



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	976 756 126
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	MERLETT NOR AS
Forretningsadresse:	Saltverket 10 4515 MANDAL

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021
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Konsern

Morselskap i konsern:	Nei
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Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Jan Anders Roaldstveit
Dato for fastsettelse av årsregnskapet:	27.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 28.05.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1	106 994 855	88 416 501
Annen driftsinntekt		94 628	21 460
Sum inntekter		107 089 482	88 437 960
Kostnader			
Varekostnad		72 864 874	63 902 272
Lønnskostnad	2	16 205 301	15 492 732
Avskrivning av driftsmidler og immaterielle eiendeler	3	311 245	298 520
Nedskrivning av varige driftsmidler og immaterielle eiendeler	3		
Annen driftskostnad	2, 3	11 205 328	14 537 350
Sum kostnader		100 586 747	94 230 873
Driftsresultat		6 502 735	-5 792 913
Finansinntekter og finanskostnader			
Annen renteinntekt		201 469	308 596
Annen finansinntekt		154 064	34 931
Sum finansinntekter		355 533	343 527
Nedskrivning av andre finansielle anleggsmidler	4		1 519 934
Annen rentekostnad		78 349	486 668
Annen finanskostnad		483 999	350 242
Sum finanskostnader		562 348	2 356 844
Netto finans		-206 816	-2 013 316
Ordinært resultat før skattekostnad		6 295 920	-7 806 229
Skattekostnad på ordinært resultat	5	1 242 113	-1 385 470
Ordinært resultat etter skattekostnad		5 053 807	-6 420 759
Årsresultat		5 053 807	-6 420 759
Årsresultat etter minoritetsinteresser		5 053 807	-6 420 759



Resultatregnskap

Beløp i: NOK	Note	2021	2020
Totalresultat		5 053 807	-6 420 759
Overføringer og disponeringer			
Avsatt til annen egenkapital	6	5 053 807	
Overført fra annen egenkapital	6		-6 420 759
Sum overføringer og disponeringer		5 053 807	-6 420 759



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter o.l.	3		27 905
Utsatt skattefordel	5	1 086 774	1 953 316
Sum immaterielle eiendeler		1 086 774	1 981 221
Varige driftsmidler			
Driftsløsøre, inventar o.a. utstyr	3	232 159	482 427
Sum varige driftsmidler		232 159	482 427
Finansielle anleggsmidler			
Investering i datterselskap	4		1
Investering i annet foretak i samme konsern	4		
Lån til foretak i samme konsern	10		
Investeringer i tilknyttet selskap	4		
Lån til tilknyttet selskap og felles kontrollert virksomhet	10		
Sum finansielle anleggsmidler			1
Sum anleggsmidler		1 318 933	2 463 649
Omløpsmidler			
Varer			
Lager av varer og annen beholdning		21 980 087	17 493 765
Sum varer		21 980 087	17 493 765
Fordringer			
Kundefordringer		23 691 986	16 393 358
Andre kortsiktige fordringer		1 640 112	1 515 215
Konsernfordringer	10		
Sum fordringer		25 332 098	17 908 573
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.	7	7 999 561	15 343 336
Sum bankinnskudd, kontanter og lignende		7 999 561	15 343 336



Balanse

Beløp i: NOK	Note	2021	2020
Sum omløpsmidler		55 311 746	50 745 674
SUM EIENDELER		56 630 678	53 209 323

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

Aksjekapital	6, 8	500 000	500 000
Beholdning av egne aksjer	6		
Annen innskutt egenkapital	6	7 500 000	7 500 000
Sum innskutt egenkapital		8 000 000	8 000 000

Opptjent egenkapital

Annen egenkapital	6	3 506 512	-1 477 355
Udekket tap	6		
Sum opptjent egenkapital		3 506 512	-1 477 355

Sum egenkapital	9	11 506 512	6 522 645
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Gjeld

Langsiktig gjeld

Utsatt skatt	5		
Annen langsiktig gjeld			
Langsiktig konserngjeld	10		

Sum langsiktig gjeld		0	0
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Kortsiktig gjeld

