring-related expenses resulted in expense totaling €59.5 million (Autonomous Mobility and Safety €29.0 million; Vehicle Networking and Information €19.8 million; ContiTech €9.8 million; Contract Manufacturing €0.9 million).

The termination of OSRAM CONTINENTAL GmbH, Munich, Germany – a joint venture with OSRAM GmbH, Munich, Germany – resulted in income of €33.5 million in the Vehicle Networking and Information business area from the fair value measurement of the 50% stake in the joint venture. In addition, income of €0.3 million was generated from the sale of an equity-accounted investee.

In the ContiTech business area, the sale of business activities of Special Technologies and Solutions as well as Conveying Solutions resulted in income of €155.4 million.

The spin-off of Vitesco Technologies in September 2021 led to the reclassification of components of other comprehensive income. This resulted in income amounting to €69.6 million at the holding level.

Furthermore, the Vehicle Networking and Information business area generated income of €32.5 million from the reversal of the provision for capital commitments to OSRAM CONTINENTAL GmbH, Munich, Germany.

**Special effects in 2020**

Total consolidated expense from special effects in 2020 amounted to €1,636.4 million. Autonomous Mobility and Safety accounted for €192.5 million of this, Vehicle Networking and Information for €902.8 million, Tires for €310.8 million, ContiTech for €75.2 million, Contract Manufacturing for €149.8 million, and the holding for €5.3 million.

The spin-off of parts of the former Powertrain business area resulted in expenses totaling €36.6 million (Autonomous Mobility and Safety €15.3 million; Vehicle Networking and Information €16.3 million; holding €5.0 million).

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

Within the context of the annual planning process, global production of passenger cars and light commercial vehicles was not expected to increase substantially compared to pre-crisis levels over the years between 2021 and 2025. The expected impact of restructuring measures was also taken into account in this planning process. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €654.6 million in the Vehicle Networking and Information business area (September 30, 2020: €649.3 million).

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

Impairment and reversal of impairment losses on property, plant and equipment resulted in expense totaling €36.7 million (Autonomous Mobility and Safety €5.4 million; Vehicle Networking and Information €17.9 million; Tires €0.5 million; ContiTech €3.0 million; Contract Manufacturing €9.9 million; holding €0.0 million). These figures do not include impairment and reversal of impairment losses that arose in connection with restructuring.

Severance payments resulted in a negative special effect totaling €78.7 million (Autonomous Mobility and Safety €21.3 million; Vehicle Networking and Information €20.0 million; Tires €17.7 million; ContiTech €17.5 million; Contract Manufacturing €1.9 million; holding €0.3 million).

In the Autonomous Mobility and Safety business area, restructuring expenses of €139.2 million were incurred. These expenses included impairment on property, plant and equipment in the amount of €3.4 million. In addition, the reversal of restructuring provisions resulted in income of €4.4 million.

In the Vehicle Networking and Information business area, there were restructuring expenses of €229.9 million. These restructuring expenses included impairment on property, plant and equipment in the amount of €0.1 million.

In the Tires business area, there were restructuring expenses of €293.9 million. These expenses included impairment on property, plant and equipment and intangible assets in the amount of €13.0 million. Furthermore, restructuring resulted in income of €1.7 million, which is entirely attributable to a reversal of impairment losses on property, plant and equipment.

In the ContiTech business area, there were restructuring expenses of €43.8 million, of which €7.7 million were attributable to impairment on property, plant and equipment. In addition, the reversal of restructuring provisions resulted in income of €7.8 million. This income included reversals of impairment losses on property, plant and equipment in the amount of €0.1 million.

In the Contract Manufacturing business area, there were restructuring expenses of €109.2 million. In addition, the reversal of restructuring provisions resulted in income of €8.7 million.

Restructuring-related measures resulted in expense totaling €16.1 million (Autonomous Mobility and Safety €10.5 million; Vehicle Networking and Information €3.7 million; Tires €0.2 million; ContiTech €1.7 million).

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

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

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

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

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

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

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

### Procurement

2021 was characterized by high demand amid a limited supply of materials and increased transport costs. In the Automotive Technologies group sector, this led not only to long delivery times, but also to supply bottlenecks and significantly higher prices. The prices of key input materials and many raw materials for Rubber Technologies increased in the first half of 2021 and reached their peak in the second half of the year. Annual average prices for the raw materials used in the Tires and ContiTech business areas were above the previous year's level, in particular because of significant demand on the procurement market.

### Reconciliation of EBIT to net income

| **€ millions** | **2021** | 2020 | Δ in % |
|---|---|---|---|
| Autonomous Mobility and Safety | -128.0 | -129.5 | 1.2 |
| Vehicle Networking and Information | -245.8 | -1,364.9 | 82.0 |
| Tires | 1,700.6 | 1,012.3 | 68.0 |
| ContiTech | 514.7 | 254.1 | 102.6 |
| Contract Manufacturing | 130.4 | -94.0 | 238.7 |
| Other/Holding/Consolidation | -126.1 | -106.0 | -19.0 |
| **EBIT** | **1,845.8** | **-428.0** | **531.3** |
| Financial result | -136.3 | -187.9 | 27.5 |
| **Earnings before tax from continuing operations** | **1,709.5** | **-615.9** | **377.6** |
| Income tax expense | -359.5 | 50.3 | -814.7 |
| Earnings after tax from continuing operations | 1,350.0 | -565.6 | 338.7 |
| Earnings after tax from discontinued operations | 156.9 | -353.2 | 144.4 |
| **Net income** | **1,506.9** | **-918.8** | **264.0** |
| Non-controlling interests | -51.9 | -43.1 | -20.4 |
| **Net income attributable to the shareholders of the parent** | **1,455.0** | **-961.9** | **251.3** |
| **Earnings per share (in €) relating to** | | | |
| Basic earnings per share from continuing operations | 6.49 | -3.02 | 314.9 |
| Consolidated basic earnings per share | 7.28 | -4.81 | 251.3 |
| Diluted earnings per share from continuing operations | 6.49 | -3.02 | 314.9 |
| Consolidated diluted earnings per share | 7.28 | -4.81 | 251.3 |

## Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2021

| € millions | Autonomous Mobility and Safety | Vehicle Networking and Information | Tires | ContiTech | Contract Manufacturing | Other/ Holding/ Consolidation | Continental Group |
|---|---|---|---|---|---|---|---|
| **Sales** | **7,496.7** | **7,957.6** | **11,807.6** | **5,912.6** | **889.6** | **–298.9** | **33,765.2** |
| Changes in the scope of consolidation[1] | – | –10.8 | –0.1 | – | – | – | –10.9 |
| **Adjusted sales** | **7,496.7** | **7,946.8** | **11,807.5** | **5,912.6** | **889.6** | **–298.9** | **33,754.3** |
| | | | | | | | |
| **EBITDA** | **395.2** | **272.9** | **2,525.9** | **833.7** | **194.2** | **–117.7** | **4,104.2** |
| Depreciation and amortization[2] | –523.2 | –518.7 | –825.3 | –319.0 | –63.8 | –8.4 | –2,258.4 |
| **EBIT** | **–128.0** | **–245.8** | **1,700.6** | **514.7** | **130.4** | **–126.1** | **1,845.8** |
| Amortization of intangible assets from purchase price allocation (PPA) | 1.9 | 66.2 | 18.7 | 72.2 | – | – | 159.0 |
| Changes in the scope of consolidation[1] | – | 18.1 | 0.1 | – | – | – | 18.2 |
| Special effects | | | | | | | |
| Impairment on goodwill | – | – | – | – | – | – | – |
| Impairment[3] | 1.1 | 6.7 | 4.8 | –3.4 | 10.4 | 0.0 | 19.6 |
| Restructuring[4] | –31.7 | –21.9 | –18.9 | 0.2 | –39.7 | – | –112.0 |
| Restructuring-related expenses | 29.0 | 19.8 | – | 9.8 | 0.9 | – | 59.5 |
| Severance payments | 38.1 | 20.8 | 24.0 | 18.7 | 2.0 | 8.6 | 112.2 |
| Gains and losses from disposals of companies and business operations | – | –33.8 | – | –155.4 | – | –69.6 | –258.8 |
| Other[5] | 50.8 | 12.4 | – | – | – | –6.3 | 56.9 |
| **Adjusted operating result (adjusted EBIT)** | **–38.8** | **–157.5** | **1,729.3** | **456.8** | **104.0** | **–193.4** | **1,900.4** |

*1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.*
*2 Excluding impairment on financial investments.*
*3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.*
*4 This also includes restructuring-related impairment losses totaling €9.5 million (Autonomous Mobility and Safety €0.4 million; Vehicle Networking and Information €4.3 million; Tires €1.1 million; ContiTech €0.3 million; Contract Manufacturing €3.4 million).*
*5 Mainly includes expenses of €86.4 million in connection with the spin-off of parts of the former Powertrain business area. In addition, the termination of OSRAM CONTINENTAL GmbH, Munich, Germany, resulted in income of €32.5 million from the reversal of an unused provision for capital commitments.*

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

| € millions | Autonomous Mobility and Safety | Vehicle Networking and Information | Tires | ContiTech | Contract Manufacturing | Other/ Holding/ Consolidation | Continental Group |
|---|---|---|---|---|---|---|---|
| **Sales** | **7,559.8** | **7,942.2** | **10,158.6** | **5,578.6** | **969.9** | **-344.7** | **31,864.4** |
| Changes in the scope of consolidation[1] | -14.8 | -178.3 | – | -22.5 | – | – | -215.6 |
| **Adjusted sales** | **7,545.0** | **7,763.9** | **10,158.6** | **5,556.1** | **969.9** | **-344.7** | **31,648.8** |
| | | | | | | | |
| **EBITDA** | **412.9** | **-29.7** | **1,864.9** | **628.7** | **-22.1** | **-91.2** | **2,763.5** |
| Depreciation and amortization[2] | -542.4 | -1,335.2 | -852.6 | -374.6 | -71.9 | -14.8 | -3,191.5 |
| **EBIT** | **-129.5** | **-1,364.9** | **1,012.3** | **254.1** | **-94.0** | **-106.0** | **-428.0** |
| Amortization of intangible assets from purchase price allocation (PPA) | – | 65.5 | 20.3 | 88.7 | – | – | 174.5 |
| Changes in the scope of consolidation[1] | 17.6 | -18.6 | – | -2.0 | – | – | -3.0 |
| Special effects | | | | | | | |
| Impairment on goodwill | – | 654.6 | – | – | – | – | 654.6 |
| Impairment[3] | 6.1 | 89.1 | 0.5 | 17.5 | 9.9 | 0.0 | 123.1 |
| Restructuring[4] | 134.8 | 229.9 | 292.2 | 36.0 | 100.5 | – | 793.4 |
| Restructuring-related expenses | 10.5 | 3.7 | 0.2 | 1.7 | – | – | 16.1 |
| Severance payments | 21.3 | 20.0 | 17.7 | 17.5 | 1.9 | 0.3 | 78.7 |
| Gains and losses from disposals of companies and business operations | 0.0 | -161.5 | 0.2 | 2.5 | – | – | -158.8 |
| Other[5] | 19.8 | 67.0 | – | – | 37.5 | 5.0 | 129.3 |
| **Adjusted operating result (adjusted EBIT)** | **80.6** | **-415.2** | **1,343.4** | **416.0** | **55.8** | **-100.7** | **1,379.9** |

*1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.*
*2 Excluding impairment on financial investments.*
*3 Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments. It does include expenses from derecognitions of brand values of €71.2 million in the Vehicle Networking and Information business area and of €14.5 million in the ContiTech business area.*
*4 This also includes restructuring-related impairment losses totaling €24.2 million (Autonomous Mobility and Safety €3.4 million; Vehicle Networking and Information €0.1 million; Tires €13.0 million; ContiTech €7.7 million) and reversals of impairment losses totaling €1.8 million (Tires €1.7 million; ContiTech €0.1 million).*
*5 Mainly includes expenses of €36.6 million in connection with the spin-off of parts of the former Powertrain business area, expenses totaling €49.9 million in connection with preparations for the repatriation of the business from associate OSRAM CONTINENTAL GmbH, Munich, Germany, and an expense of €37.5 million due to an allowance recognized on the carrying amount of an associate.*

**Research and development**

Research and development expenses (net) declined by €113.9 million or 4.2% year-on-year to €2,586.8 million (PY: €2,700.7 million), corresponding to 7.7% (PY: 8.5%) of sales.

In the Automotive Technologies group sector, costs in connection with initial product development projects in the original-equipment business are capitalized. Costs are capitalized as at the time at which we are named as a supplier and have successfully achieved a specific pre-release stage. Capitalization ends with the approval for unlimited volume production. The costs of customer-specific applications, pre-production prototypes and testing for products already being sold do not qualify as development expenditure that may be recognized as an intangible asset. Capitalized development expenses are amortized on a straight-line basis over a useful life of three to seven years and recognized in the cost of sales. In the opinion of the Continental Group, the assumed useful life reflects the period for which an economic benefit is likely to be derived from the corresponding development projects. Of the development costs incurred in 2021, including development expenses for internally developed software, €31.5 million (PY: €137.6 million) in the Automotive Technologies group sector qualified for recognition as an asset.

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

This results in a capitalization ratio of 1.2% (PY: 4.8%) for the Continental Group.

**Depreciation and amortization**

Depreciation and amortization decreased by €933.1 million to €2,258.4 million (PY: €3,191.5 million), equivalent to 6.7% of sales (PY: 10.0%). This included impairment totaling €29.1 million in 2021 (PY: €800.1 million).

**Financial result**

The negative financial result improved by €51.6 million year-on-year to €136.3 million (PY: €187.9 million) in 2021. This is attributable primarily to interest income in connection with income tax payables.

Interest income rose by €12.0 million year-on-year to €102.7 million (PY: €90.7 million) in 2021. Interest income in connection with income tax payables accounted for €61.8 million of the total (PY: €1.6 million). This increase is primarily attributable to a ruling by the German Federal Constitutional Court in July 2021, according to which the interest rate of 6% p.a. previously applied for interest on claims for back taxes and tax refunds is unconstitutional. As a result, the provisions for possible interest payments on income tax liabilities were adjusted, and a reduced interest rate of 3% p.a. was assumed from January 1, 2019. As of the reporting year, expected income from long-term employee benefits and from pension funds is reported net against interest expense from long-term employee benefits. The resulting net expense is included in interest expense. In the previous year, expected income from long-term employee benefits and from pension funds amounted to €60.0 million. This did not include the interest income from the plan assets of the pension contribution funds.

Interest expense totaled €180.4 million in 2021 and was thus €83.8 million lower than the previous year's figure of €264.2 million. As of the reporting year, interest expense from long-term employee benefits is reported net against expected income from long-term employee benefits and from pension funds. The resulting net expense of €44.0 million is included in interest expense. This does not include the interest income from the plan assets of the pension contribution funds or the interest expense from the defined benefit obligations of the pension contribution funds. In the previous year, interest expense from long-term employee benefits totaled €112.3 million. This did not include the interest expense from the defined benefit obligations of the pension contribution funds. At €136.4 million, interest expense resulting mainly from bank borrowings, capital market transactions and other financing instruments was below the prior-year figure of €151.9 million. Interest expense on lease liabilities accounted for €25.1 million of this (PY: €26.0 million). Interest expenses in connection with income tax payables amounted to €10.6 million (PY: €16.1 million).

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €50.7 million (PY: €50.0 million). The interest-reducing and interest-increasing effects from the repayments and issuance of bonds in 2020 largely offset each other. As a result, the expenses for 2021 were practically unchanged from the previous year.

Effects from currency translation resulted in a negative contribution to earnings of €128.1 million (PY: €86.0 million) in the reporting year. By contrast, effects from changes in the fair value of derivative instruments, and other valuation effects resulted in income of €69.5 million (PY: €71.6 million). Other valuation effects accounted for €121.7 million of this (PY: €7.0 million). The main cause was the reversal of allowances for doubtful accounts on loans and the reversal of a provision for loan commitments to the former associate OSRAM CONTINENTAL GmbH, Munich, Germany, and two of its subsidiaries. The derecognition of loans due to a debt waiver had an additional effect of €16.8 million. Taking into account exchange-rate effects, this resulted in income totaling €89.4 million. Additional income of €30.9 million (PY: €4.4 million) was derived from changes in the value of other financial assets. Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in 2021 were negatively impacted by €180.3 million (PY: €21.4 million). This resulted primarily from the development of the Chinese renminbi in relation to the euro.

**Income tax expense**

Income tax expense in fiscal 2021 amounted to €359.5 million (PY: tax income of €50.3 million). The tax rate was 21.0%, compared with 31.5% in the previous year. The prior-year tax rate is presented on an adjusted basis before the permanent effects of the goodwill impairment recognized in the previous year.

As in the previous year, foreign tax rate differences as well as incentives and tax holidays had positive effects in the year under review. The tax rate was negatively impacted by non-cash allowances on deferred tax assets totaling €109.5 million (PY: €121.7 million), of which €26.9 million (PY: €25.8 million) was for previous years. Furthermore, as in the previous year, the tax rate was negatively affected by non-deductible expenses and non-imputable foreign withholding taxes.

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

Net income attributable to the shareholders of the parent improved by €2,416.9 million in 2021 to €1,455.0 million (PY: -€961.9 million). Basic earnings per share amounted to €7.28 (PY: -€4.81). Basic earnings per share from continuing operations amounted to €6.49 (PY: -€3.02). The figures for basic earnings per share were the same as for diluted earnings per share.

### Employees

The number of employees in the Continental Group fell by 5,021 from 195,896 in 2020 to 190,875.

In the Automotive Technologies group sector, lower production volumes and productivity improvements led to a total reduction of 2,311 employees. The number of employees in the Rubber Technologies group sector declined by 2,150. This was primarily due to the adjustment to demand-driven production as well as efficiency and structural programs. The number of employees in the Contract Manufacturing group sector fell by 598 to 2,904 (PY: 3,502).

| **Employees by region in %** | **2021** | 2020 |
|---|---|---|
| Germany | 24 | 25 |
| Europe excluding Germany | 34 | 33 |
| North America | 18 | 18 |
| Asia-Pacific | 20 | 19 |
| Other countries | 4 | 5 |

## Financial Position

› **Free cash flow at €1.4 billion**
› **Cash flow arising from investing activities at €1.6 billion**
› **Net indebtedness at €3.8 billion**

**Reconciliation of cash flow**
EBIT from continuing and discontinued operations increased by €2,877.9 million year-on-year to €2,159.8 million (PY: -€718.1 million).

Interest payments fell by €4.0 million to €165.4 million (PY: €169.4 million).

Income tax payments decreased by €134.3 million to €751.2 million (PY: €885.5 million).

The cash-effective increase in working capital led to a cash outflow of €445.1 million (PY: €579.2 million). This resulted from an increase in inventories of €1,417.7 million (PY: decrease of €205.6 million). The increase was offset by a rise in operating liabilities of €941.4 million (PY: reduction of €925.0 million) and a decrease in operating receivables of €31.2 million (PY: €140.2 million).

Cash flow from operating activities rose by €240.4 million year-on-year to €2,954.4 million (PY: €2,714.0 million) in 2021, corresponding to 7.7% of sales (PY: 7.2%).

Cash flow arising from investing activities amounted to an outflow of €1,582.0 million (PY: €1,835.3 million). Capital expenditure on property, plant and equipment, and software was down €116.6 million from €1,942.4 million to €1,825.8 million before the capitalization of borrowing costs and right-of-use assets from leases. The net amount from the acquisition and disposal of companies and business operations resulted in a total cash inflow of €218.1 million in 2021 (PY: €233.2 million). This cash inflow is mainly attributable to a disposal in the ContiTech segment and the sale of a minority stake that had been held as a financial investment.

Free cash flow for fiscal 2021 amounted to €1,372.4 million (PY: €878.7 million), corresponding to a year-on-year increase of €493.7 million.

**Capital expenditure (additions)**
Capital expenditure for property, plant and equipment, and software amounted to €2,152.4 million in 2021 (PY: €2,232.2 million). The capital expenditure ratio was 5.6% (PY: 5.9%). Capital expenditure for continuing operations rose by €167.7 million to €1,947.4 million (PY: €1,779.7 million), whereas the disposal of Vitesco Technologies had an offsetting effect. The Tires and Autonomous Mobility and Safety business areas in particular contributed to the increase of €167.7 million. The capital expenditure ratio for continuing operations was 5.8% (PY: 5.6%).

Open purchase commitments for property, plant and equipment amounted to €672.7 million (PY: €569.9 million). Investment requirements are financed from operating cash flow and available cash and cash equivalents.

**Financing and indebtedness**
As at December 31, 2021, gross indebtedness amounted to €6,260.5 million (PY: €7,334.4 million), down €1,073.9 million on the previous year's level.

Based on quarter-end values, 80.9% (PY: 77.4%) of gross indebtedness taking into account hedging measures had fixed interest rates on average over the year.

The carrying amount of the bonds decreased by €194.4 million from €3,501.7 million in the previous year to €3,307.3 million. The only change in the bond portfolio in the reporting year was the repayment of the €200.0-million Continental AG bond due on April 12, 2021, at a rate of 100.00%. The private placement had a variable interest rate and a term of one and a half years.

Bank loans and overdrafts amounted to €1,199.7 million (PY: €1,559.8 million) as at December 31, 2021, and were therefore €360.1 million below the previous year's level.

The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4,000.0 million and has an original term of five years. The margin will also depend on the Continental Group's sustainability performance. In November 2021, Continental exercised the second and final option to extend the term by one year. The lending banks then extended this financing commitment until December 2026 at unchanged conditions. As in the previous year, this revolving loan had not been utilized as at December 31, 2021. The additional syndicated loan of €3,000.0 million concluded in May 2020 with a term of 364 days expired in May 2021 and was not utilized.

Other indebtedness decreased by €519.4 million to €1,753.5 million (PY: €2,272.9 million) as at the end of 2021. This decline is primarily due to reduced use of commercial paper programs and lower lease liabilities. Commercial paper issuances resulted in a carrying amount of €17.1 million (PY: €263.4 million). Lease liabilities decreased by €268.9 million year-on-year to €1,274.1 million (PY: €1,543.0 million). As at the end of 2021, the utilization of sale-of-receivables programs, at €286.8 million (PY: €296.0 million), was only slightly lower than in the previous year. Three sale-of-receivables programs with a total financing volume of €400.0 million were used within the Continental Group as at the end of 2021, the same as in the previous year.

Cash and cash equivalents, derivative instruments and interest-bearing investments were down by €700.3 million at €2,495.0 million (PY: €3,195.3 million).

Net indebtedness decreased by €373.6 million as compared to the end of 2021 to €3,765.5 million (PY: €4,139.1 million). The gearing ratio declined year-on-year to 29.8% (PY: 32.7%).

As at December 31, 2021, the Continental Group had liquidity reserves totaling €7,149.4 million (PY: €10,719.5 million), consisting of cash and cash equivalents of €2,269.1 million (PY: €2,938.7 million) and committed, unutilized credit lines of €4,880.3 million (PY: €7,780.8 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. The assessment of any restrictions related to cash and cash equivalents is made on each respective reporting date. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at December 31, 2021, unrestricted cash and cash equivalents totaled €1,998.2 million (PY: €2,639.8 million).

### Reconciliation of net indebtedness

| € millions | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Long-term indebtedness | 4,643.2 | 5,144.4 |
| Short-term indebtedness | 1,617.3 | 2,190.0 |
| Long-term derivative instruments and interest-bearing investments | –113.2 | –142.6 |
| Short-term derivative instruments and interest-bearing investments | –112.7 | –114.0 |
| Cash and cash equivalents | –2,269.1 | –2,938.7 |
| **Net indebtedness** | **3,765.5** | **4,139.1** |

### Reconciliation of change in net indebtedness

| € millions | 2021 | 2020 |
|---|---|---|
| **Net indebtedness from continuing and discontinued operations at the beginning of the reporting period** | **4,139.1** | **4,071.7** |
| | | |
| Cash flow arising from operating activities | 2,954.4 | 2,714.0 |
| Cash flow arising from investing activities | –1,582.0 | –1,835.3 |
| **Cash flow before financing activities (free cash flow)** | **1,372.4** | **878.7** |
| Dividends paid | – | –600.0 |
| Dividends paid to and cash changes from equity transactions with non-controlling interests | –29.3 | –52.7 |
| Non-cash changes | –163.7 | –74.5 |
| Other | –9.2 | –172.8 |
| Exchange-rate effects | 44.8 | –46.1 |
| **Change in net indebtedness** | **1,215.0** | **–67.4** |
| Less net indebtedness from discontinued operations at the time of disposal | –841.4 | n. a. |
| | | |
| **Net indebtedness at the end of the reporting period** | **3,765.5** | **4,139.1** |

## Net Assets Position

- › Equity at €12.6 billion
- › Equity ratio at 35.3%
- › Gearing ratio at 29.8%

**Spin-off of Vitesco Technologies**
The spin-off of Vitesco Technologies reduced Continental's net assets by €2,824.8 million. This therefore had a significant influence on its net assets position in fiscal 2021.

**Total assets**
At €35,840.8 million (PY: €39,638.0 million), total assets as at December 31, 2021, were €3,797.2 million lower than on the same date in the previous year. Goodwill, at €3,711.8 million, was down by €649.8 million compared to the previous year's figure of €4,361.6 million. Other intangible assets fell by €259.2 million to €1,087.7 million (PY: €1,346.9 million). Property, plant and equipment decreased by €2,349.0 million to €11,411.6 million (PY: €13,760.6 million). Deferred tax assets were down €221.9 million at €2,529.5 million (PY: €2,751.4 million). Inventories rose by €755.5 million to €4,993.7 million (PY: €4,238.2 million), while trade accounts receivable declined by €263.7 million to €7,089.5 million (PY: €7,353.2 million). At €2,269.1 million, cash and cash equivalents were down €669.6 million from €2,938.7 million on the same date in the previous year.

**Non-current assets**
Non-current assets fell by €3,331.9 million year-on-year to €19,786.0 million (PY: €23,117.9 million). In relation to the individual items of the statement of financial position, this is primarily due to the decline in property, plant and equipment of €2,349.0 million to €11,411.6 million (PY: €13,760.6 million), the reduction in goodwill of €649.8 million to €3,711.8 million (PY: €4,361.6 million) and the decline in other intangible assets of €259.2 million to €1,087.7 million (PY: €1,346.9 million).

**Current assets**
Current assets fell by €465.3 million to €16,054.8 million (PY: €16,520.1 million). In the year under review, inventories increased by €755.5 million to €4,993.7 million (PY: €4,238.2 million), while trade accounts receivable fell by €263.7 million to €7,089.5 million (PY: €7,353.2 million). Cash and cash equivalents were lower by €669.6 million at €2,269.1 million (PY: €2,938.7 million).

**Equity**
Total equity (including non-controlling interests) was €4.1 million higher than in the previous year at €12,643.2 million (PY: €12,639.1 million). Net income attributable to the shareholders of the parent added €1,455.0 million to equity. Other comprehensive income increased by €1,629.9 million to -€2,735.5 million (PY: -€4,365.4 million). The gearing ratio changed from 32.7% to 29.8%. The equity ratio improved to 35.3% (PY: 31.9%).

**Non-current liabilities**
At €10,329.4 million, non-current liabilities were down €2,413.7 million from €12,743.1 million in the previous year. This decline is primarily due to a decrease in long-term employee benefits of €1,366.9 million to €4,743.0 million (PY: €6,109.9 million). In addition, long-term indebtedness fell by €501.2 million to €4,643.2 million (PY: €5,144.4 million). Long-term provisions for other risks and obligations were lower by €454.9 million at €787.7 million (PY: €1,242.6 million).

**Current liabilities**
At €12,868.2 million, current liabilities were down €1,387.6 million from €14,255.8 million in the previous year. The main contributing factors were short-term provisions for other risks and obligations, which fell by €594.7 million to €1,130.7 million (PY: €1,725.4 million) and short-term indebtedness, which decreased by €572.7 million to €1,617.3 million (PY: €2,190.0 million). Tax payables also fell by €117.2 million to €672.9 million (PY: €790.1 million).

**Operating assets**
Operating assets from continuing operations increased from €17,583.5 million to €18,949.4 million as at December 31, 2021. In the previous year, operating assets from continuing and discontinued operations amounted to €20,471.0 million. The following figures for the previous year refer to continuing and discontinued operations.

Working capital was up €563.6 million at €6,259.5 million (PY: €5,695.9 million). This development was due to a €755.5 million increase in inventories to €4,993.7 million (PY: €4,238.2 million) and a €67.7 million decline in operating liabilities to €5,865.4 million (PY: €5,933.1 million). Operating receivables had an offsetting effect, falling by €259.6 million to €7,131.2 million (PY: €7,390.8 million).

Non-current operating assets were down €3,124.6 million year-on-year at €16,922.4 million (PY: €20,047.0 million). Goodwill fell by €649.8 million to €3,711.8 million (PY: €4,361.6 million). Property, plant and equipment decreased by €2,349.0 million to €11,411.6 million (PY: €13,760.6 million). Other intangible assets fell by €259.2 million to €1,087.7 million (PY: €1,346.9 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €159.0 million (PY: €183.6 million) reduced the value of intangible assets.

In the Vehicle Networking and Information business area, the agreement with OSRAM GmbH, Munich, Germany, to terminate the joint venture OSRAM CONTINENTAL GmbH, Munich, Germany, in the form of five share deals and three asset deals led to an increase in operating assets of €102.9 million.

As a result of a share deal in the Tires business area, operating assets rose by €12.7 million.

In the ContiTech business area, business activities of Special Technologies and Solutions as well as Conveying Solutions were sold. This reduced operating assets by €60.9 million.

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

Exchange-rate effects increased the Continental Group's total operating assets by €657.2 million (PY: decrease of €1,069.7 million).

Average operating assets from continuing operations fell by €1,149.6 million to €18,416.1 million as compared to the previous year (€19,565.7 million). In the previous year, average operating assets from continuing and discontinued operations amounted to €22,536.6 million.

### Consolidated statement of financial position

| Assets in € millions | December 31, 2021 | December 31, 2020 |
| --- | --- | --- |
| Goodwill | 3,711.8 | 4,361.6 |
| Other intangible assets | 1,087.7 | 1,346.9 |
| Property, plant and equipment | 11,411.6 | 13,760.6 |
| Investments in equity-accounted investees | 305.9 | 351.3 |
| Long-term miscellaneous assets | 3,269.0 | 3,297.5 |
| **Non-current assets** | **19,786.0** | **23,117.9** |
| Inventories | 4,993.7 | 4,238.2 |
| Trade accounts receivable | 7,089.5 | 7,353.2 |
| Short-term miscellaneous assets | 1,702.5 | 1,990.0 |
| Cash and cash equivalents | 2,269.1 | 2,938.7 |
| **Current assets** | **16,054.8** | **16,520.1** |
| **Total assets** | **35,840.8** | **39,638.0** |

| Equity and liabilities in € millions | December 31, 2021 | December 31, 2020 |
| --- | --- | --- |
| **Total equity** | **12,643.2** | **12,639.1** |
| **Non-current liabilities** | **10,329.4** | **12,743.1** |
| Trade accounts payable | 5,865.4 | 5,933.1 |
| Short-term other provisions and liabilities | 7,002.8 | 8,322.7 |
| **Current liabilities** | **12,868.2** | **14,255.8** |
| **Total equity and liabilities** | **35,840.8** | **39,638.0** |
| | | |
| **Net indebtedness** | **3,765.5** | **4,139.1** |
| **Gearing ratio in %** | **29.8** | **32.7** |

## Reconciliation to operating assets in 2021

| € millions | Autonomous Mobility and Safety | Vehicle Networking and Information | Tires | ContiTech | Contract Manufacturing | Other/ Holding/ Consolidation | Continental Group |
|---|---|---|---|---|---|---|---|
| **Total assets** | **7,537.1** | **6,982.4** | **9,754.6** | **4,418.8** | **1,036.5** | **6,111.4** | **35,840.8** |
| Cash and cash equivalents | – | – | – | – | – | 2,269.1 | 2,269.1 |
| Short- and long-term derivative instruments, interest-bearing investments | – | – | – | – | – | 225.9 | 225.9 |
| Other financial assets | 16.0 | 31.6 | 28.8 | 5.7 | 0.4 | 16.9 | 99.4 |
| **Less financial assets** | **16.0** | **31.6** | **28.8** | **5.7** | **0.4** | **2,511.9** | **2,594.4** |
| **Less other non-operating assets** | **31.5** | **-16.9** | **42.6** | **5.1** | **0.3** | **524.5** | **587.1** |
| Deferred tax assets | – | – | – | – | – | 2,529.5 | 2,529.5 |
| Income tax receivables | – | – | – | – | – | 303.4 | 303.4 |
| **Less income tax assets** | **–** | **–** | **–** | **–** | **–** | **2,832.9** | **2,832.9** |
| **Segment assets** | **7,489.6** | **6,967.7** | **9,683.2** | **4,408.0** | **1,035.8** | **242.1** | **29,826.4** |
| | | | | | | | |
| **Total liabilities and provisions** | **4,404.7** | **4,254.4** | **4,098.5** | **2,025.6** | **388.5** | **8,025.9** | **23,197.6** |
| Short- and long-term indebtedness | – | – | – | – | – | 6,260.5 | 6,260.5 |
| Interest payable and other financial liabilities | – | – | – | – | – | 26.9 | 26.9 |
| **Less financial liabilities** | **–** | **–** | **–** | **–** | **–** | **6,287.4** | **6,287.4** |
| Deferred tax liabilities | – | – | – | – | – | 101.6 | 101.6 |
| Income tax payables | – | – | – | – | – | 672.9 | 672.9 |
| **Less income tax liabilities** | **–** | **–** | **–** | **–** | **–** | **774.5** | **774.5** |
| **Less other non-operating liabilities** | **1,493.3** | **1,176.0** | **963.5** | **713.6** | **106.6** | **805.7** | **5,258.7** |
| **Segment liabilities** | **2,911.4** | **3,078.4** | **3,135.0** | **1,312.0** | **281.9** | **158.3** | **10,877.0** |
| | | | | | | | |
| **Operating assets** | **4,578.2** | **3,889.3** | **6,548.2** | **3,096.0** | **753.9** | **83.8** | **18,949.4** |

## Reconciliation to operating assets from continuing operations in 2020

| € millions | Autonomous Mobility and Safety | Vehicle Networking and Information | Tires | ContiTech | Contract Manufacturing | Other/ Holding/ Consolidation | Continental Group |
|---|---|---|---|---|---|---|---|
| **Total assets** | **7,035.3** | **6,216.9** | **8,970.5** | **4,257.8** | **529.4** | **7,131.9** | **34,141.8** |
| Cash and cash equivalents | – | – | – | – | – | 2,938.7 | 2,938.7 |
| Short- and long-term derivative instruments, interest-bearing investments | – | – | – | – | – | 256.6 | 256.6 |
| Other financial assets | 23.7 | 27.1 | 13.9 | 5.6 | 0.5 | 23.4 | 94.2 |
| **Less financial assets** | **23.7** | **27.1** | **13.9** | **5.6** | **0.5** | **3,218.7** | **3,289.5** |
| **Less other non-operating assets** | **32.5** | **4.7** | **49.9** | **0.5** | **6.6** | **654.6** | **748.8** |
| Deferred tax assets | – | – | – | – | – | 2,751.4 | 2,751.4 |
| Income tax receivables | – | – | – | – | – | 234.8 | 234.8 |
| **Less income tax assets** | **–** | **–** | **–** | **–** | **–** | **2,986.2** | **2,986.2** |
| **Segment assets** | **6,979.1** | **6,185.1** | **8,906.7** | **4,251.7** | **522.3** | **272.4** | **27,117.3** |
| | | | | | | | |
| **Total liabilities and provisions** | **4,357.8** | **4,144.9** | **3,467.7** | **1,967.1** | **401.5** | **9,228.6** | **23,567.6** |
| Short- and long-term indebtedness | – | – | – | – | – | 7,334.4 | 7,334.4 |
| Interest payable and other financial liabilities | – | – | – | – | – | 36.4 | 36.4 |
| **Less financial liabilities** | **–** | **–** | **–** | **–** | **–** | **7,370.8** | **7,370.8** |
| Deferred tax liabilities | – | – | – | – | – | 168.6 | 168.6 |
| Income tax payables | – | – | – | – | – | 790.1 | 790.1 |
| **Less income tax liabilities** | **–** | **–** | **–** | **–** | **–** | **958.7** | **958.7** |
| **Less other non-operating liabilities** | **1,711.4** | **1,293.8** | **963.3** | **768.9** | **81.1** | **885.8** | **5,704.3** |
| **Segment liabilities** | **2,646.4** | **2,851.1** | **2,504.4** | **1,198.2** | **320.4** | **13.3** | **9,533.8** |
| | | | | | | | |
| **Operating assets** | **4,332.7** | **3,334.0** | **6,402.3** | **3,053.5** | **201.9** | **259.1** | **17,583.5** |

# Automotive Technologies

| Automotive Technologies in € millions | 2021 | 2020 | Δ in % |
|---|---|---|---|
| Sales | 15,357.4 | 15,435.6 | -0.5 |
| EBITDA | 666.8 | 382.3 | 74.4 |
| in % of sales | 4.3 | 2.5 | |
| EBIT | -374.6 | -1,494.9 | 74.9 |
| in % of sales | -2.4 | -9.7 | |
| Research and development expenses (net) | 2,136.6 | 2,279.8 | -6.3 |
| in % of sales | 13.9 | 14.8 | |
| Depreciation and amortization[1] | 1,041.4 | 1,877.2 | -44.5 |
| thereof impairment[2] | 12.5 | 753.3 | -98.3 |
| Operating assets as at December 31 | 8,463.8 | 7,663.9 | 10.4 |
| Operating assets (average) | 8,110.5 | 8,675.4 | -6.5 |
| ROCE in % | -4.6 | -17.2 | |
| Capital expenditure[3] | 1,046.2 | 960.0 | 9.0 |
| in % of sales | 6.8 | 6.2 | |
| Number of employees as at December 31[4] | 89,350 | 91,661 | -2.5 |
| | | | |
| Adjusted sales[5] | 15,346.6 | 15,242.5 | 0.7 |
| Adjusted operating result (adjusted EBIT)[6] | -197.1 | -335.1 | 41.2 |
| in % of adjusted sales | -1.3 | -2.2 | |

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

The Automotive Technologies group sector comprises two business areas:

› The **Autonomous Mobility and Safety** business area (22% of consolidated sales) develops, produces and integrates active and passive safety technologies and controls vehicle dynamics.