Leverandørgjeld	10	35 337 296	37 770 048
Betalbar skatt	5	1 328 575	273 693
Skyldig offentlige avgifter		986 666	1 046 165
Kortsiktig konserngjeld	10		
Annen kortsiktig gjeld		7 471 629	7 596 772
Sum kortsiktig gjeld		45 124 166	46 686 678

Sum gjeld		45 124 166	46 686 678
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Balanse

Beløp i: NOK	Note	2021	2020
SUM EGENKAPITAL OG GJELD		56 630 678	53 209 323



Til generalforsamlingen i Merlett Nor AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert Merlett Nor AS' årsregnskap som består av balanse per 31. desember 2021, resultatregnskap og indirekte kontantstrøm for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav, og
- gir årsregnskapet et rettviseende bilde av selskapets finansielle stilling per 31. desember 2021, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet slik det kreves i lov, forskrift og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av the International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker ikke informasjonen i årsberetningen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

PricewaterhouseCoopers AS, Gravane 26, Postboks 447, NO-4664 Kristiansand
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Uavhengig revisors beretning - Merlett Nor AS



Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avvirket.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til:
<https://revisorforeningen.no/revisjonsberetninger>

Kristiansand, 27. juni 2022
PricewaterhouseCoopers AS

Robert Andersen
Statsautorisert revisor
(elektronisk signert)



Revisjonsberetning

Signers:

Name	Method	Date
Andersen, Robert Arvid	BANKID_MOBILE	2022-06-29 11:19

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"MERLETT TECNOPLASTIC S.P.A." a socio unico

Financial statements to 31-12-2021

	Name and id code
Company site	VIA XXV APRILE 16 21020 DAVERIO VA
Fiscal code	00212770127
Registration number	Varese 100622
VAT number	00212770127
Share capital Euro	3.000.000 f.p.
Legal form	SOCIETA' PER AZIONI con socio unico
Activity Code (ATECO)	222100 Fabbricazione di lastre, fogli, tubi e profilati in materie plastiche
Company being wound up	no
Company with a single shareholder	yes
Company subject to the management and coordination of others	yes
Name of the company or entity that exercises management and coordination	CONTINENTAL AKTIENGESELLSCHAFT
Belonging to a group	yes
Name of the controlling entity	CONTINENTAL AKTIENGESELLSCHAFT
Country of the controlling entity	GERMANIA



Balance sheet (mandatory scheme)

	31-12-2021	31-12-2020
Balance sheet (mandatory scheme)		
Assets		
B) Fixed assets		
I - Intangible fixed assets		
4) concessions, licenses, trademarks and similar rights	28.372	48.375
Total intangible fixed assets	28.372	48.375
II - Tangible fixed assets		
1) land and buildings	6.316.164	6.604.738
2) plant and machinery	3.085.351	2.368.756
3) industrial and commercial equipment	182.405	222.872
4) other assets	250.556	269.776
5) assets under construction and payments on account	175.329	28.237
Total tangible fixed assets	10.009.805	9.494.379
III - Financial fixed assets		
1) equity investments		
a) subsidiary companies	4.397.424	4.500.011
Total equity investments	4.397.424	4.500.011
2) receivables due from		
c) parent companies		
due within the following year	0	3.000.000
Total receivables due from parent companies	0	3.000.000
d-b) due from others		
due beyond the following year	620	620
Total receivables due from third parties	620	620
Total receivables	620	3.000.620
Total financial fixed assets	4.398.044	7.500.631
Total fixed assets (B)	14.436.221	17.043.385
C) Current assets		
I - Inventories		
1) raw, ancillary and consumable materials	5.405.641	4.166.335
2) work in progress and semi-finished products	2.000.251	1.492.656
4) finished products and goods for resale	3.994.725	2.919.372
Total inventories	11.400.617	8.578.363
II - Receivables		
1) trade accounts		
due within the following year	9.507.059	7.129.425
Total trade accounts	9.507.059	7.129.425
2) due from subsidiary companies		
due within the following year	9.904.079	9.390.218
Total receivables due from subsidiary companies	9.904.079	9.390.218
5) receivables due from companies controlled by parent companies		
due within the following year	788.399	69.055
Total receivables paid by companies controlled by parent companies	788.399	69.055
5-b) tax receivables		
due within the following year	343.469	191.538
due beyond the following year	263.537	273.577
Total receivables due from tax authorities	607.006	465.115