› The **Vehicle Networking and Information** business area (23% of consolidated sales) develops and integrates components and end-to-end systems for connected mobility – architecture, hardware, software and services.

The seven business units in total generated 45% of consolidated sales in the reporting year.

Key raw materials for Automotive Technologies are steel, aluminum, plastics, copper and precious metals. 2021 was characterized by high demand amid a limited supply of materials. This led not only to long delivery times, but also to supply bottlenecks and significantly higher prices. One point of focus when it comes to purchasing materials and semi-finished products is electronics and electromechanical components. Supply problems in the semiconductor industry continued in 2021 due to the COVID-19 pandemic and the resulting fluctuations in demand. For some components, the industry was already being used to full capacity due to increased demand for consumer goods and IT equipment. Additional supply difficulties resulted from natural disasters, production disruptions and new pandemic-related lockdowns in Asia, which led to chip manufacturers shutting down production. Market observers believe that there will not be a significant improvement until 2023, when chip manufacturers' capacity will increase. At the same time, the value of electronic components in the vehicle is growing due to electrification, assisted driving and greater networking.

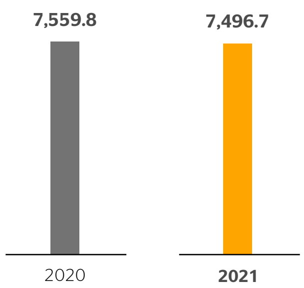
# Development of the Autonomous Mobility and Safety Business Area

- Sales down 0.8%
- Sales up 0.3% before changes in the scope of consolidation and exchange-rate effects
- Adjusted EBIT down 148.1%

**Sales volumes**
In the Vehicle Dynamics business unit, the number of electronic brake systems sold in 2021 was on a par with the previous year. In the Hydraulic Brake Systems business unit, sales figures for both brake boosters and brake calipers with integrated electric parking brakes were down year-on-year. In the Passive Safety and Sensorics business unit, the sales volume of airbag control units increased year-on-year. Unit sales of advanced driver assistance systems were up compared to the previous year.

**Sales down 0.8%**
**Sales up 0.3% before changes in the scope of consolidation and exchange-rate effects**
Sales of the Autonomous Mobility and Safety business area were down 0.8% year-on-year at €7,496.7 million (PY: €7,559.8 million) in 2021. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 0.3%.

**Sales** € millions




**Adjusted EBIT down 148.1%**
Adjusted EBIT for the Autonomous Mobility and Safety business area declined by €119.4 million or 148.1% year-on-year to -€38.8 million (PY: €80.6 million) in 2021, corresponding to -0.5% (PY: 1.1%) of adjusted sales.

**EBIT up 1.2%**
Compared to the same period of the previous year, the Autonomous Mobility and Safety business area reported an increase in EBIT of €1.5 million or 1.2% to -€128.0 million (PY: -€129.5 million) in 2021. The return on sales was therefore unchanged from the previous year at -1.7%.

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €1.9 million (PY: –).

For the Autonomous Mobility and Safety business area, total consolidated expense from special effects in 2021 amounted to €87.3 million (PY: €192.5 million). For further details, please see our comments beginning on page 53 regarding the special effects in 2021 and 2020.

The ROCE was unchanged on the previous year at -2.8% (PY: -2.8%).

**Procurement**
The procurement market for the Autonomous Mobility and Safety business area was very volatile in 2021. Supply problems in the semiconductor industry continued in 2021 due to the COVID-19 pandemic and the resulting fluctuations in demand. The raw material markets were characterized by supply bottlenecks and above-average price premiums. Delivery times for steel, aluminum and semi-finished copper products increased from four to six months over the course of the year. At times, suppliers were unable to handle unscheduled additional volumes caused by the sharp rise in demand, and in these cases the business area turned to the spot market. The supply bottlenecks led to record-high prices for aluminum. In July, catastrophic floods in the German states of North Rhine-Westphalia and Rhineland-Palatinate shut down around 25% of semi-finished copper production in Europe, putting additional strain on the already tight supply. In addition to the main raw materials, the availability of other raw materials was also limited in 2021, including magnesium, silicon and zinc. From September 2021, government-mandated energy rationing began in China due to environmental regulations. Metal smelters for magnesium, silicon and zinc therefore had to massively scale back or cease production, leading to supply shortages and above-average price premiums worldwide. Demand for electronic components within the business area rose further due to the growth of the Advanced Driver Assistance Systems business unit.

**Research and development**
Research and development expenses (net) rose by €77.3 million or 7.7% year-on-year to €1,082.3 million (PY: €1,005.0 million), corresponding to 14.4% (PY: 13.3%) of sales.

**Depreciation and amortization**
Depreciation and amortization fell by €19.2 million compared to fiscal 2020 to €523.2 million (PY: €542.4 million) and amounted to 7.0% (PY: 7.2%) of sales. This included impairment totaling €1.5 million in 2021 (PY: €9.5 million).

**Operating assets**
Operating assets in the Autonomous Mobility and Safety business area rose by €245.5 million year-on-year to €4,578.2 million (PY: €4,332.7 million) as at December 31, 2021. The following figures for the previous year refer to continuing operations.

| **Autonomous Mobility and Safety in € millions** | **2021** | 2020 | Δ in % |
|---|---|---|---|
| Sales | 7,496.7 | 7,559.8 | -0.8 |
| EBITDA | 395.2 | 412.9 | -4.3 |
| in % of sales | 5.3 | 5.5 | |
| EBIT | -128.0 | -129.5 | 1.2 |
| in % of sales | -1.7 | -1.7 | |
| Research and development expenses (net) | 1,082.3 | 1,005.0 | 7.7 |
| in % of sales | 14.4 | 13.3 | |
| Depreciation and amortization[1] | 523.2 | 542.4 | -3.5 |
| thereof impairment[2] | 1.5 | 9.5 | -84.2 |
| Operating assets as at December 31 | 4,578.2 | 4,332.7 | 5.7 |
| Operating assets (average) | 4,501.1 | 4,580.5 | -1.7 |
| ROCE in % | -2.8 | -2.8 | |
| Capital expenditure[3] | 548.7 | 488.1 | 12.4 |
| in % of sales | 7.3 | 6.5 | |
| Number of employees as at December 31[4] | 44,579 | 46,110 | -3.3 |
| | | | |
| Adjusted sales[5] | 7,496.7 | 7,545.0 | -0.6 |
| Adjusted operating result (adjusted EBIT)[6] | -38.8 | 80.6 | -148.1 |
| in % of adjusted sales | -0.5 | 1.1 | |

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

Working capital was up €64.9 million at €827.0 million (PY: €762.1 million). Inventories increased by €328.1 million to €918.3 million (PY: €590.2 million). Operating receivables rose by €25.4 million to €1,473.0 million (PY: €1,447.6 million) as at the reporting date. Operating liabilities were up €288.6 million at €1,564.3 million (PY: €1,275.7 million).

Non-current operating assets were up €166.5 million year-on-year at €4,898.6 million (PY: €4,732.1 million). Goodwill rose by €16.4 million to €1,926.1 million (PY: €1,909.7 million). This increase resulted from exchange-rate effects of €16.3 million. Property, plant and equipment rose by €92.0 million to €2,665.9 million (PY: €2,573.9 million) due to purchases. Other intangible assets climbed by €21.0 million to €139.0 million (PY: €118.0 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €1.9 million (PY: —) reduced the value of intangible assets.

Exchange-rate effects increased the total operating assets of the Autonomous Mobility and Safety business area by €105.5 million in the reporting year (PY: decrease of €137.4 million).

Average operating assets in the Autonomous Mobility and Safety business area fell by €79.4 million to €4,501.1 million as compared to fiscal 2020 (€4,580.5 million).

**Capital expenditure (additions)**
Additions to the Autonomous Mobility and Safety business area rose by €60.6 million year-on-year to €548.7 million (PY: €488.1 million). The capital expenditure ratio was 7.3% (PY: 6.5%).

In addition to the capital expenditure at German locations, production capacity was expanded in North America and Asia, as well as at European best-cost locations. In particular, production capacity was increased in the Vehicle Dynamics and Advanced Driver Assistance Systems business units. Important additions related to the creation of new production facilities for electronic brake systems.

**Employees**
The number of employees in the Autonomous Mobility and Safety business area fell by 1,531 to 44,579 (PY: 46,110). This was primarily due to volume reductions, productivity improvements and greater automation, as well as production relocations.

# Development of the Vehicle Networking and Information Business Area

- **Sales up 0.2%**
- **Sales up 2.4% before changes in the scope of consolidation and exchange-rate effects**
- **Adjusted EBIT up 62.1%**

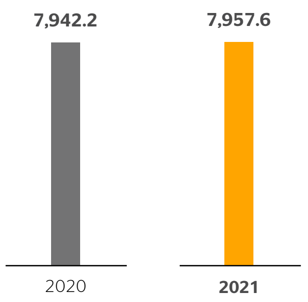
### Sales volumes

Global sales volumes in the Connected Car Networking business unit, before changes in the scope of consolidation, were slightly above the previous year's level in 2021. In the Human Machine Interface business unit, sales figures were lower than the previous year's level. Sales volumes in the Commercial Vehicles and Services business unit were higher on the previous year, with the commercial-vehicles business posting a slightly greater increase than the replacement-parts and aftermarket business. From the second quarter onward, negative effects on sales volumes generally increased in all business units due to the supply problems in the semiconductor industry.

### Sales up 0.2%
### Sales up 2.4% before changes in the scope of consolidation and exchange-rate effects

Sales of the Vehicle Networking and Information business area were up 0.2% year-on-year at €7,957.6 million (PY: €7,942.2 million) in 2021. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 2.4%.

**Sales** € millions




### Adjusted EBIT up 62.1%

Adjusted EBIT for the Vehicle Networking and Information business area increased by €257.7 million or 62.1% year-on-year to -€157.5 million (PY: -€415.2 million) in 2021, corresponding to -2.0% (PY: -5.3%) of adjusted sales.

### EBIT up 82.0%

Compared to the same period of the previous year, the Vehicle Networking and Information business area reported an increase in EBIT of €1,119.1 million or 82.0% to -€245.8 million (PY: -€1,364.9 million) in 2021. The return on sales rose to -3.1% (PY: -17.2%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €66.2 million (PY: €65.5 million).

For the Vehicle Networking and Information business area, total consolidated expense from special effects in 2021 amounted to €4.0 million (PY: €902.8 million). For further details, please see our comments beginning on page 53 regarding the special effects in 2021 and 2020.

The ROCE was -6.8% (PY: -33.3%).

### Procurement

The percentage share of electronic components and displays in the Vehicle Networking and Information business area remains highly relevant to business and earnings. The high demand in the semiconductor market could not be covered sufficiently. Numerous measures were taken to reduce customer delivery backlogs, including the fine-tuning of production between semiconductor manufacturers and Continental, procurement from alternative sources and the development of alternative designs for individual products. Plastic granulate, a key raw material in the Vehicle Networking and Information business area, became a focus of attention in 2021, with the availability of plastic granules being massively restricted at the beginning of the year due to an ice storm in the southern United States. This restriction caused not only longer delivery times, but also significant price increases. The availability of the material eased toward the end of the year, but prices remained at a high level.

### Research and development

Research and development expenses (net) fell by €220.5 million or 17.3% year-on-year to €1,054.3 million (PY: €1,274.8 million), corresponding to 13.2% (PY: 16.1%) of sales.

### Depreciation and amortization

Depreciation and amortization fell by €816.5 million compared to fiscal 2020 to €518.7 million (PY: €1,335.2 million) and amounted to 6.5% (PY: 16.8%) of sales. This included impairment totaling €11.0 million in 2021 (PY: €743.8 million).

### Operating assets

Operating assets in the Vehicle Networking and Information business area rose by €555.3 million year-on-year to €3,889.3 million (PY: €3,334.0 million) as at December 31, 2021. The following figures for the previous year refer to continuing operations.

Working capital rose by €223.7 million to €1,115.7 million (PY: €892.0 million). Inventories increased by €370.3 million to €1,150.2 million (PY: €779.9 million).

| Vehicle Networking and Information in € millions | 2021 | 2020 | Δ in % |
|---|---|---|---|
| Sales | 7,957.6 | 7,942.2 | 0.2 |
| EBITDA | 272.9 | -29.7 | 1,018.9 |
| in % of sales | 3.4 | -0.4 | |
| EBIT | -245.8 | -1,364.9 | 82.0 |
| in % of sales | -3.1 | -17.2 | |
| Research and development expenses (net) | 1,054.3 | 1,274.8 | -17.3 |
| in % of sales | 13.2 | 16.1 | |
| Depreciation and amortization[1] | 518.7 | 1,335.2 | -61.2 |
| thereof impairment[2] | 11.0 | 743.8 | -98.5 |
| Operating assets as at December 31 | 3,889.3 | 3,334.0 | 16.7 |
| Operating assets (average) | 3,612.6 | 4,098.1 | -11.8 |
| ROCE in % | -6.8 | -33.3 | |
| Capital expenditure[3] | 497.5 | 471.9 | 5.4 |
| in % of sales | 6.3 | 5.9 | |
| Number of employees as at December 31[4] | 44,771 | 45,551 | -1.7 |
| | | | |
| Adjusted sales[5] | 7,946.8 | 7,763.9 | 2.4 |
| Adjusted operating result (adjusted EBIT)[6] | -157.5 | -415.2 | 62.1 |
| in % of adjusted sales | -2.0 | -5.3 | |

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

Operating receivables rose by €91.6 million to €1,626.7 million (PY: €1,535.1 million) as at the reporting date. Operating liabilities were up €238.2 million at €1,661.2 million (PY: €1,423.0 million).

Non-current operating assets were up €314.3 million year-on-year at €4,028.0 million (PY: €3,713.7 million). Goodwill rose by €72.6 million to €783.2 million (PY: €710.6 million). This increase resulted from exchange-rate effects of €16.2 million and additions amounting to €56.4 million. At €2,315.3 million, property, plant and equipment were €133.8 million above the previous year's level of €2,181.5 million. Other intangible assets fell by €16.1 million to €617.7 million (PY: €633.8 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €66.2 million (PY: €65.5 million) reduced the value of intangible assets.

In the Vehicle Networking and Information business area, the agreement with OSRAM GmbH, Munich, Germany, to terminate the joint venture OSRAM CONTINENTAL GmbH, Munich, Germany, in the form of five share deals and three asset deals led to an increase in operating assets of €102.9 million.

Exchange-rate effects increased the total operating assets of the Vehicle Networking and Information business area by €135.0 million in the reporting year (PY: decrease of €157.7 million).

Average operating assets in the Vehicle Networking and Information business area were lower by €485.5 million at €3,612.6 million as compared to fiscal 2020 (€4,098.1 million).

### Capital expenditure (additions)

Additions to the Vehicle Networking and Information business area rose by €25.6 million year-on-year to €497.5 million (PY: €471.9 million). The capital expenditure ratio amounted to 6.3% (PY: 5.9%).

In addition to increasing production capacity in Europe, production facilities were also expanded in Asia and North America. Investments focused primarily on the expansion of production capacity for the Human Machine Interface and Connected Car Networking business units. Important additions related to the expansion of production capacity for operation and display solutions. An investment was also made to expand the production site in Novi Sad, Serbia.

### Employees

The number of employees in the Vehicle Networking and Information business area fell by 780 to 44,771 (PY: 45,551). This was primarily due to volume reductions and productivity measures.

# Rubber Technologies

| Rubber Technologies in € millions | 2021 | 2020 | Δ in % |
|---|---|---|---|
| Sales | 17,608.7 | 15,639.5 | 12.6 |
| EBITDA | 3,359.6 | 2,493.6 | 34.7 |
| in % of sales | 19.1 | 15.9 | |
| EBIT | 2,215.3 | 1,266.4 | 74.9 |
| in % of sales | 12.6 | 8.1 | |
| Research and development expenses (net) | 450.3 | 417.7 | 7.8 |
| in % of sales | 2.6 | 2.7 | |
| Depreciation and amortization[1] | 1,144.3 | 1,227.2 | -6.8 |
| thereof impairment[2] | 2.8 | 37.0 | -92.4 |
| Operating assets as at December 31 | 9,644.2 | 9,455.8 | 2.0 |
| Operating assets (average) | 9,695.8 | 10,361.9 | -6.4 |
| ROCE in % | 22.8 | 12.2 | |
| Capital expenditure[3] | 830.4 | 715.0 | 16.1 |
| in % of sales | 4.7 | 4.6 | |
| Number of employees as at December 31[4] | 98,177 | 100,327 | -2.1 |
| | | | |
| Adjusted sales[5] | 17,608.6 | 15,617.0 | 12.8 |
| Adjusted operating result (adjusted EBIT)[6] | 2,186.1 | 1,759.4 | 24.3 |
| in % of adjusted sales | 12.4 | 11.3 | |

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

The Rubber Technologies group sector comprises two business areas:

- With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the **Tires** business area (35% of consolidated sales) stands for innovative solutions in tire technology. Intelligent products and services related to tires and the promotion of sustainability complete the product portfolio. For specialist dealers and fleet management, Tires offers digital tire monitoring and tire management systems, in addition to other services, with the aim of keeping fleets mobile and increasing their efficiency. With its tires, Continental makes a significant contribution to safe, efficient and environmentally friendly mobility.

- The **ContiTech** business area (17% of consolidated sales) develops and manufactures a range of products, including cross-material, environmentally friendly and intelligent products and systems for the automotive industry, railway engineering, mining, agriculture and other key industries. Guided by the vision of “smart and sustainable solutions beyond rubber,” ContiTech draws on its long-standing knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services.

In the year under review, the 11 business units in total generated 52% of consolidated sales.

Rubber Technologies was impacted by significantly higher prices for crude oil and natural rubber in 2021. In the markets for chemicals, textiles and steel, prices rose year-on-year due to growing demand. The market for butadiene, an input material for synthetic rubber, also developed accordingly. In addition, the significant increase in sea-freight costs due to tight capacity and rising demand exacerbated the price increase for raw materials. The sharp rise in energy prices also added to costs.

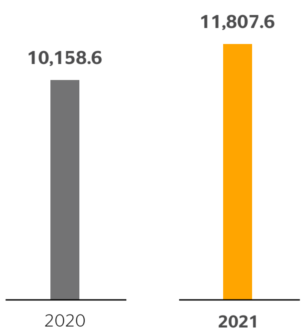
# Development of the Tires Business Area

- Sales up 16.2%
- Sales up 17.6% before changes in the scope of consolidation and exchange-rate effects
- Adjusted EBIT up 28.7%

**Sales volumes**
Sales figures in the original-equipment business were down year-on-year due to supply shortages for semiconductors and the resulting decline in passenger car production in the core European market. Sales figures for passenger and light truck tires in the tire-replacement business and in the commercial-vehicle tire business were above the level of the previous year.

**Sales up 16.2%**
**Sales up 17.6% before changes in the scope of consolidation and exchange-rate effects**
Sales of the Tires business area were up 16.2% year-on-year at €11,807.6 million (PY: €10,158.6 million) in 2021. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 17.6%.

**Sales** € millions




**Adjusted EBIT up 28.7%**
Adjusted EBIT for the Tires business area increased by €385.9 million or 28.7% year-on-year to €1,729.3 million (PY: €1,343.4 million) in 2021, corresponding to 14.6% (PY: 13.2%) of adjusted sales.

**EBIT up 68.0%**
Compared to the same period of the previous year, the Tires business area reported an increase in EBIT of €688.3 million or 68.0% to €1,700.6 million (PY: €1,012.3 million) in 2021. The return on sales rose to 14.4% (PY: 10.0%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €18.7 million (PY: €20.3 million).

For the Tires business area, total consolidated expense from special effects in 2021 amounted to €9.9 million (PY: €310.8 million). For further details, please see our comments beginning on page 53 regarding the special effects in 2021 and 2020.

The ROCE was 25.7% (PY: 14.3%).

**Procurement**
Prices for all major raw materials rose from the low prior-year level due to growing demand. In particular, the prices of important raw materials and input materials, including natural rubber, butadiene and input products based on crude oil, rose sharply during the year. There were also notable price increases in the markets for steel, chemicals and textiles. This cost trend was magnified by significantly higher sea-freight rates and energy prices.

**Research and development**
Research and development expenses (net) rose by €25.8 million or 9.6% year-on-year to €293.8 million (PY: €268.0 million), corresponding to 2.5% (PY: 2.6%) of sales.

**Depreciation and amortization**
Depreciation and amortization fell by €27.3 million compared to fiscal 2020 to €825.3 million (PY: €852.6 million) and amounted to 7.0% (PY: 8.4%) of sales. This included impairment totaling €5.9 million in 2021 (PY: €11.8 million).

**Operating assets**
Operating assets in the Tires business area increased by €145.9 million year-on-year to €6,548.2 million (PY: €6,402.3 million) as at December 31, 2021.

Working capital was up €263.1 million at €2,680.7 million (PY: €2,417.6 million). Inventories increased by €406.8 million to €1,970.0 million (PY: €1,563.2 million). Operating receivables rose by €355.8 million to €2,296.6 million (PY: €1,940.8 million) as at the reporting date. Operating liabilities were up €499.5 million at €1,585.9 million (PY: €1,086.4 million).

Non-current operating assets were down €9.1 million year-on-year at €5,227.2 million (PY: €5,236.3 million). Goodwill rose by €15.6 million to €421.3 million (PY: €405.7 million). This increase resulted from exchange-rate effects of €8.0 million and additions amounting to €7.6 million. Property, plant and equipment fell by €31.5 million to €4,576.6 million (PY: €4,608.1 million). Other intangible assets fell by €22.2 million to €62.0 million (PY: €84.2 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €18.7 million (PY: €20.3 million) reduced the value of intangible assets.

As a result of a share deal in the Tires business area, operating assets rose by €12.7 million.

| **Tires in € millions** | **2021** | 2020 | Δ in % |
|---|---|---|---|
| Sales | 11,807.6 | 10,158.6 | 16.2 |
| EBITDA | 2,525.9 | 1,864.9 | 35.4 |
| in % of sales | 21.4 | 18.4 | |
| EBIT | 1,700.6 | 1,012.3 | 68.0 |
| in % of sales | 14.4 | 10.0 | |
| Research and development expenses (net) | 293.8 | 268.0 | 9.6 |
| in % of sales | 2.5 | 2.6 | |
| Depreciation and amortization[1] | 825.3 | 852.6 | -3.2 |
| thereof impairment[2] | 5.9 | 11.8 | -50.0 |
| Operating assets as at December 31 | 6,548.2 | 6,402.3 | 2.3 |
| Operating assets (average) | 6,625.5 | 7,080.7 | -6.4 |
| ROCE in % | 25.7 | 14.3 | |
| Capital expenditure[3] | 626.0 | 535.5 | 16.9 |
| in % of sales | 5.3 | 5.3 | |
| Number of employees as at December 31[4] | 57,217 | 56,864 | 0.6 |
| | | | |
| Adjusted sales[5] | 11,807.5 | 10,158.6 | 16.2 |
| Adjusted operating result (adjusted EBIT)[6] | 1,729.3 | 1,343.4 | 28.7 |
| in % of adjusted sales | 14.6 | 13.2 | |

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

Exchange-rate effects increased the total operating assets of the Tires business area by €264.3 million in the reporting year (PY: decrease of €458.9 million).

Average operating assets in the Tires business area fell by €455.2 million to €6,625.5 million as compared to fiscal 2020 (€7,080.7 million).

**Capital expenditure (additions)**
Additions to the Tires business area increased by €90.5 million year-on-year to €626.0 million (PY: €535.5 million). The capital expenditure ratio was 5.3% (PY: 5.3%).

Production capacity was expanded at existing plants in Europe, North America and Asia. Quality assurance and cost-cutting measures were implemented as well.

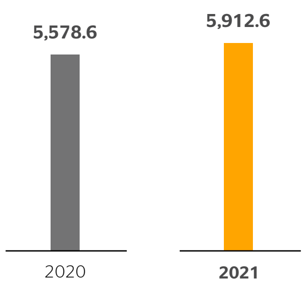
**Employees**
The number of employees in the Tires business area rose by 353 to 57,217 (PY: 56,864). In the production companies, the adjustment to demand-driven production led to an increase in the number of employees.

# Development of the ContiTech Business Area

- **Sales up 6.0%**
- **Sales up 7.2% before changes in the scope of consolidation and exchange-rate effects**
- **Adjusted EBIT up 9.8%**

**Sales up 6.0%**
**Sales up 7.2% before changes in the scope of consolidation and exchange-rate effects**
Sales of the ContiTech business area were up 6.0% year-on-year at €5,912.6 million (PY: €5,578.6 million) in 2021. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 7.2%. Sales in both automotive original equipment and the industrial and replacement business increased significantly. While the previous year was dominated by the COVID-19 pandemic, sales growth in 2021 was initially strong in the first few months but became increasingly affected by external supply shortages, especially in the automotive sector.

**Sales** € millions




**Adjusted EBIT up 9.8%**
Adjusted EBIT for the ContiTech business area increased by €40.8 million or 9.8% year-on-year to €456.8 million (PY: €416.0 million) in 2021, corresponding to 7.7% (PY: 7.5%) of adjusted sales.

**EBIT up 102.6%**
Compared to the same period of the previous year, the ContiTech business area reported an increase in EBIT of €260.6 million or 102.6% to €514.7 million (PY: €254.1 million) in 2021. The return on sales rose to 8.7% (PY: 4.6%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €72.2 million (PY: €88.7 million).

For the ContiTech business area, total consolidated income from special effects in 2021 amounted to €130.1 million (PY: expense of €75.2 million). For further details, please see our comments beginning on page 53 regarding the special effects in 2021 and 2020.

The ROCE was 16.8% (PY: 7.7%).

**Procurement**
The ContiTech business area was affected by rising prices for many raw materials, particularly oil-based raw materials, as a result of higher demand on the commodity markets. Significantly higher prices for logistics and energy also resulted in a considerable incremental burden for the ContiTech business area.

**Research and development**
Research and development expenses (net) increased by €6.8 million or 4.5% year-on-year to €156.5 million (PY: €149.7 million), corresponding to 2.6% (PY: 2.7%) of sales.

**Depreciation and amortization**
Depreciation and amortization fell by €55.6 million compared to fiscal 2020 to €319.0 million (PY: €374.6 million) and amounted to 5.4% (PY: 6.7%) of sales. This included reversal of impairment losses totaling €3.1 million in 2021 (PY: impairment of €25.1 million).

**Operating assets**
Operating assets in the ContiTech business area increased by €42.5 million year-on-year to €3,096.0 million (PY: €3,053.5 million) as at December 31, 2021.

Working capital was up €102.6 million at €1,117.1 million (PY: €1,014.5 million). Inventories increased by €203.3 million to €881.3 million (PY: €678.0 million). Operating receivables rose by €19.7 million to €1,026.4 million (PY: €1,006.7 million) as at the reporting date. Operating liabilities were up €120.4 million at €790.6 million (PY: €670.2 million).

Non-current operating assets were down €68.7 million at €2,341.9 million (PY: €2,410.6 million). Goodwill rose by €30.9 million to €581.2 million (PY: €550.3 million), with €31.1 million of this increase resulting from exchange-rate effects. At €1,442.0 million, property, plant and equipment were €25.9 million below the previous year's level of €1,467.9 million. Other intangible assets fell by €73.7 million to €267.9 million (PY: €341.6 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €72.2 million (PY: €88.7 million) reduced the value of intangible assets.

In the ContiTech business area, business activities of Special Technologies and Solutions as well as Conveying Solutions were sold. This reduced operating assets by €60.9 million.

| **ContiTech in € millions** | **2021** | 2020 | Δ in % |
|---|---|---|---|
| Sales | 5,912.6 | 5,578.6 | 6.0 |
| EBITDA | 833.7 | 628.7 | 32.6 |
| in % of sales | 14.1 | 11.3 | |
| EBIT | 514.7 | 254.1 | 102.6 |
| in % of sales | 8.7 | 4.6 | |
| Research and development expenses (net) | 156.5 | 149.7 | 4.5 |
| in % of sales | 2.6 | 2.7 | |
| Depreciation and amortization[1] | 319.0 | 374.6 | -14.8 |
| thereof impairment[2] | -3.1 | 25.1 | -112.4 |
| Operating assets as at December 31 | 3,096.0 | 3,053.5 | 1.4 |
| Operating assets (average) | 3,070.3 | 3,281.2 | -6.4 |
| ROCE in % | 16.8 | 7.7 | |
| Capital expenditure[3] | 204.4 | 179.6 | 13.8 |
| in % of sales | 3.5 | 3.2 | |
| Number of employees as at December 31[4] | 40,960 | 43,463 | -5.8 |
| | | | |
| Adjusted sales[5] | 5,912.6 | 5,556.1 | 6.4 |
| Adjusted operating result (adjusted EBIT)[6] | 456.8 | 416.0 | 9.8 |
| in % of adjusted sales | 7.7 | 7.5 | |

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

Exchange-rate effects increased the total operating assets of the ContiTech business area by €146.5 million in the reporting year (PY: decrease of €178.8 million).

Average operating assets in the ContiTech business area fell by €210.9 million to €3,070.3 million as compared to fiscal 2020 (€3,281.2 million).

### Capital expenditure (additions)

Additions to the ContiTech business area were higher by €24.8 million year-on-year at €204.4 million (PY: €179.6 million). The capital expenditure ratio was 3.5% (PY: 3.2%).

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

### Employees

The number of employees in the ContiTech business area fell by 2,503 to 40,960 (PY: 43,463). This was primarily due to the implementation of efficiency and structural programs.

# Contract Manufacturing

| **Contract Manufacturing in € millions** | **2021** | 2020 | Δ in % |
|---|---|---|---|
| Sales | 889.6 | 969.9 | -8.3 |
| EBITDA | 194.2 | -22.1 | 978.7 |
| in % of sales | 21.8 | -2.3 | |
| EBIT | 130.4 | -94.0 | 238.7 |
| in % of sales | 14.7 | -9.7 | |
| Research and development expenses (net) | -0.1 | 3.2 | -103.1 |
| in % of sales | 0.0 | 0.3 | |
| Depreciation and amortization[1] | 63.8 | 71.9 | -11.3 |
| thereof impairment[2] | 13.8 | 9.9 | 39.4 |
| Operating assets as at December 31 | 753.9 | 201.9 | 273.4 |
| Operating assets (average) | 450.2 | 326.8 | 37.8 |
| ROCE in % | 29.0 | -28.8 | |
| Capital expenditure[3] | 19.9 | 32.8 | -39.3 |
| in % of sales | 2.2 | 3.4 | |
| Number of employees as at December 31[4] | 2,904 | 3,502 | -17.1 |
| | | | |
| Adjusted sales[5] | 889.6 | 969.9 | -8.3 |
| Adjusted operating result (adjusted EBIT)[6] | 104.0 | 55.8 | 86.4 |
| in % of adjusted sales | 11.7 | 5.8 | |

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

Following the spin-off of Vitesco Technologies, the Contract Manufacturing group sector is being reported for the first time. It comprises the continuing operations of the former Powertrain Technologies group sector. All key figures reflect this over the entire reporting period and are restated accordingly for the comparative period.

The Contract Manufacturing group sector comprises one business area with one business unit:

- As of September 2021, the contract manufacturing of products by Continental companies for Vitesco Technologies has been consolidated in the **Contract Manufacturing** business area. This contract manufacturing is not intended to be a permanent situation. Rather, the operational separation of production will be promoted in the coming years, and the volume of contract manufacturing reduced.

Contract Manufacturing generated 3% of consolidated sales in the year under review.

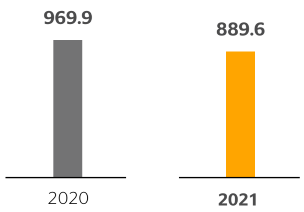
## Development of the Contract Manufacturing Business Area

- **Sales down 8.3%**
- **Sales down 8.7% before changes in the scope of consolidation and exchange-rate effects**
- **Adjusted EBIT up 86.4%**

**Sales volumes**
In the Contract Manufacturing business area, sales volumes decreased year-on-year in 2021. This corresponds to the contractually agreed procedure between Continental and Vitesco Technologies. The development of sales volumes was also negatively influenced by supply shortages for semiconductors and the COVID-19 pandemic.

**Sales down 8.3%**
**Sales down 8.7% before changes in the scope of consolidation and exchange-rate effects**
Sales of the Contract Manufacturing business area were down 8.3% year-on-year at €889.6 million (PY: €969.9 million) in 2021. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 8.7%.

**Sales** € millions




**Adjusted EBIT up 86.4%**
Adjusted EBIT for the Contract Manufacturing business area increased by €48.2 million or 86.4% year-on-year to €104.0 million (PY: €55.8 million) in 2021. This represents a margin of 11.7% (PY: 5.8%) of adjusted sales, which was influenced by intercompany billing.

**EBIT up 238.7%**
Compared to the same period of the previous year, the Contract Manufacturing business area reported an increase in EBIT of €224.4 million or 238.7% to €130.4 million (PY: -€94.0 million) in 2021. The return on sales rose to 14.7% (PY: -9.7%).

For the Contract Manufacturing business area, total consolidated income from special effects in 2021 amounted to €26.4 million (PY: expense of €149.8 million). For further details, please see our comments beginning on page 53 regarding the special effects in 2021 and 2020.

The ROCE was 29.0% (PY: -28.8%).

**Procurement**
Procurement in the Contract Manufacturing business area was characterized by inconsistencies in the development of raw material prices. Supply problems for electronics and electro-mechanical components, such as semiconductors, continued in 2021 due to the COVID-19 pandemic and the resulting fluctuations in demand. Prices for industrial metals (steel, aluminum, copper) rose sharply due to increasing demand amid limited supply. Prices for precious metals generally moved sideways or fell slightly.

**Depreciation and amortization**
Depreciation and amortization fell by €8.1 million compared to fiscal 2020 to €63.8 million (PY: €71.9 million) and amounted to 7.2% (PY: 7.4%) of sales. This included impairment totaling €13.8 million in 2021 (PY: €9.9 million).

**Operating assets**
Operating assets in the Contract Manufacturing business area increased by €552.0 million year-on-year to €753.9 million (PY: €201.9 million) as at December 31, 2021.

Working capital was up €695.3 million at €590.9 million (PY: -€104.4 million). Inventories increased by €8.4 million to €73.9 million (PY: €65.5 million). Operating receivables rose by €703.7 million to €704.1 million (PY: €0.4 million) as at the reporting date. Operating liabilities were up €16.8 million at €187.1 million (PY: €170.3 million).

Non-current operating assets were down €183.8 million year-on-year at €237.1 million (PY: €420.9 million). At €232.9 million, property, plant and equipment were €166.5 million below the previous year's level of €399.4 million. Other intangible assets fell by €3.4 million to €1.4 million (PY: €4.8 million).

Exchange-rate effects increased the total operating assets of the Contract Manufacturing business area by €7.4 million in the reporting year (PY: decrease of €12.7 million).

Average operating assets in the Contract Manufacturing business area rose by €123.4 million to €450.2 million as compared to fiscal 2020 (€326.8 million).