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5-c) prepaid tax	248.779	281.099
5-d) other receivables		
due within the following year	57.498	73.739
Total receivables due from third parties	57.498	73.739
Total receivables	21.112.820	17.408.651
III - Current financial assets		
financial assets for central pool management	4.247.791	0
Total financial current assets	4.247.791	0
IV - Liquid funds		
1) bank and post office deposits	49.837	7.416.269
2) cheques	0	0
3) cash and equivalents on hand	2.882	3.081
Total liquid funds	52.719	7.419.350
Total current assets (C)	36.813.947	33.406.364
D) Accrued income and prepayments	120.604	118.934
Total assets	51.370.772	50.568.683
Liabilities and shareholders' equity		
A) Shareholders' equity		
I - Share capital	3.000.000	3.000.000
III - Revaluation reserves	2.482.201	2.482.201
IV - Legal reserve	600.000	600.000
VI - Other reserves, indicated separately		
Miscellaneous other reserves	6.790.755	6.790.754
Total other reserves	6.790.755	6.790.754
VIII - Retained earnings (accumulated losses)	18.099.696	21.169.306
IX - Net profit (loss) for the year	4.107.080	2.330.390
Total shareholders' equity	35.079.732	36.372.651
B) Reserves for contingencies and other charges		
1) pension and similar commitments	265.792	244.988
4) other	50.000	50.000
Total reserves for contingencies and other charges	315.792	294.988
Total reserve for severance indemnities (TFR)	4.006.654	4.103.448
D) Payables		
7) trade accounts		
due within the following year	9.474.651	7.077.577
Total trade accounts	9.474.651	7.077.577
9) due to subsidiary companies		
due within the following year	990	237.299
Total payables due to subsidiary companies	990	237.299
11-b) payables due to companies controlled by parent companies		
due within the following year	61.496	73.540
Total payables due to companies controlled by parent companies	61.496	73.540
12) due to tax authorities		
due within the following year	368.135	516.412
Total payables due to tax authorities	368.135	516.412
13) due to social security and welfare institutions		
due within the following year	701.881	651.474
Total payables due to social security and welfare institutions	701.881	651.474
14) other payables		
due within the following year	1.361.441	1.241.294
Total other payables	1.361.441	1.241.294

Financial statements to 31-12-2021

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Total payables (D)	11.968.594	9.797.596
Total liabilities and shareholders' equity	51.370.772	50.568.683



Income statement (value and cost of production)

	31-12-2021	31-12-2020
Income statement (value and cost of production)		
A) Value of production		
1) Revenues from sales and services	69.323.232	58.876.836
2) Change in work in progress, semi-finished and finished products	1.582.948	(1.020.964)
5) Other income and revenues		
operating grants	26.811	9.385
other	385.666	242.815
Total Other income and revenues	412.477	252.200
Total value of production	71.318.657	58.108.072
B) Costs of production		
6) Raw, ancillary and consumable materials and goods for resale	35.356.565	23.094.994
7) Services	13.182.200	11.215.886
8) Use of third party assets	649.812	644.099
9) personnel		
a) wages and salaries	12.403.822	11.963.208
b) related salaries	4.224.451	4.049.606
c) severance	1.005.207	907.853
e) other costs	106.524	90.110
Total payroll and related costs	17.740.004	17.010.777
10) depreciation, amortisation and write downs		
a) amortisation of intangible fixed assets	20.003	26.003
b) depreciation of tangible fixed assets	1.150.897	1.167.778
d) write-downs of accounts included among current assets	187.426	86.579
Total Amortisation, depreciation and write-downs	1.358.326	1.280.360
11) Changes in inventories of raw, ancillary and consumable materials and goods for resale	(1.239.305)	1.259.874
12) Provisions for contingencies and other charges	0	50.000
13) Other provisions	1.556	0
14) Other operating expenses	257.416	263.333
Total cost of production	67.306.574	54.819.323
Difference between value and cost of production (A - B)	4.012.083	3.288.749
C) Financial income and charges		
15) Income from equity investments		
subsidiary companies	1.082.413	0
Total income from equity investments	1.082.413	0
16) other financial income		
a) from receivables held as financial fixed assets		
subsidiary companies	2.762	4.768
parent companies	6.067	6.067
Total receivables held as financial fixed assets	8.829	10.835
d) income other than the above		
subsidiary companies	17.416	59.219
parent companies	13.631	0
other	43	262
Total income other than the above	31.090	59.481
Total other financial income	39.919	70.316
17) Interest and other financial expense		