**Capital expenditure (additions)**
Additions to the Contract Manufacturing business area decreased by €12.9 million year-on-year to €19.9 million (PY: €32.8 million). The capital expenditure ratio was 2.2% (PY: 3.4%).

The capital expenditure was primarily attributable to production equipment for the manufacture of specific products and the implementation of new technologies.

**Employees**
The number of employees in the Contract Manufacturing business area fell by 598 compared with the previous year to 2,904 (PY: 3,502).

# Continental AG – Short Version in Accordance with *HGB*

## In addition to the reporting on the Continental Group as a whole, the performance of the parent company is presented separately here.

Unlike the consolidated financial statements, the annual financial statements of Continental AG are prepared in accordance with German commercial law (the German Commercial Code, *Handelsgesetzbuch – HGB)* and the German Stock Corporation Act *(Aktiengesetz – AktG)*. The management report of Continental AG has been combined with the consolidated report of the Continental Group in accordance with Section 315 (5) *HGB*, as the parent company's future risks and opportunities and its expected development are inextricably linked to that of the Continental Group as a whole. In addition, the following presentation of the parent company's business performance, including its results, net assets and financial position, provides a basis for understanding the Executive Board's proposal for the distribution of retained earnings.

Continental AG acts solely as a management and holding company for the Continental Group.

Total assets decreased by €5,572.9 million year-on-year to €19,036.2 million (PY: €24,609.1 million). On the assets side, the change is due primarily to the €4,678.0 million decrease in investments, the €490.9 million decrease in cash and cash equivalents to €69.7 million (PY: €560.6 million) and the €421.7 million decrease in receivables from affiliated companies. By contrast, property, plant and equipment rose by €47.5 million.

Investments fell by €4,678.0 million year-on-year to €10,994.0 million (PY: €15,672.0 million) and now account for 57.8% of total assets (PY: 63.7%). The decline resulted primarily from the spin-off of investments in affiliated companies of Vitesco Technologies totaling €4,655.2 million as well as from the disposal from the sale within the Continental Group of Shanghai Automotive Brake Systems Co., Ltd., Shanghai, China, totaling €26.4 million.

Property, plant and equipment increased by €47.5 million year-on-year to €189.9 million (PY: €142.4 million). The increase resulted primarily from the capitalized assets under construction for the construction of the new headquarters in Hanover.

| **Net assets and financial position of Continental AG** | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| **Assets in € millions** | | |
| Intangible assets | 11.4 | 18.4 |
| Property, plant and equipment | 189.9 | 142.4 |
| Investments | 10,994.0 | 15,672.0 |
| **Non-current assets** | **11,195.3** | **15,832.8** |
| Receivables and other assets | 7,710.2 | 8,139.1 |
| Cash and cash equivalents | 69.7 | 560.6 |
| **Current assets** | **7,779.9** | **8,699.7** |
| **Prepaid expenses and deferred charges** | **61.0** | **76.6** |
| **Total assets** | **19,036.2** | **24,609.1** |
| | | |
| **Shareholders' equity and liabilities in € millions** | | |
| Issued capital | 512.0 | 512.0 |
| Capital reserves | 4,179.1 | 4,179.1 |
| Revenue reserves | 54.7 | 54.7 |
| Accumulated profits brought forward from the previous year | 1,383.7 | 5,256.0 |
| Net income | 1,207.9 | 782.9 |
| **Shareholders' equity** | **7,337.4** | **10,784.7** |
| **Provisions** | **958.5** | **890.8** |
| **Liabilities** | **10,740.3** | **12,933.5** |
| **Deferred income** | **–** | **0.1** |
| **Total equity and liabilities** | **19,036.2** | **24,609.1** |
| | | |
| Gearing ratio in % | 39.8 | 39.4 |
| Equity ratio in % | 38.5 | 43.8 |

At €61.0 million (PY: €76.6 million), prepaid expenses and deferred charges were down €15.6 million. The decrease resulted primarily from the reversal of expenses deferred in previous years for the two revolving credit lines totaling €7.8 million as well as deferred expenses for bonds totaling €2.9 million.

On the equity and liabilities side, the change is due primarily to the €3,447.3 million decrease in shareholders' equity, the €1,183.0 million decrease in liabilities to affiliated companies, the €595.0 million decrease in bank loans and overdrafts and the €450.0 million decrease in bonds.

Bonds decreased by €450.0 million year-on-year to €1,957.7 million (PY: €2,407.7 million). This is partly due to the repayment of the €200.0-million euro bond that matured on April 12, 2021, and partly due to the repayment of short-term commercial papers totaling €250.0 million.

Bank loans and overdrafts fell by €595.0 million to €625.6 million (PY: €1,220.6 million). This decrease resulted primarily from the repayment of short-term bank liabilities.

Liabilities to affiliated companies fell by €1,183.0 million year-on-year to €8,077.8 million (PY: €9,260.8 million). This decrease was primarily attributable to the decline in the provision of loans and overnight deposits made available to Continental AG by its subsidiaries.

Provisions rose by €67.7 million year-on-year to €958.5 million (PY: €890.8 million), due to the €34.6 million increase in pension provisions to €287.5 million (PY: €252.9 million) and the €103.4 million increase in other provisions to €144.0 million (PY: €40.6 million). By contrast, tax provisions were down €70.3 million at €527.0 million (PY: €597.3 million).

Shareholders' equity fell by €3,447.3 million to €7,337.4 million (PY: €10,784.7 million). The €4,655.2 million decrease as a result of the spin-off of Vitesco Technologies was partially offset by the net income of €1,207.9 million generated in fiscal 2021.

The equity ratio fell from 43.8% to 38.5%.

Sales for fiscal 2021 fell by €20.2 million to €257.4 million (PY: €277.6 million), primarily due to the decrease in sales from corporate services.

Net investment income rose by €634.9 million year-on-year to €1,781.0 million (PY: €1,146.1 million). As in the previous year, it mainly consisted of profit and loss transfers from the subsidiaries. The income from profit transfers of €1,613.4 million (PY: €1,393.8 million) resulted in particular from Continental Automotive GmbH, Hanover (€760.9 million), Formpolster GmbH, Löhne-Gohfeld (€732.7 million) and Continental Caoutchouc-Export-GmbH, Hanover (€111.9 million). Expenses from the transfer of losses were not recorded in the current fiscal year.

The negative net interest result improved by €30.9 million year-on-year to €54.4 million in fiscal 2021 (PY: €85.3 million). The interest expenses included therein increased by €9.7 million to €115.4 million (PY: €105.7 million).

Interest income rose by €40.6 million year-on-year to €61.0 million (PY: €20.4 million). Interest income in connection with the reversal of income tax payables accounted for €41.5 million of the total (PY: –). This increase is primarily attributable to a ruling by the German Federal Constitutional Court in July 2021, according to which the interest rate of 6% p.a. previously applied for interest on claims for back taxes and tax refunds is unconstitutional.

The tax expense of €64.3 million (PY: €74.6 million) resulted primarily from income tax expenses for fiscal 2021 as well as from non-imputable foreign withholding taxes for the income tax consolidation group of Continental AG.

After taking income tax expense into account, Continental AG posted net income for the year of €1,207.9 million (PY: €782.9 million). The after-tax return on equity was 16.5% (PY: 7.3%).

Taking into account the retained earnings brought forward from the previous year of €6,038.9 million and from the spin-off of Vitesco Technologies of €4,655.2 million, as well as the resulting accumulated profits of €1,383.7 million, retained earnings for fiscal 2021 amounted to €2,591.6 million. The Supervisory Board and Executive Board will propose to the Annual Shareholders' Meeting the payment of a dividend of €2.20 per share entitled to dividends. The total distribution is therefore €440,013,156.00 for 200,005,980 shares entitled to dividends. The remaining retained earnings are to be carried forward to new account.

We expect further income from profit and loss transfers and investment income from the subsidiaries within the scope of the holding activities of Continental AG in fiscal 2022. Furthermore, Continental AG will continue to provide a financing function for its subsidiaries.

| **Earnings position of Continental AG in € millions** | **2021** | 2020 |
|---|---|---|
| Sales | 257.4 | 277.6 |
| Cost of sales | –248.2 | –267.3 |
| **Gross margin on sales** | **9.2** | **10.3** |
| Administrative expenses | –207.3 | –176.9 |
| Other operating income | 30.2 | 51.3 |
| Other operating expenses | –296.1 | –98.8 |
| Net investment income | 1,781.0 | 1,146.1 |
| Income from other securities and long-term loans | 10.2 | 11.0 |
| Amortization of investments and of securities under current assets | –0.6 | –0.2 |
| Net interest result | –54.4 | –85.3 |
| **Result from activities** | **1,272.2** | **857.5** |
| Income tax expense | –64.3 | –74.6 |
| **Net income** | **1,207.9** | **782.9** |
| Accumulated profits brought forward from the previous year | 1,383.7 | 5,256.0 |
| **Retained earnings** | **2,591.6** | **6,038.9** |

# Other Information

# Dependent Company Report

**Final declaration from the Executive Board's report on relations with affiliated companies pursuant to Section 312 of the German Stock Corporation Act *(Aktiengesetz – AktG)***
In fiscal 2021, Continental AG was a dependent company of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, as defined under Section 312 *AktG*. In line with Section 312 (1) *AktG*, the Executive Board of Continental AG has prepared a report on relations with affiliated companies, which contains the following final declaration:

"We declare that the company received an appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies from January 1 to December 31, 2021, under the circumstances known to us at the time the transactions were made or the measures taken or not taken. To the extent the company suffered any detriment thereby, the company was granted the right to an appropriate compensation before the end of the 2021 fiscal year. The company did not suffer any detriment because of taking or refraining from measures."

# Additional Disclosures and Notes Pursuant to Section 289a and Section 315a *HGB*

**1. Composition of issued capital**
As of the end of the reporting period, the issued capital of the company amounted to €512,015,308.80 (PY: €512,015,316.48) and is divided into 200,005,980 (PY: 200,005,983) no-par-value shares. The issued capital decreased year-on-year by €7.68 (three treasury shares). These shares are, without exception, common shares; different classes of shares have not been issued and have not been provided for in the Articles of Incorporation. Each share, with the exception of treasury shares, bears voting and dividend rights from the time it is issued. Each share, with the exception of treasury shares, entitles the holder to one vote at a Shareholders' Meeting (Article 20 (1) of the Articles of Incorporation). There are no shares with privileges.

**2. Restrictions on voting rights or transfer options**
Restrictions relating to voting rights or the transfer of the company's shares are not known to the Executive Board.

**3. Shareholdings exceeding 10% of voting rights**
For details of the equity interests exceeding 10% of the voting rights (reported level of equity interest), please refer to the notice in accordance with the German Securities Trading Act *(Wertpapierhandelsgesetz – WpHG)* under Note 43 to the consolidated financial statements, and to the notes to the separate financial statements of Continental AG.

**4. Bearers of shares with privileges**
There are no shares with privileges granting control.

**5. Type of voting right control for employee shareholdings**
The company is not aware of any employees with shareholdings not directly exercising control of their voting rights.

**6. Provisions for the appointment and dismissal of members of the Executive Board and for the amendment of the Articles of Incorporation**

a) In accordance with the Articles of Incorporation, the Executive Board consists of at least two members; beyond this the number of members of the Executive Board is determined by the Supervisory Board. Members of the Executive Board are appointed and dismissed in accordance with Section 84 of the German Stock Corporation Act *(Aktiengesetz – AktG)* in conjunction with Section 31 of the German Co-determination Act *(Mitbestimmungsgesetz – MitbestG)*. In line with this, the Supervisory Board is responsible for the appointment and dismissal of members of the Executive Board. It passes decisions with a majority of two-thirds of its members. If this majority is not reached in the event of an appointment, the so-called Mediation Committee must submit a nomination to the Supervisory Board for the appointment within one month of voting. Other nominations can also be submitted to the Supervisory Board in addition to the Mediation Committee's nomination. A simple majority of the votes is sufficient when voting on these nominations submitted to the Supervisory Board. In the event that voting results in a tie, a new vote takes place in which the chairman of the Supervisory Board has the casting vote in accordance with Section 31 (4) *MitbestG*.

b) Amendments to the Articles of Incorporation are made by the Shareholders' Meeting. In Article 20 (3) of the Articles of Incorporation, the Shareholders' Meeting has exercised the option granted in Section 179 (1) Sentence 2 *AktG* to confer on the Supervisory Board the power to make amendments affecting only the wording of the Articles of Incorporation.

   In accordance with Article 20 (2) of the Articles of Incorporation, resolutions of the Shareholders' Meeting to amend the Articles of Incorporation are usually adopted by a simple majority and, insofar as a capital majority is required, by a simple majority of the capital represented unless otherwise stipulated by mandatory law or particular provisions of the Articles of Incorporation. The law prescribes a mandatory majority of three-quarters of the share capital represented when resolutions are made, for example, for amendments to the Articles of Incorporation involving substantial capital measures, such as resolutions concerning the creation of authorized or contingent capital.

**7. Authorizations of the Executive Board, particularly with regard to its options for issuing or withdrawing shares**

a) The Executive Board can issue new shares only on the basis of resolutions by the Shareholders' Meeting. As at the end of the reporting period, the Executive Board had not been authorized to issue new shares in connection with a capital increase (authorized capital) or to issue convertible bonds, warrant-linked bonds, or other financial instruments that could entitle the bearers to subscribe to new shares.

b) The Executive Board may only buy back shares under the conditions codified in Section 71 *AktG*. The Shareholders' Meeting has not authorized the Executive Board to acquire treasury shares in line with Section 71 (1) No. 8 *AktG*.

**8. Material agreements of the company subject to a change of control following a takeover bid and their consequences**

The following material agreements are subject to a change of control at Continental AG:

a) The agreement concluded on December 3, 2019, for a syndicated revolving credit facility of €4.0 billion grants each creditor the right to terminate the agreement prematurely and to demand repayment of the loans granted by it if one person or several persons acting in concert acquire control of Continental AG and subsequent negotiations concerning a continuation of the loan do not lead to an agreement. The term "control" is defined as the holding of more than 50% of the voting rights or if Continental AG concludes a domination agreement as defined under Section 291 *AktG* with Continental AG as the company dominated.

b) The bonds issued by Continental AG in September 2019 at a nominal amount of €500 million and €600 million and the bond issued by Continental AG in October 2019 at a nominal amount of €100 million, as well as both of the bonds issued in May 2020 by Continental AG and a subsidiary of Continental AG, Conti-Gummi Finance B.V., at €750 million each and the bond issued by Conti-Gummi Finance B.V. in June 2020 at €625 million, entitle each bondholder to demand that the respective issuer redeem or acquire the bonds held by the bondholder at a price established in the bond conditions in the event of a change of control at Continental AG. The bond conditions define a change of control as the sale of all or substantially all of the company's assets to third parties that are not affiliated with the company, or as one person or several persons acting in concert, pursuant to Section 2 (5) of the German Takeover Act *(Wertpapiererwerbs- und Übernahmegesetz – WpÜG)*, holding more than 50% of the voting rights in Continental AG by means of acquisition or as a result of a merger or other form of combination with the participation of Continental AG.

If a change of control occurs as described in the agreements above and a contractual partner or bondholder exercises its respective rights, it is possible that required follow-up financing may not be approved under the existing conditions, which could therefore lead to higher financing costs.

c) In 1996, Compagnie Financière Michelin SCmA, Granges-Paccot, Switzerland, and Continental AG founded MC Projects B.V., Maastricht, Netherlands, with each owning 50%. Michelin contributed the rights to the Uniroyal brand for Europe to the company. MC Projects B.V. licenses these rights to Continental. According to the agreements, this license can be terminated without notice if a major competitor in the tire business acquires more than 50% of the voting rights of Continental. In this case, Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company of Continental Barum s.r.o., Otrokovice, Czechia, to 51%. In the case of such a change of control and the exercise of these rights, there could be losses in sales of the Tires business area and a reduction in the production capacity available to this business area.

**9. Compensation agreements of the company with members of the Executive Board or employees in the event of a takeover bid**

No compensation agreements have been concluded between the company and the members of the Executive Board or employees providing in the event of a takeover bid.

## Remuneration of the Executive Board

The total remuneration of the members of the Executive Board comprises a number of remuneration components. These include a remuneration component that is unrelated to performance, including specific additional benefits and entitlement to a company pension, and a variable component that is based on performance, consisting of a short-term remuneration component and long-term remuneration components. Further details including individual remuneration are specified in the remuneration report that is available on Continental's website under Company/Executive Board.

# Corporate Governance Statement Pursuant to Section 289f *HGB*

The corporate governance statement pursuant to Section 289f of the German Commercial Code *(Handelsgesetzbuch – HGB)* is available to our shareholders on Continental's website under Company/Corporate Governance.

# Report on Risks and Opportunities

### The overall situation is analyzed and managed corporate-wide using the risk and opportunity management system.

The management of Continental is geared toward permanently increasing the value of each individual business unit. We evaluate risks and opportunities responsibly and on an ongoing basis in order to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Continental is exposed to a number of different risks, in particular due to the transformation in the mobility industry, that could impair business and, in extreme cases, threaten the company's existence. At the same time, this transformation also presents opportunities that we intend to consistently seize, as described in the Strategy of the Continental Group section. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. We consider growth in value in terms of the Continental Value Contribution (CVC) system described in the Corporate Management section.

## Risk and Opportunity Management and Internal Control System

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness, efficiency and propriety of accounting and compliance with the relevant legal and sub-legislative regulations, Continental has created a governance system that encompasses all relevant business processes. The governance system comprises the internal control system, the risk management system and the compliance management system, which is described in detail in the Compliance section on page 22. The risk management system in turn also includes the early risk identification system in accordance with Section 91 (2) of the German Stock Corporation Act *(Aktiengesetz – AktG)*.

The Executive Board is responsible for the governance system, which includes all subsidiaries. The Supervisory Board and its Audit Committee monitor its effectiveness.

Pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code *(Handelsgesetzbuch – HGB)*, the main characteristics of the internal control and risk management system with respect to the accounting process must be described. All parts of the risk management system and internal control system that could have a material effect on the annual and consolidated financial statements must be included in the reporting.

Key elements of the corporate-wide control systems are the clear allocation of responsibilities and controls inherent in the system when preparing the financial statements. The two-person rule and separation of functions are fundamental principles of this organization. In addition, Continental's management ensures accounting that complies with the requirements of law via guidelines on the preparation of financial statements and on accounting, access authorizations for IT systems and regulations on the involvement of internal and external specialists.

The effectiveness of the financial reporting internal control system (Financial Reporting ICS) is evaluated in major areas by testing the effectiveness of the reporting units on a quarterly basis. In addition, Group Audit reviews the efficiency and effectiveness of control processes as well as compliance with internal and external requirements. If any weaknesses are identified, the Continental Group's management initiates the necessary measures.

As part of our opportunity management activities, we assess market and economic analyses and changes in legal requirements (e.g. with regard to fuel consumption and emission standards as well as safety regulations). In addition, we deal with the corresponding effects on the automotive sector and other relevant markets, our production factors and the composition and further development of our product portfolio.

**Governance, risk and compliance (GRC)**
In the GRC policy adopted by the Executive Board, Continental defines the general conditions for integrated GRC as a key element of the risk management system, which regulates the identification, assessment, reporting and documentation of risks. In addition, this also further increases corporate-wide risk awareness and establishes the framework for a uniform risk culture.

In the year under review, Continental systematized the calculation of risk-bearing capacity, among other things, in order to meet the extended requirements of the revised auditing standard IDW PS 340 n. F. However, this did not lead to any significant changes in the general flow of established processes.

The GRC system incorporates all components of risk reporting and the examination of the effectiveness of the Financial Reporting ICS. Risks are identified, assessed and reported at the organizational level that is also responsible for managing the identified risks. A

## Risk reporting


multi-stage assessment process is used to involve also the higher-level organizational units. The GRC system thus includes all reporting levels, from the company level to the top corporate level.

At the corporate level, the responsibilities of the GRC Committee – chaired by the Executive Board member responsible for Finance, Controlling and IT – include identifying material risks for the Continental Group as well as complying with and implementing the GRC policy. The GRC Committee regularly informs the Executive Board and the Audit Committee of the Supervisory Board of the material risks, any weaknesses in the control system and measures taken. Moreover, the auditor is required to report to the Audit Committee of the Supervisory Board regarding any material weaknesses in the Financial Reporting ICS which they have identified as part of their audit activities.

### Risk assessment and reporting

A period under consideration of one year is always applied when evaluating risks and opportunities. Risks and their effects are assessed using an end-to-end gross and net assessment methodology that helps to identify the impact of risk-minimizing measures. Risks are assessed primarily according to quantitative criteria in various categories. If a risk cannot be assessed quantitatively, then it is assessed qualitatively based on the potential negative effects its occurrence would have on achieving corporate goals and based on other qualitative criteria such as the impact on Continental's reputation. Risks and opportunities are not offset.

Material individual risks for the Continental Group are identified from all the reported risks based on the probability of occurrence and the potential amount of damage that would be caused in the period under consideration. Quantified risks are based on EBIT effect and free cash flow effect.

The individual risks that Continental has classified as material and the aggregated risks that have been assigned to risk categories are all described in the report on risks and opportunities, provided the potential negative effect of an individual risk or the sum of risks included in a category exceeds €100 million in the period under consideration or there is a significant negative impact on the corporate goals.

The aggregated risk inventory is compared with the risk-bearing capacity determined under both the liquidation and going-concern approaches, taking into account possible interactions, and is supplemented by a qualitative assessment by the GRC Committee on non-quantifiable risks in order to derive a statement on the potential risk to the Continental Group.

Local management can utilize various instruments for risk assessment, such as predefined risk categories (e.g. exchange-rate risks, product-liability risks, legal risks) and assessment criteria, centrally developed function-specific questionnaires as well as the Financial Reporting ICS's process and control descriptions. The key controls in business processes (purchase to pay, order to cash, asset management, HR, IT authorizations, the financial statement closing process and sustainability reporting) are thus tested with respect to their effectiveness.

All major subsidiaries carry out a semiannual assessment of business-related risks and an annual assessment of compliance risks in the GRC system's IT-aided risk management application. Any quality, legal and compliance cases that have actually occurred are also taken into account when assessing these risks. The quarterly Financial Reporting ICS completes regular GRC reporting.

Furthermore, strategic risks are identified and assessed, for example as part of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). Any new material risks arising ad hoc between regular reporting dates have to be reported immediately and considered by the GRC Committee. This also includes risks identified in the audits by corporate functions.

In addition to the risk analyses carried out by the reporting units as part of integrated GRC, audits are also performed by the Group Audit department. Furthermore, the central controlling function analyzes the key figures provided as part of this reporting process at corporate and group-sector level in order to assess the effects of potential risks.

Continental has set up the Compliance & Anti-Corruption Hotline to give employees and third parties outside the Continental Group the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, but also accounting manipulations, can be reported anonymously, where permissible by law, via this hotline. Tips received by the hotline are examined, pursued and dealt with fully by the Group Audit and Compliance departments, as required, with the assistance of other departments. Continental also offers an ombudsman's office.

**Risk management and monitoring**
The responsible management initiates suitable countermeasures that are also documented in the GRC system for each risk identified and assessed as material. The GRC Committee monitors and consolidates the identified risks and suitable countermeasures at the corporate level. It regularly reports to the Executive Board and recommends further measures if needed. The Executive Board discusses and resolves the measures, and reports to the Supervisory Board's Audit Committee. The responsible bodies continually monitor the development of all identified risks and the progress of actions initiated. Group Audit regularly audits the risk management process, thereby continually monitoring its effectiveness and further development.

# Material Risks

The order of the risk categories and individual risks presented within the four risk groups reflects the current assessment of the relative risk exposure for Continental and thus provides an indication of the current significance of these risks. If no quantitative information on the amount of damage is provided, the assessment is carried out on the basis of qualitative criteria. Unless the emphasis is placed on a specific group sector, the risks apply to all group sectors.

## Financial Risks

**Continental is exposed to risks in connection with its financing agreements and the syndicated loan.**
Continental is subject to risks in connection with its financing agreements. Risks arise from the bonds that Continental AG and Conti-Gummi-Finance B.V., Maastricht, Netherlands, have issued as part of the Debt Issuance Programme (DIP). These financing agreements contain covenants that could limit Continental's capacity to take action as well as change-of-control provisions.

In order to finance its current business activities as well as its investments and payment obligations, Continental concluded a syndicated loan agreement in December 2019, recently updated in November 2021, from which risks may arise. Under the terms of the syndicated loan agreement, the lenders have the right to demand repayment of the loan in the event of a change of control at Continental AG.

The requirements for and consequences of a change in control in accordance with the terms of the bonds or the syndicated loan agreement are described in detail in the Additional Disclosures and Notes Pursuant to Section 289a and Section 315a *HGB* section on pages 82 and 83. The loans and bonds cited here could also immediately become due and payable if other financing agreements of more than €75.0 million are not repaid on time or are prematurely called for repayment.

The committed volume of the syndicated loan consists of a revolving tranche of €4.0 billion (due in December 2026). This had not been utilized as at the end of fiscal 2021.

**Continental is exposed to risks associated with changes in currency exchange rates and hedging.**
Continental operates worldwide and is therefore exposed to financial risks that arise from changes in exchange rates. This could result in losses if assets denominated in currencies with a falling exchange rate lose value and/or liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in exchange rates could intensify or reduce fluctuations in the prices of raw materials in euros, as Continental sources a considerable portion of its raw materials in foreign currency. As a result of these factors, fluctuations in exchange rates can influence Continental's earnings situation.

External and internal transactions involving the delivery of products and services to third parties and companies of the Continental Group can result in cash inflows and outflows that are denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group (transaction risk). To the extent that cash outflows of the respective subsidiary of the Continental Group in any one foreign currency are not offset by cash flows resulting from operational business in the same currency, the remaining net exchange-rate risk is hedged against on a case-by-case basis using the appropriate derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months.

Moreover, Continental is exposed to exchange-rate risks arising from external and internal loan agreements that result in cash inflows and outflows denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group. These exchange-rate risks are in general hedged against by using appropriate derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. Any hedging transactions executed in the form of derivative instruments can result in losses. In addition, a number of Continental's consolidated companies report their results in currencies other than the euro, which requires Continental to convert the relevant items into euros when preparing Continental's consolidated financial statements (translation risk). Translation risks are generally not hedged.

In order to quantify the possible effects of transaction-related exchange-rate risks from financial instruments on the earnings position of the Continental Group, transaction currencies with a significant exchange-rate risk within the next 12 months are identified based on current net exposure. If the exchange rates of these currencies all develop disadvantageously for Continental at the same time, then the hypothetical negative effect on the Continental Group's earnings position, calculated based on a 10% change in the current closing rate, would amount to between €400 million and €500 million.

**Continental is exposed to default risks in connection with cash and cash equivalents, derivative instruments and interest-bearing investments.**
In order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, Continental generally uses banks that it has classified as core banks on the basis of defined criteria. As a general rule, these banks should have at least one investment-grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the core banks – and of other banks with which investments are made, loans are granted or derivative instruments are traded in derogation from the core bank principle for operational or regulatory reasons – is continuously monitored. Not only the credit ratings but also in particular the premiums for insuring against credit default risks (credit default swaps, CDSs) are monitored, provided this information is available. In addition, Continental sets investment limits for each bank and trading limits for derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. Within the internally defined risk groups, the cash and cash equivalents, interest-bearing investments and positive (net) fair values of derivative instruments held at banks assigned to a higher risk group range from €200 million to €300 million.

## Risks Related to the Markets in Which Continental Operates

**Continental could be exposed to material risks in connection with a global financial and economic crisis.**
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is Continental's most important customer group. The remainder of its sales are generated from the replacement or industrial markets, mainly in the replacement markets for passenger-car and truck tires, and to a lesser extent in the non-automotive end markets of the other group sectors.

In the year under review, global automotive markets recovered more slowly than expected, with ongoing high volatility and uncertainty resulting in particular from problems within supply chains. Should a long-term revival take longer than anticipated or be dampened by a general economic downturn, it would likely further adversely affect Continental's sales and earnings.

In the year under review, Continental's five largest OEM customers (Daimler, Ford, Renault-Nissan-Mitsubishi, Stellantis and VW) generated approximately 33% of sales. If one or more of Continental's OEM customers is lost or terminates a supply contract prematurely, the original investments made by Continental to provide such products or outstanding claims against such customers could be wholly or partially lost.

Moreover, Continental generated 49% of its 2021 total sales in Europe and 17% in Germany alone. By comparison, 25% of Continental's total sales in 2021 were generated in North America, 22% in Asia-Pacific, and 4% in other countries. Therefore, in the event of an economic downturn in Europe, particularly in Germany, for example, Continental's business and earnings situation could be affected more extensively than that of its competitors. Furthermore, the automotive and tire markets in Europe and North America are largely saturated. To minimize this dependence, Continental is striving to improve the regional sales balance, particularly by generating more sales in emerging markets and especially in Asia.

Based on a scenario analysis that assumes stagnation with regard to the global production of passenger cars and light commercial vehicles in 2022, and taking into account measures required as a result, we anticipate a decline of around 2 percentage points in the adjusted EBIT margin.

**Continental could be severely affected by the consequences of the COVID-19 pandemic over a longer period.**
Due to the ongoing COVID-19 pandemic and the associated measures to tackle this worldwide, as well as the significant restrictions on production both at the Continental Group and at its customers and suppliers, there is a risk of significant and long-term negative effects on sales and procurement markets. This would have a considerable negative impact on the availability of raw materials and components as well as Continental's sales volumes both in the OEM business and in the industrial and replacement business. The duration of the general economic downturn as well as its effects on global supply chains and Continental's various business units will largely depend on the success of containment measures as well as the effectiveness of corresponding relief packages and fiscal stimulus measures. While Continental has introduced measures aimed, for example, at improving its cost structure and ensuring supply chains, there is generally a risk of considerable and long-term negative effects on Continental's earnings, financial and net assets position.

**Continental operates in a cyclical industry.**
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is Continental's most important customer group. Global production of vehicles and, as a result, sales to OEMs are subjected to major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income and household consumer spending and preferences, which can be affected by a number of factors, including fuel costs as well as the availability and cost of consumer financing. As the volume of automotive production fluctuates, the demand for Continental's products also fluctuates, as OEMs generally do not commit to purchasing minimum quantities from their suppliers or to fixed prices. It is difficult to predict future developments in the markets Continental serves, which also makes it harder to estimate the requirements for production capacity. As Continental's business is characterized by high fixed costs, it is thus exposed to the risk that fixed costs are not fully covered in the event of falling demand and the resulting underutilization of its facilities (particularly in Automotive). Conversely, should the markets in which Continental operates once again grow faster than anticipated, there could be insufficient capacity to meet customer demand. To reduce the impact of the potential risk resulting from this dependence on the automotive industry, Continental is strengthening its replacement business and industrial business, including by means of acquisitions.

**Continental is exposed to fluctuations in the prices of raw materials and electronic components as well as a rise in energy and logistics costs.**
For the Automotive group sector, higher prices for raw materials and electronic components in particular can result in cost increases. The Tires and ContiTech group sectors mainly use natural and synthetic rubber as well as oil-based raw materials. The prices for these raw materials and components are exposed to sometimes considerable fluctuations worldwide. At present, Continental does not actively hedge against the risk of rising prices of electronic components or raw materials by using derivative instruments. There may also be a significant rise in energy and logistics costs. If the company is not able to compensate for the increased costs or to pass them on to customers, these price increases could reduce Continental's earnings by €400 million to €500 million.

**Continental is exposed to risks associated with additional or higher tariffs.**
Due to the trend toward protectionism and the increase in trade conflicts around the world, Continental sees itself at risk from additional or higher tariffs on automobiles and on the products, components and raw materials it supplies or purchases. These tariffs could cause demand for Continental's products to drop and costs to increase, which would have an adverse effect on Continental's business and earnings situation.

**Continental is exposed to geopolitical risks.**
On March 7, 2022, due to ongoing geopolitical developments, the Executive Board of Continental amended its report on risks and opportunities dated February 22, 2022, as follows: Current geopolitical developments such as the war in Ukraine, the conflict between China and Taiwan, and the recent disputes between China and Lithuania could have an impact on Continental's sales and procurement markets. These include sanctions and other risks in supply chains as well as unforeseeable effects on the global economy. Continental constantly monitors current developments and derives possible scenarios and necessary measures.

## Risks Related to Continental's Business Operations

**Continental is exposed to risks in connection with its pension commitments.**
Continental provides defined benefit pension plans in Germany, the USA, the UK and certain other countries. As at December 31, 2021, the pension obligations amounted to €7,248.6 million. These existing obligations are financed predominantly through externally invested pension plan assets. In 2006, Continental established legally independent trust funds under contractual trust arrangements (CTAs) for the funding of pension obligations of certain subsidiaries in Germany. In 2007, Continental assumed additional CTAs in connection with the acquisition of Siemens VDO. As at December 31, 2021, Continental's net pension obligations (defined benefit obligations less the fair value of plan assets) amounted to €4,184.3 million.

Continental's externally invested plan assets are funded by externally managed funds and insurance companies. While Continental generally prescribes the investment strategies applied by these funds and takes these into account when selecting external fund managers, it does not have any influence over their individual investment decisions. The assets are invested in different asset classes, including equity, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested plan assets are subject to fluctuations in the capital markets that are beyond Continental's influence. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in Continental's net pension obligations.

Any such increase in Continental's net pension obligations could adversely affect Continental's financial condition due to an increased additional outflow of funds to finance the pension obligations. Also, Continental is exposed to risks associated with longevity and interest-rate changes in connection with its pension commitments, as an interest-rate decrease could have an adverse effect on Continental's liabilities under these pension plans. Furthermore, certain US-based subsidiaries of Continental have entered into obligations to make contributions to healthcare costs of former employees and retirees. Accordingly, Continental is exposed to the potential risk that these costs may increase in the future.

If the discount rates used to calculate net pension obligations were to decrease by 0.5 percentage points at the end of the year, all other things being equal, this would lead to a rise in net pension obligations of anywhere from €700 million to €800 million which could not be reduced by taking measures to minimize risk. However, this would not affect EBIT.

**Continental depends on a limited number of key suppliers for certain products.**
Continental is subject to the potential risk of unavailability of certain raw materials and production materials. Although Continental's general policy is to source product components from a number of different suppliers, single sourcing cannot always be avoided and, consequently, Continental is dependent on certain suppliers in Tires and ContiTech as well as with respect to certain products manufactured by Automotive. Since Continental's procurement logistics are mostly organized on a just-in-time or just-in-sequence basis, supply delays, cancellations, strikes, insufficient quantities or inadequate quality can lead to interruptions in production and therefore have a negative impact on Continental's business operations in these areas. Continental tries to limit these risks by endeavoring to select suppliers carefully and monitor them regularly. However, if one of Continental's suppliers is unable to meet its delivery obligations for any reason (e.g. insolvency, destruction of production plants as a result of natural disasters, refusal to perform following a change in control, or the far-reaching effects of the COVID-19 pandemic), or if corresponding deliveries are affected by sanctions due to geopolitical disputes, Continental may be unable to source input products from other suppliers on short notice at the required volume. Such developments and events can therefore cause delays in the delivery or completion of Continental products or projects and could result in Continental having to purchase products or services from third parties at higher costs or even to financially support its own suppliers. Furthermore, in many cases OEM customers have approval rights with respect to the suppliers used by Continental, which could make it impossible for Continental to source input products from other suppliers upon short notice if the relevant OEM customer has not already approved other suppliers at an earlier point in time and which could lead to order cancellations. Claims for damages on a considerable scale could also not be ruled out. Furthermore, Continental's reputation among OEM customers could suffer, with the possible consequence that they select a different supplier.

**Continental is exposed to warranty and product liability claims.**
In its quality strategy, Continental has defined the framework conditions for all quality-related activities and ascribes the highest priority to quality. However, Continental is constantly subject to product liability claims and proceedings alleging violations of due care, violation of warranty obligations or material defects, and claims arising from breaches of contract due to recalls or government proceedings. Any such lawsuits, proceedings and other claims could result in increased costs for Continental. Moreover, defective products could result in loss of sales and loss of customer and market acceptance. Such risks are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Additionally, any defect in one of Continental's products (in particular tires and other safety-related products) could also have a considerable adverse effect on the company's reputation and market perception. This could in turn

have a negative impact on Continental's sales and income. Moreover, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims. In addition, Continental has long been subject to continuing efforts by its customers to change contract terms and conditions concerning the contribution to warranty and recall cost. Furthermore, Continental manufactures many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered by Continental do not meet the requirements stipulated by its OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Under certain circumstances, this could lead to losses of sales and earnings. Furthermore, Continental's OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time. Moreover, failure to fulfill quality requirements could have an adverse effect on the market acceptance of Continental's other products and its market reputation in various market segments.