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subsidiary companies	0	10
other	68.007	40.058
Total interest and other financial expense	68.007	40.068
17-bis) Currency gains and losses	146.521	(57.335)
Total financial income and expense (15 + 16 - 17 + - 17-bis)	1.200.846	(27.087)
Pre-tax result (A - B + - C + - D)	5.212.929	3.261.662
20) Income tax for the year, current, deferred and prepaid		
Current taxes	1.073.529	979.744
deferred and prepaid tax	32.320	(48.472)
Total taxes on the income for the year	1.105.849	931.272
21) Profit (loss) for the year	4.107.080	2.330.390



Financial statement, indirect method

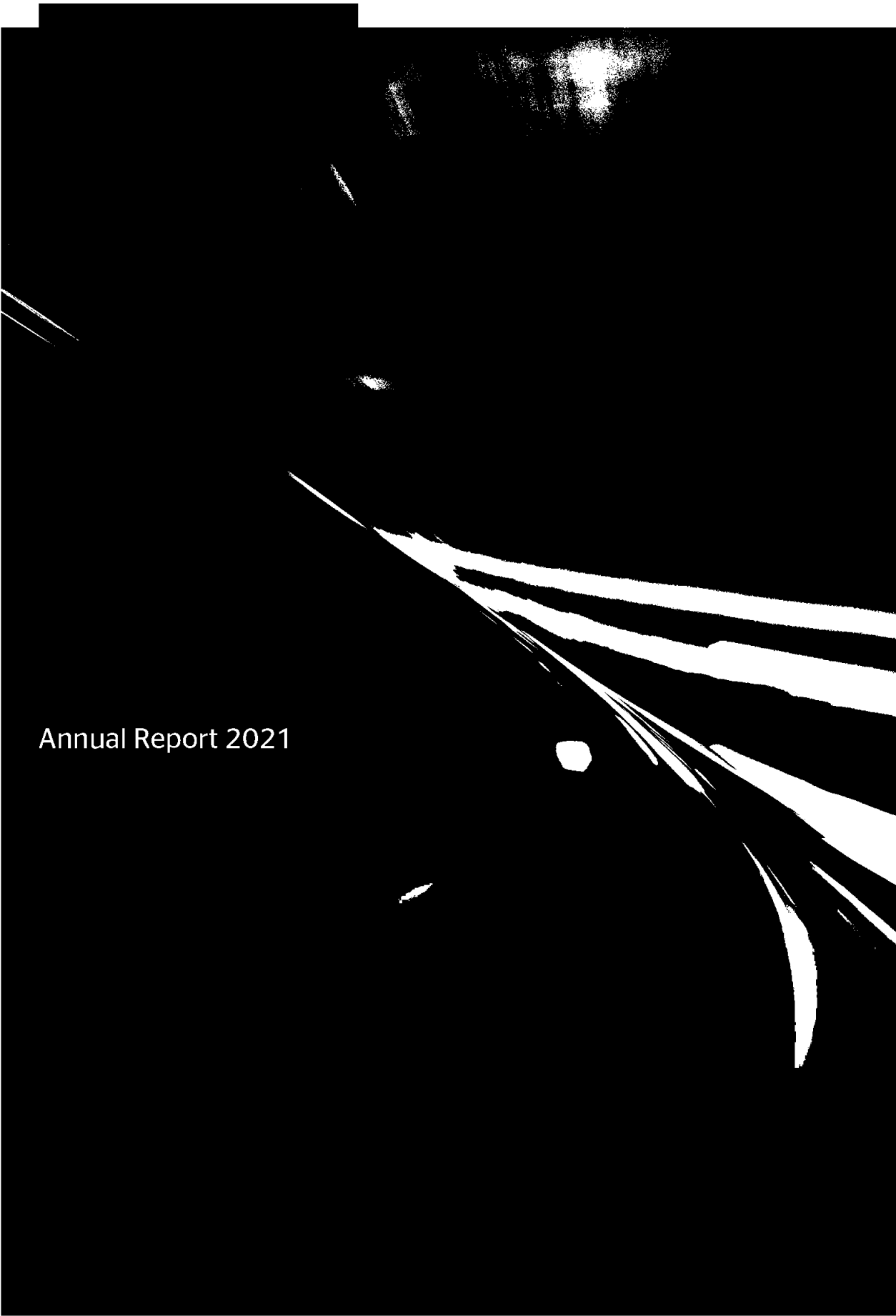
	31-12-2021	31-12-2020
Financial statement, indirect method		
A) Cash flows from current activities (indirect method)		
Profit (loss) for the year	4.107.080	2.330.390
Income tax	1.105.849	931.272
Payable (receivable) interest	28.088	(30.248)
(Dividends)	0	0
(Capital gains)/Capital losses from business conveyance	0	(536)
1) Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from conveyances.	5.241.017	3.230.878
Adjustments to non monetary items that were not offset in the net working capital.		
Allocations to preserves	188.982	1.199.487
Fixed asset depreciation/amortisation	1.170.900	1.193.781
Write-downs for long-term value depreciation	0	0
Adjustments to financial assets and liabilities for derivative financial instruments that do not involve monetary transactions	0	0
Other adjustments to increase/(decrease) non-monetary items	1.005.207	907.853
total adjustments for non-monetary items that were not offset in the net working capital	2.365.089	3.301.121
2) Cash flow before changing net working capital	7.606.106	6.531.999
Changes to the net working capital		
Decrease/(increase) in inventory	(2.822.254)	2.055.143
Decrease/(increase) in payables to customers	(2.565.060)	(179.049)
Increase/(decrease) in trade payables	2.397.074	(863.865)
Increase/(decrease) from prepayments and accrued income	(1.670)	(43.408)