The quantifiable risks from warranty and product liability claims as at December 31, 2021, taking into account provisions, amounted to between €100 million and €200 million.

**Continental is subject to the risk of postponed product launches due to delayed research and development projects.**
In the Automotive group sector, delays in the development process due to steadily increasing complexity or lack of availability of qualified specialists could result in delayed product launches, which could lead to potential claims from customers. This could relate to specific projects for individual customers as well as general developments affecting multiple customers. To reduce the potential impact, critical projects are continuously and closely monitored and provided with additional resources. Should these measures prove insufficient, the potential claims asserted amount to €100 million to €200 million.

**Continental is exposed to information-technology risks.**
With regard to its business and production processes, its products and its internal and external communication, Continental is highly dependent on centralized and standardized information-technology systems and networks. These systems and networks as well as the products themselves are potentially exposed to the risk of various forms of cybercrime as well as damage and disruption that can have a wide range of other causes. In hacker attacks, third parties could attempt to gain unauthorized access to confidential information and data that is stored, processed or communicated in the systems and networks. In addition, data, products and systems could be blocked, damaged, controlled or destroyed as a result of becoming infected with viruses or malware.

Although Continental has taken appropriate precautions to manage the risks associated with system and network disruptions and corresponding attacks, a prolonged outage in a computer center or telecommunication network or a comparable incident could result in systems or networks becoming unexpectedly unavailable over an extended period. The measures taken to minimize such risks include technical and organizational precautions such as duplicated data storage and contingency plans, as well as suitable training measures that are continuously expanded, particularly to raise awareness of the growing threat from cybercrime.

Should the precautions taken prove insufficient to adequately protect the systems, networks, products and information, Continental could suffer considerable damage and disadvantages as a result of outages or the knowledge and use of its information by third parties.

**Continental is exposed to risks from trade restrictions, sanctions and export controls.**
Due to the global alignment of the economic activity of the Continental Group, there are business risks with respect to embargoes, sanctions and export controls. As a global company, Continental also has business relations with customers and partners based in countries that are – or may be in the future – subject to export restrictions, embargoes, economic sanctions or other forms of trade restrictions. In addition to the fundamental influence that such restrictions have on the business activity of the Continental Group, violations of relevant provisions may lead to considerable penalties, administrative sanctions, damage to the company's reputation, as well as claims for damages. Continental may also be forced, through new trade restrictions, to limit or put an end to business activity in certain countries or regions.

**Continental could be adversely affected by property loss and business interruption.**
Fire, natural hazards, terrorism, power failures or other disturbances at Continental's production facilities or within Continental's supply chain – with customers and with suppliers – can result in severe damage and loss. Such far-reaching negative consequences can also arise from political unrest or instability. The risks arising from business interruption, loss of production, or the financing of facilities are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or damage individuals, third-party property or the environment, which could, among other things, lead to considerable financial costs for Continental.

**Continental is exposed to risks in connection with its interest in MC Projects B.V.**
Continental and Compagnie Financière Michelin SCmA, Granges-Paccot, Switzerland (Michelin), each hold a 50% stake in MC Projects B.V., Maastricht, Netherlands, a company to which Michelin contributed the rights to the Uniroyal brand for Europe as well as for certain countries outside Europe. In turn, MC Projects B.V. licensed to Continental certain rights to use the Uniroyal brand on or in connection with tires in Europe and elsewhere. Under the terms of the agreement concluded in this connection, both the agreement and the Uniroyal license can be terminated if a major competitor in the tire business acquires more than 50% of the voting rights of Continental AG or of its tire business.

Furthermore, in this case Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company Continental Barum s.r.o., Otrokovice, Czechia – one of Continental's largest tire plants in Europe – to 51%. These events could have an adverse effect on the business and earnings position of Continental's Tires group sector.

## Legal and Environmental Risks

**Continental could be threatened with fines and claims for damages for alleged or actual unlawful behavior.**
In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €1.9 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.7 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth, South Africa (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €24 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US $4.0 million (approximately €3.5 million). In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US $5.0 million (around €4.4 million) were concluded in the USA in 2018 and settlements totaling CAN $0.6 million (around €0.4 million) concluded in Canada in 2020. The risk of investigations by other antitrust authorities into this matter and further claims for damages by further alleged victims remain unaffected by the fines imposed.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany; and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Customers have since approached Continental to claim for damages, in one case for a specific amount. Continental has rejected these claims as being without merit. Nevertheless, it cannot be ruled out that the resulting expenses will exceed the provisions that have been set aside for this purpose. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures so as not to adversely affect the company's interests.

On March 3, 2021, the Brazilian antitrust authorities (Conselho Administrativo de Defesa Econômica, CADE), acting on the basis of the issues addressed by the European Commission and described above, formally initiated proceedings against Continental Teves AG & Co. oHG, Frankfurt am Main, Germany, and certain former employees for alleged unlawful exchange of competition-sensitive information concerning hydraulic brake systems. The proceedings against Continental are still at an early stage. Continental is therefore unable to reliably predict in any way what the outcome of these proceedings will be. If Continental is found responsible for any violation, CADE could impose a fine on the company of 0.1% to 20% of its revenue or that of the Continental Group in Brazil in the year prior to when the administrative proceedings were launched (2020). Non-pecuniary penalties may also be possible. Furthermore, customers allegedly affected by the alleged exchange of information could claim for damages if indeed a violation of Brazilian antitrust law is established.

The public prosecutor's office in Hanover is conducting investigative proceedings against current and former employees as well as former board members of Continental AG suspected of committing criminal acts in connection with the development and supply of illegal defeat devices for VW diesel engines as well as in connection with the company's subsequent investigation of these actions, and as part of these proceedings has conducted multiple searches at locations of Continental AG and individual companies of the Continental Group. Continental AG and individual companies of the Continental Group are ancillary parties to these proceedings. The investigations concern activities of the former Powertrain business area that were transferred within the scope of the spin-off to Vitesco Technologies Group AG, Regensburg, Germany, and its subsidiaries.

In addition, the public prosecutor's office in Frankfurt am Main, in connection with conducting administrative offense proceedings concerning illegal defeat devices in diesel engines of an international automotive manufacturer – proceedings which have meanwhile been legally concluded against this automotive manufacturer with payment of a fine – is conducting separate administrative offense proceedings against Continental AG on suspicion of breach of supervisory duties. The public prosecutor's office in Frankfurt am Main is also conducting separate investigative proceedings against two former employees of Continental AG for suspected criminal acts carried out in connection with this matter.

Both the investigations by the public prosecutor's office and the company's internal investigation into the matters covered by these proceedings, which involve considerable costs and effort, are ongoing. Continental AG and the companies of the Continental Group are cooperating unreservedly with the public prosecutor's offices in Hanover and Frankfurt am Main. There is a risk that fines will be imposed as a result of the allegations. The amount of such fines, which could comprise a levy and a penalty component, is currently unknown but collectively could be significant. Furthermore, the risk of damage to the company's reputation cannot be ruled out.

To cover risks and costs arising from the proceedings conducted by the public prosecutor's offices in Hanover and Frankfurt am Main, a provision amounting to a high eight-figure sum has been set aside.

In the event that fines or other measures are imposed on Continental AG and/or individual companies of the Continental Group that concern the transferred business, Vitesco Technologies Group AG is obligated on the basis of and in accordance with contractual provisions arising in particular from the corporate separation agreement concluded in the context of the spin-off to indemnify Continental AG and any individual companies of the Continental Group against the ensuing costs and liabilities. This is consistent with the agreement between the parties that all opportunities as well as all risks arising from the transferred business shall pass to Vitesco Technologies Group AG and the companies of Vitesco Technologies. These regulations have not been taken into account in the formation of the provision described above. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures and any potential claims against Vitesco Technologies Group AG so as not to adversely affect the company's interests.

In view of the scope of these national and international investigations against automotive manufacturers and suppliers, further proceedings by public authorities, civil legal proceedings, and claims by third parties along with the related financial risks cannot be ruled out.

**There is a risk that Continental could infringe on the industrial property rights of third parties.**
There is a risk that Continental could infringe on the industrial property rights of third parties, since its competitors, suppliers and customers also submit a large number of inventions for industrial property protection. It is not always possible to determine with certainty whether there are effective and enforceable third-party industrial property rights to certain processes, methods or applications. Therefore, third parties could assert claims (including illegitimate ones) of alleged infringements of industrial property rights against Continental. As a result, Continental could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries, or be forced to make changes to manufacturing processes and/or products. In addition, Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers. In addition, Continental is subject to efforts by its customers to change contract terms and conditions concerning the participation in disputes regarding alleged infringements of intellectual property rights.

**Continental is exposed to risks from legal disputes.**
Companies from the Continental Group are involved in a number of legal and arbitration proceedings and could become involved in other such proceedings in the future. These proceedings could involve substantial claims for damages or payments, particularly in the USA. For more information on legal disputes, see Note 38 of the notes to the consolidated financial statements.

**Continental could be unsuccessful in adequately protecting its intellectual property and technical expertise.**
Continental's products and services are highly dependent upon its technological know-how and the scope and limitations of its proprietary rights therein. Continental has obtained or applied for a large number of patents and other industrial property rights that are of considerable importance to its business. The process of obtaining patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide Continental with meaningful protection or commercial advantage. In addition, although there is a presumption that patents are valid, this does not necessarily mean that the patent concerned is effective or that possible patent claims can be enforced to the degree necessary or desired.

A major part of Continental's know-how and trade secrets is not patented or cannot be protected through industrial property rights. Consequently, there is a risk that certain parts of Continental's know-how and trade secrets could be transferred to collaboration partners, customers and suppliers, including Continental's machinery suppliers or plant vendors. This poses a risk that competitors will copy Continental's know-how without incurring any expenses of their own. Moreover, Continental has concluded a number of license, cross-license, collaboration and development agreements with its customers, competitors and other third parties under which Continental is granted rights to industrial property and/or know-how of such third parties. It is possible that license agreements could be terminated under certain circumstances in the event of the licensing partner's insolvency or bankruptcy and/or in the event of a change of control in either party, leaving Continental with reduced access to intellectual property rights to commercialize its own technologies.

**Continental could become subject to additional burdensome environmental or safety regulations, and new regulations could adversely affect demand for the company's products and services.**
As a corporation that operates worldwide, Continental must observe a large number of different regulatory systems in numerous countries that change frequently and are continuously evolving and becoming more stringent, particularly with respect to the environment, chemicals and hazardous materials, as well as health regulations. This also applies to air, water and soil pollution regulations and to waste legislation, all of which have recently become more stringent through new laws, particularly in the EU and the USA. Moreover, Continental's sites and operations necessitate various permits and the requirements specified therein must be complied with. In the past, adjusting to new requirements has necessitated investments, and Continental assumes that further investments in this regard will be required in the future.

# Material Opportunities

Unless the emphasis is placed on a specific group sector, the opportunities apply to all group sectors.

**There are opportunities for Continental if the economy performs better than anticipated.**
If the economy in our major sales regions develops better than we have anticipated, we expect that demand for vehicles, replacement tires and industrial products will also develop better than we have anticipated. Due to the increased demand for Continental's products among vehicle manufacturers and industrial clients and in the replacement business that would be expected as a consequence, our sales could rise more significantly than expected and there could be positive effects with regard to fixed cost coverage.

**There are opportunities for Continental if the sales markets develop better than anticipated.**
If demand for automobiles and replacement tires develops better than we have anticipated, this would have positive effects on Continental's sales and earnings. Particular importance is attached to the European market due to the high share of sales that Continental generates in this region (49%).

**There are opportunities for Continental if prices fall on the raw materials markets relevant to us.**
Continental's earnings situation is affected to a significant extent by the cost of raw materials, electronic components and energy. For Automotive, this particularly relates to the cost of electronic components as well as metals and plastics. The earnings situation of Tires and ContiTech is significantly impacted by the cost of oil and of natural and synthetic rubber. If prices for natural and synthetic rubber in particular decline, this could have a positive impact on Continental's earnings, provided sales prices for rubber products remain stable.

**The trend toward automated and autonomous driving presents Continental with opportunities.**
The trend from assisted driving to automated and autonomous driving is set to continue. Several OEMs expect to be able to provide new models with partially automated "Level 3" functions over the next few years. A key requirement for partially automated driving is that vehicles be equipped with sensors. Today, between two and seven sensors for assisted driving are installed per vehicle, depending on the model. Even for partially automated driving, considerably more and also higher-quality radar, camera and LiDAR sensors are required, depending on the scope of the functionality. Since Continental is one of the leading providers of advanced driver assistance systems, the increasing volume of sensors, electronic control units and new software such as the Driving Planner (see the Research and Development section) could result in considerable sales and earnings opportunities.

**Innovations for vehicle interiors present Continental with opportunities.**
For optimum interaction between the driver and the vehicle, more and more new products are being used in car manufacturing in the increasingly important area of "user experience." For the user experience of the future, Continental has developed countless innovations such as curved digital 3D displays, ShyTech displays (see the Research and Development section) and the Ac2ated Sound speakerless sound system. With an integrated solution for interior sensor technology, Continental is also increasing the level of comfort and safety within the vehicle. Since intelligent concepts for new experiences for car buyers in the vehicle interior are becoming more and more important, and Continental is one of the leading providers of these, increasing demand among car manufacturers could result in considerable sales and earnings opportunities.

**The digitalization of vehicles and the data generated as a result presents Continental with opportunities.**
The massive amounts of data generated by driver assistance systems and driver information systems as well as the immediate processing thereof in vehicles require a changeover of the vehicle architecture to the most cutting-edge high-performance computers. This – together with the new software solutions required for this purpose – results in substantial growth potential for Continental with positive effects on its future sales and attainable margins. In addition, the increasing digitalization of our products gives us the opportunity to offer our customers software-based services as well as the product itself, and to open up new markets for mobility services (smart mobility).

**The tire business presents Continental with opportunities.**
Continental intends to further increase its market share in the growth markets of Asia and North America in particular. In the passenger-car tire segment, the global business with tires for electric mobility and ultra-high-performance tires is to be systematically expanded further. The truck and bus tire business is to be further developed in all regions through the Conti360° fleet services. Continental's specialty tire business, which includes not only two-wheel and racing tires but also tires for a variety of industrial applications, is expected to grow further as well. Smart, digital tire solutions and ambitious sustainability goals will also make a significant contribution to market success and differentiation in the future. In the area of service-based digital solutions, the Tires group sector of Continental aims to become the leading supplier worldwide by 2030. If Continental succeeds in increasing its market share in high-growth segments and in digital solutions and services even more than planned, this is likely to have positive effects on its sales and earnings.

**Digitalization in the industrial business presents Continental with opportunities.**
The growth potential results primarily from the increasing demand for digital and intelligent solutions in the industrial business. To this end, the ContiTech group sector will draw on its long-standing and detailed knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. If these new products become established more quickly than planned, this would create corresponding sales and earnings opportunities for Continental.

**There are opportunities for Continental from changes in the legal framework.**
Legal regulations with the aim of further improving traffic safety provide an opportunity for a rise in demand for Continental's products. Based on our broad product portfolio for active vehicle safety, we have developed more advanced safety systems over the past years. Further volume growth is expected as a result of more stringent requirements in various regional safety tests, since an increasing number of safety systems have been recognized as having achieved the very highest level of safety. In addition, more and more legal requirements in individual countries are being expanded to include active safety systems.

# Statement on Overall Risk and Opportunities Situation

In the opinion of the Executive Board, the overall risk situation of the Continental Group has not changed significantly in the past fiscal year.

How long the COVID-19 pandemic and the consequences thereof will continue to have an effect on the automotive industry and the macroeconomic situation remains to be seen.

However, the analysis for the year under review did not reveal any risks, either at the balance sheet date or at the time the annual financial statements were prepared, that individually or collectively pose a threat to the company or the Continental Group as a going concern. In the opinion of the Executive Board, there are also no discernible risks to the Continental Group as a going concern in the foreseeable future.

Considering the material opportunities, the overall risk assessment for the Continental Group presents a reasonable risk and opportunities situation to which our risk-containment measures and our corporate strategy have been aligned accordingly.

# Report on Expected Developments
# Future General Conditions

## Forecast of Macroeconomic Development

The global economy is entering 2022 in a weaker position than most recently forecast by the International Monetary Fund (IMF). With the spread of the new Omicron variant of COVID-19, many countries have reimposed mobility restrictions. Rising energy prices and supply shortages have also resulted in higher and more broad-based inflation than anticipated, particularly in the USA and many emerging and developing economies. In its World Economic Outlook Update (WEO Update) of January 2022, the IMF lowered its growth forecast for the global economy by half a percentage point compared with October 2021 to 4.4% for 2022.

In Europe, according to the IMF, pandemic-related mobility restrictions and existing supply shortages are expected to drag on economic growth in 2022. For the eurozone, the IMF expects gross domestic product (GDP) to rise by 3.9% in 2022, with GDP for the German economy expected to grow by 3.8%. For the UK, it anticipates GDP growth of 4.7%.

For the USA, the IMF predicts a slowdown in GDP growth to 4.0% for 2022 as a result of lower effects from economic stimulus programs, an earlier withdrawal of monetary accommodation and continued supply shortages.

The IMF sees Japan's economy benefiting in 2022 from improvements in external demand and continued fiscal support from the Japanese government, and forecasts GDP growth of 3.3% for the country in 2022.

For India, the IMF continues to forecast a high GDP growth rate of 9.0% in 2022. In other emerging and developing economies, the IMF expects growth to slow somewhat. In China, pandemic-induced disruptions to the economy related to its zero-tolerance COVID-19 containment policy and the ongoing crisis in its real estate sector lead the IMF to expect GDP growth of 4.8% there in 2022. For Brazil, the IMF anticipates GDP growth of just 0.3%, as multiple interest rate hikes by the Brazilian central bank to combat inflation will weigh on domestic demand.

The IMF forecast is conditioned on adverse health outcomes from the COVID-19 pandemic coming down to low levels in most countries by the end of 2022, assuming that global vaccination rates continue to improve and the pandemic becomes manageable. The IMF further expects that higher inflation will persist for longer than previously expected due to supply chain disruptions and higher energy prices. Inflation should gradually decrease, however, once supply and demand balance out again over the course of 2022.

The IMF also points toward a number of risks. For one, the emergence of new COVID-19 variants could prolong the pandemic and induce renewed economic disruptions. Furthermore, as advanced economies lift policy rates to combat inflation, risks to financial stability and emerging market and developing economies' capital flows, currencies and fiscal positions – especially with debt levels having increased significantly in the past two years – may emerge.

## Forecast for Key Customer Sectors and Sales Regions

**Forecast for production of passenger cars and light commercial vehicles**
We currently expect the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons to recover and increase by 6% to 9% year-on-year in 2022. This estimate takes into account the currently expected impact of the semiconductor shortage and the ongoing COVID-19 pandemic on production volumes in 2022. We currently expect a production volume of around 20 million units per quarter in the first half of the year, which should improve slightly in the second half of the year as a result of capacity expansions among semiconductor suppliers. Due to the low storage volumes in the supply chain, however, new events such as natural disasters could rapidly impact production and lead to renewed disruptions.

In Europe, we anticipate a strong recovery in the production of passenger cars and light commercial vehicles of 15% to 18% in 2022 compared with the low volumes of the previous year.

In North America, we currently expect production volumes for cars and light commercial vehicles of around 15 million units in 2022. A rise of 14% to 17% compared with the very weak prior-year figure should result.

In China, following an increase in growth in the previous year, we expect only slight growth in production volumes for cars and light commercial vehicles of 0% to 2% in 2022.

**Forecast for production of medium and heavy commercial vehicles**
According to our estimates, the global production of commercial vehicles weighing more than 6 metric tons will fall just short of the prior-year figure in 2022. We estimate a decline of between 0% and 3%.

We expect production in the USA and Europe to recover further as a result of an increase in order intake. We forecast a rise in production in North America of between 17% and 20% in 2022, and a rise in Europe of 5% to 8%.

For China – following the advance purchases in the first half of 2021 – we expect falling demand in 2022 and a 15% to 20% decline in production volumes.

**Forecast for replacement-tire markets for passenger cars and light commercial vehicles**
In 2022, we currently expect demand for replacement tires for cars and light commercial vehicles weighing less than 6 metric tons to remain static.

For Europe and North America, we currently expect volumes to be on a par with the previous year. In China, we expect demand to be up to 2% higher than the previous year's figures.

**Forecast for replacement-tire markets for medium and heavy commercial vehicles**
For 2022, we currently expect demand for replacement tires for medium and heavy commercial vehicles to rise slightly in both Europe and North America, by between 0% and 2%.

**Forecast changes to vehicle production and sales volumes in the tire-replacement business in 2022 (compared to 2021)**

| | Vehicle production | | Replacement sales of tires | |
|---|---|---|---|---|
| | **of passenger cars and light commercial vehicles** | **of medium and heavy commercial vehicles** | **for passenger cars and light commercial vehicles** | **for medium and heavy commercial vehicles** |
| Europe | 15% to 18% | 5% to 8% | -1% to 1% | 0% to 2% |
| North America | 14% to 17% | 17% to 20% | -1% to 1% | 0% to 2% |
| China | 0% to 2% | -15% to -20% | 0% to 2% | n. a. |
| **Worldwide** | **6% to 9%** | **-3% to 0%** | **-1% to 1%** | **n. a.** |

*Source: own estimates.*

# Outlook for the Continental Group

**Forecast process**
Each year, Continental forecasts the values of key performance indicators for the Continental Group for the new fiscal year. These include sales and the adjusted EBIT margin for the Continental Group and for the Automotive Technologies, Rubber Technologies and Contract Manufacturing group sectors, and – from 2022 onward – for the Automotive, Tires, ContiTech and Contract Manufacturing group sectors.

In addition, we provide information on the assessment of important factors influencing EBIT. These include the expected negative or positive effect of the estimated development of raw material prices and other cost factors for the current year, the expected development of special effects and the amount of amortization from purchase price allocations. We thus allow the Continental Group's expected EBIT to be estimated.

Furthermore, we give an assessment of the development of interest income and expenses as well as the tax rate for the Continental Group, which in turn allows the Continental Group's expected net income to be estimated. We also publish a forecast of the capital expenditures planned for the current year and the free cash flow before acquisitions, divestments and certain exceptional effects, if any, such as the effects of the spin-off of Vitesco Technologies in 2021. Our forecast is based on our expectations regarding the most important production and sales markets in the new fiscal year.

We publish our forecast as part of our annual financial press conference and the publication of our annual report. It is continually reviewed over the course of the fiscal year. Possible changes to the forecast are described at the latest in the report for the respective quarter.

**Comparison of the past fiscal year against forecast**
Following the COVID-19 pandemic-related decline in the previous year, our forecast for fiscal 2021, which we published in March 2021, was based on the expectation of a noticeable recovery in the production of passenger cars and light commercial vehicles, both in our core markets and globally. To a lesser extent, this also applied to the replacement-tire markets and the industrial business. As mentioned in the report on expected developments in the 2020 annual report, we expected the global production of passenger cars and light commercial vehicles to increase by around 9% to 12% year-on-year in 2021.

Our outlook took into account expected impact of the ongoing COVID-19 pandemic on production volumes in 2021. The shortage of semiconductors due to our suppliers working at full capacity limited growth in the first quarter of 2021 in particular. At the same time, increased costs were anticipated in the supply chains. In the second half of the year, we expected the delivery situation to return to normal. The planned spin-off and subsequent listing of Vitesco Technologies during the second half of 2021 was not taken into account in the disclosures.

Based on all of the above assumptions as well as on the exchange rates at the beginning of the fiscal year, we expected the following key financial figures for fiscal 2021:

- We expected our Automotive business areas at that time – Autonomous Mobility and Safety, Vehicle Networking and Information, and Powertrain – to achieve sales of around €24.0 billion to €25.0 billion. We expected the adjusted EBIT margin to be in the range of around 1% to 2%. This included increased supply chain costs as well as additional research and development expenses in the Autonomous Mobility and Safety business area.

- We expected our Rubber business areas – Tires and ContiTech – to achieve sales of around €16.5 billion to €17.5 billion and an adjusted EBIT margin of around 11.5% to 12.5%. This included the expected negative impact of higher raw material costs.

- We expected the Continental Group to achieve total sales in the range of around €40.5 billion to €42.5 billion and an adjusted EBIT margin of around 5% to 6%. For 2021, taking into account expenses relating to the Transformation 2019–2029 structural program, among other factors, we expected negative special effects to total around €600 million. As in the previous year, amortization from purchase price allocations were again expected to total just under €200 million and affect mainly the ContiTech and Vehicle Networking and Information business areas. In 2021, we expected the negative financial result to be in the region of €220 million before effects from currency translation and before effects from changes in the fair value of derivative instruments, and other valuation effects. The tax rate was expected to be around 27% in 2021. The capital expenditure ratio was expected to be around 7% of sales in fiscal 2021. Finally, in 2021, we were planning on free cash flow of approximately €0.9 billion to €1.3 billion, before acquisitions and before the effects of transforming the Powertrain business area into an independent legal entity.

In the quarterly statement for the first quarter of 2021, we adjusted our outlook for 2021 mainly due to the anticipated spin-off of Vitesco Technologies:

- For the Continental Group's continuing operations, we expected sales of €32.5 billion to €34.5 billion and an adjusted EBIT margin of 6% to 7% for 2021. We still anticipated negative special effects of around €300 million for continuing operations. These effects related to the Transformation 2019–2029 structural program, among other factors. Taking into account the effects of the anticipated spin-off of Vitesco Technologies, we expected free cash flow before acquisitions, divestments and carve-out effects of around €1.1 billion to €1.5 billion from continuing operations. The increase was due in particular to the postponement of cash utilizations from restructuring provisions. For fiscal 2021, we continued to expect a capital expenditure ratio before financial investments of around 7% of sales for continuing operations.

- For the continuing operations of Automotive Technologies, we expected sales of around €16 billion to €17 billion for 2021. An adjusted EBIT margin in the range of around 1% to 2% was anticipated. This still included the higher supply chain costs as well as the additional expenses for research and development announced on March 9, 2021, in the Autonomous Mobility and Safety business area.

- For the Rubber Technologies group sector, we still expected sales of around €16.5 billion to €17.5 billion and an adjusted EBIT margin of about 11.5% to 12.5% for the year as a whole. This included the impact expected from higher raw material costs.

In the half-year financial report, we updated our market forecasts. In particular, we lowered our expectations for the global production of passenger cars and light commercial vehicles to around 8% to 10% year-on-year in 2021.

- Based on new assumptions as well as current exchange rates, for continuing operations in fiscal 2021, we expected consolidated sales of around €33.5 billion to €34.5 billion, an adjusted EBIT margin of around 6.5% to 7.0% and negative special effects amounting to around €300 million. These effects related to the Transformation 2019–2029 structural program, among other factors.

- For Automotive Technologies, we expected sales of around €16.0 billion to €16.5 billion and an adjusted EBIT margin of around 0.5% to 1.0%.

- For Rubber Technologies, we raised our sales forecast to €17.2 billion to €17.8 billion and the forecast adjusted EBIT margin to around 12.5% to 13.0%.

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

- We also updated our expectation for amortization from purchase price allocations to below €200 million.

- We lowered our estimate of the negative financial result before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects to around €180 million.

- We continued to forecast a capital expenditure ratio of around 7% of sales.

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

On October 22, 2021, we adjusted our outlook for fiscal 2021 due to several factors. Given the ongoing shortages of semiconductor components as well as uncertainties in the supply chain and customer demand, we lowered our expectation for the global production of passenger cars and light commercial vehicles to between -1% and +1% year-on-year in 2021. Negative effects from cost inflation for key inputs including electronics and electromechanical components for Automotive Technologies, raw materials for Rubber Technologies as well as energy and logistics also became more material.

## Comparison of key forecast elements for fiscal 2021

| | Continental Group | | | | | Automotive business areas | | Rubber business areas | |
|---|---|---|---|---|---|---|---|---|---|
| | Sales (€ billions) | Adjusted EBIT margin (%) | Special effects (€ billions) | Investments (in % of sales) | Adjusted free cash flow (€ billions) | Sales (€ billions) | Adjusted EBIT margin (%) | Sales (€ billions) | Adjusted EBIT margin (%) |
| Annual financial press conference on March 9, 2021[1] | ca. 40.5 - 42.5 | ca. 5 - 6 | ca. -0.6 | ca. 7 | ca. 0.9 - 1.3 | ca. 24.0 - 25.0 | ca. 1 - 2 | ca. 16.5 - 17.5 | ca. 11.5 - 12.5 |
| Quarterly statement as at May 6, 2021[2] | 32.5 - 34.5 | 6 - 7 | ca. -0.3 | ca. 7 | ca. 1.1 - 1.5 | ca. 16 - 17 | ca. 1 - 2 | ca. 16.5 - 17.5 | ca. 11.5 - 12.5 |
| Half-year financial report as at August 5, 2021[2] | ca. 33.5 - 34.5 | ca. 6.5 - 7.0 | ca. -0.3 | ca. 7 | ca. 1.1 - 1.5 | ca. 16.0 - 16.5 | ca. 0.5 - 1.0 | ca. 17.2 - 17.8 | ca. 12.5 - 13.0 |
| Forecast adjustment on October 22, 2021[2] | ca. 32.5 - 33.5 | 5.2 - 5.6 | ca. -0.3 | ca. 6 | ca. 0.8 - 1.2[1] | ca. 14.5 - 15.0 | ca. -2.0 - -2.5 | ca. 17.2 - 17.5 | ca. 12.3 - 12.7 |
| Quarterly statement as at November 10, 2021[2] | ca. 32.5 - 33.5 | ca. 5.2 - 5.6 | ca. -0.3 | ca. 6 | ca. 0.8 - 1.2[1] | ca. 14.5 - 15.0 | ca. -2.0 - -2.5 | ca. 17.2 - 17.5 | ca. 12.3 - 12.7 |
| **2021 annual report[2, 3]** | **33.8** | **5.6** | **0.1** | **5.8** | **1.2[1]** | **15.4** | **-1.3** | **17.6** | **12.4** |

*All figures take into account the exceptions and definitions specified in each case in the comparison against forecast.*
*1 Continuing and discontinued operations.*
*2 Only continuing operations.*
*3 The negative effect of exchange rates on sales amounted to €247 million for the Continental Group in 2021. Around one-third of this was attributable to Automotive Technologies and around two-thirds to Rubber Technologies.*

- As a result of this and assuming that exchange rates in the fourth quarter of 2021 would remain stable, we expected consolidated sales of approximately €32.5 billion to €33.5 billion and an adjusted EBIT margin of 5.2% to 5.6% in fiscal 2021.
- For Automotive Technologies, we lowered expected sales to around €14.5 billion to €15.0 billion and the forecast adjusted EBIT margin to around -2% to -2.5%.
- In addition, we updated our forecast for sales in the Rubber Technologies group sector to around €17.2 billion to 17.5 billion and the adjusted EBIT margin to around 12.3% to 12.7%.
- For the Contract Manufacturing group sector, we forecast sales of around €800 million to €900 million and an adjusted EBIT margin of around 9% for 2021 as a whole.
- At the same time, we lowered our forecast for capital expenditure before financial investments to around 6% of sales.
- We anticipated that free cash flow before acquisitions, divestments and carve-out effects for continuing and discontinued operations would be in the range of around €800 million to €1.2 billion.

In the quarterly statement for the third quarter of 2021, we confirmed our outlook from October 22, 2021, and lowered our tax rate forecast to 23.0%.

The worsening semiconductor shortages over the course of the year and the rising costs for the procurement of materials, energy and logistics again required repeated adjustments to our forecast for fiscal 2021, in particular for the Automotive Technologies group sector.

With operating performance in the fourth quarter exceeding our expectations at the beginning of the quarter, the group sectors ultimately met or exceeded the adjusted targets from October 2021:

- Automotive Technologies generated sales of €15.4 billion and an adjusted EBIT margin of -1.3% in 2021.
- Rubber Technologies generated sales of €17.6 billion and an adjusted EBIT margin of 12.4% in the year under review.
- Contract Manufacturing generated sales of €0.9 billion and an adjusted EBIT margin of 11.7% in 2021.

The Continental Group generated sales of €33.8 billion in fiscal 2021. The upper value of the sales range from October 2021 was therefore exceeded by €0.3 billion. The adjusted EBIT margin of 5.6% was likewise at the upper end of the estimated range from October 2021.

The other parts of our October forecast for the Continental Group were also achieved or exceeded for 2021 as a whole:

- Total consolidated income from special effects amounted to €122.6 million in 2021.
- Amortization from purchase price allocations was lower than expected in 2021, at €159.0 million.
- The negative financial result before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects amounted to €77.7 million in the reporting year, which was below our estimation in the 2021 half-year financial report of around €180 million.
- Income tax expense for fiscal 2021 amounted to tax expense of €359.5 million. The tax rate of 21.0% was below our forecast of 23.0% in the quarterly statement for the third quarter of 2021.
- The capital expenditure ratio before financial investments of 5.8% was on a par with our calculation from October 2021 of around 6%.
- At €1.2 billion, free cash flow before acquisitions, divestments and carve-out effects for continuing and discontinued operations in 2021 was at the upper end of the forecast range in October 2021 of around €800 million to €1.2 billion.

**Order situation**

The order situation in our Automotive group sector continues to be impacted by a high level of uncertainty due to the ongoing COVID-19 pandemic worldwide and semiconductor shortages. In total, orders amounting to around €19 billion were acquired in fiscal 2021. This figure includes expected sales over the entire duration of the delivery, known as lifetime sales. These are based primarily on assumptions regarding production volumes of the respective vehicle or engine platforms, the expected and agreed cost adjustments, and the development of key raw material prices.

The replacement-tire business accounts for a large portion of the Tires group sector's sales, which is why it is not possible to calculate a reliable figure for order volumes.

The same applies to the ContiTech group sector, which has six business areas operating in various markets and industrial sectors, each in turn with their own relevant factors. Consolidating the order figures from the various business areas of the ContiTech group sector would thus be meaningful only to a limited extent.

### Outlook for fiscal 2022

As mentioned on page 96 of the report on expected developments, we anticipate a noticeable recovery in the global production of passenger cars and light commercial vehicles in 2022, particularly in our core markets of Europe and North America. Our expectations do not include any effects of the potential impact of the current geopolitical crisis.

Our expectations take into account the current anticipated impact of ongoing supply shortages, particularly for semiconductors, on production volumes in 2022. The shortage of semiconductors due to our suppliers working at full capacity will limit growth in the first half of 2022 in particular. In the second half of the year, we expect the delivery situation to improve slightly.

Significantly higher costs for the procurement of materials, energy and logistics as well as the increase in wages and salaries are likely to weigh heavily on our earnings position in fiscal 2022.

Based on the above assumptions as well as on the exchange rates at the beginning of the fiscal year, we anticipate the following key financial figures for fiscal 2022:

- We expect our Automotive group sector to achieve sales of around €18 billion to €19 billion. We expect the adjusted EBIT margin to be in the range of around 0% to 1.5%. This includes higher procurement and logistics costs of around €1 billion as well as additional expenses for research and development in the Autonomous Mobility business area.

- We expect our Tires group sector to achieve sales of around €13.3 billion to €13.8 billion and an adjusted EBIT margin of around 13.5% to 14.5%. This includes the expected negative impact from higher procurement and logistics costs of around €1 billion.

- We expect our ContiTech group sector to achieve sales of around €6.0 billion to €6.3 billion and an adjusted EBIT margin of around 7.0% to 8.0%. This includes the expected negative impact from higher procurement and logistics costs of around €300 million.

- In the Contract Manufacturing group sector, we anticipate sales of around €600 million to €700 million and an adjusted EBIT margin of around 0% to 1.0%.

- We expect the Continental Group to achieve total sales in the range of around €38 billion to €40 billion and an adjusted EBIT margin of around 5.5% to 6.5% in 2022.

- As in the previous year, amortization from purchase price allocations is again expected to total approximately €150 million and affect mainly the Automotive and ContiTech group sectors.

- In addition, we expect negative special effects of around €150 million.

- In 2022, we expect the negative financial result to be below €200 million before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects. The tax rate is expected to be around 27%.

- The capital expenditure ratio is expected to be below 7% of sales in fiscal 2022. In 2022, we are planning on adjusted free cash flow (before acquisitions and divestments) of approximately €0.7 billion to €1.2 billion.

On March 7, 2022, due to ongoing developments – particularly the war in Ukraine – the Executive Board of Continental AG amended its outlook for fiscal 2022 in the management report dated February 22, 2022, as follows: In the event the geopolitical situation, in particular in Eastern Europe, remains tense or even worsens, it could result in lasting consequences for production, supply chains and demand. Depending on the severity of the disruption, this may result in lower sales and earnings in all group sectors as well as for the Continental Group compared to the prior year.