Increase/(decrease) from accruals and deferred income	0	0
Other decreases/(other increases) in net working capital	(1.449.509)	0
Total changes to net working capital	(4.441.419)	968.821
3) Cash flow after changes to net working capital	3.164.687	7.500.820
Other adjustments		
Interest received/(paid)	(28.088)	30.248
(Income tax paid)	(1.208.951)	0
Dividends received	0	0
(Use of reserves)	19.248	(1.478.241)
Other collections/(payments)	(1.102.001)	0
Total other adjustments	(2.319.792)	(1.447.993)
Cash flow from current activities	844.895	6.052.827
B) Cash flows from investments		
Tangible fixed assets		
(Investments)	(1.666.323)	(793.833)
Disposals	0	2.260
Intangible fixed assets		
(Investments)	0	(11.200)
Disposals	0	0
Financial fixed assets		
(Investments)	3.102.587	(3.000.000)
Disposals	0	0
Short term financial assets		
(Investments)	(4.247.791)	0
Disposals	0	0



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(Acquisition of branches of business net of liquid assets)	0	0
Transfer of branches of business net of liquid assets	0	0
Cash flows from investments (B)	(2.811.527)	(3.802.773)
C) Cash flows from financing activities		
Loan capital		
Increase/(decrease) in short term bank loans	0	0
New loans	0	0
(Loan repayments)	0	0
Equity		
Capital increase payments	0	0
(Capital repayments)	0	0
Transfer/(purchase) of own shares	0	0
(Dividends and advances on dividends paid)	(5.400.000)	0
Cash flows from financing activities (C)	(5.400.000)	0
Increase (decrease) in liquid assets (A ± B ± C)	(7.366.632)	2.250.054
Exchange rate effect on liquid assets	0	0
Liquid assets at the start of the year		
Bank and post office deposits	7.416.269	5.748.325
Loans	0	0
Cash and valuables in hand	3.081	4.457
Total liquid assets at the start of the year	7.419.350	5.752.782
of which not freely available	0	0
Liquid assets at the end of the year		
Bank and post office deposits	49.837	7.416.269
Loans	0	0
Cash and valuables in hand	2.882	3.081
Total liquid assets at the end of the year	52.719	7.419.350
of which not freely available	0	0



Annual Report 2021



Continental Group 2021

- › Sales from continuing operations at €33.8 billion
- › Free cash flow from continuing and discontinued operations at €1,372.4 million
- › Equity ratio at 35.3%

Continental successfully completed the spin-off of Vitesco Technologies in 2021. Unless otherwise stated, reporting is based on continuing operations in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. The term "Continental Group" is generally used in this annual report to refer to continuing operations.

Key Figures

The following table generally shows the figures for continuing operations, whereby free cash flow (continuing and discontinued operations), net income attributable to the shareholders of the parent, and earnings per share refer to continuing and discontinued operations.

€ 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	
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
Adjusted sales ¹	33,754.3	31,648.8	6.7
Adjusted operating result (adjusted EBIT) ²	1,900.4	1,379.9	37.7
in % of adjusted sales	5.6	4.4	
Free cash flow (continuing operations)	1,070.3	1,317.0	-18.7
Free cash flow (continuing and discontinued operations)	1,372.4	878.7	56.2
Net indebtedness	3,765.5	n.a.	
Gearing ratio in %	29.8	n.a.	
Total equity	12,643.2	n.a.	
Equity ratio in %	35.3	n.a.	
Number of employees as at December 31 ³	190,875	195,896	-2.6
Dividend per share in €	2.20 ⁴	—	
Share price at year end ⁵ in €	93.11	108.32	-14.0
Share price at year high ⁵ in €	118.53	113.01	
Share price at year low ⁵ in €	87.53	45.96	

¹ Before changes in the scope of consolidation.

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

³ Excluding trainees.

⁴ Subject to the approval of the Annual Shareholders' Meeting on April 29, 2022.

⁵ All market prices are quotations of the Continental share in the Xetra system of Deutsche Börse AG. In order to improve comparability, figures prior to September 16, 2021, have been adjusted to account for the effect from the spin-off of Vitesco Technologies. Data source: Bloomberg.



Overview of the Continental Group and 2021 Key Figures

Structure of the Continental Group in 2021¹

Continental Group Sales: €33.8 billion; Employees: 190,875				
Automotive Technologies Sales: €15.4 billion Employees: 89,350		Rubber Technologies Sales: €17.6 billion Employees: 98,177		Contract Manufacturing Sales: €0.9 billion Employees: 2,904
Autonomous Mobility and Safety Sales: €7.5 billion Employees: 44,579	Sales: €8.0 billion Employees: 44,771	Tires Sales: €11.8 billion Employees: 57,217	ContiTech Sales: €5.9 billion Employees: 40,960	Sales: €0.9 billion Employees: 2,904
- Advanced Driver Assistance Systems - Hydraulic Brake Systems - Passive Safety and Sensorics - Vehicle Dynamics	- Commercial Vehicles and Services - Connected Car Networking - Human Machine Interface	- Original Equipment - Replacement APAC - Replacement EMEA - Replacement The Americas - Specialty Tires	- Advanced Dynamics Solutions - Conveying Solutions - Industrial Fluid Solutions - Mobile Fluid Systems - Power Transmission Group - Surface Solutions	Contract Manufacturing

¹ The structure of the Continental Group as of January 1, 2022, can be found in the Structure of the Continental Group section.

Key figures for the group sectors

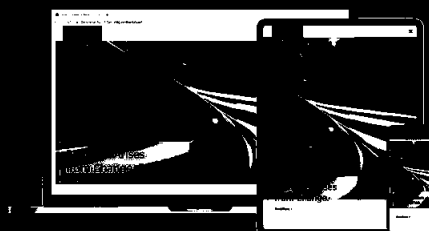
€ millions	Automotive Technologies			Rubber Technologies			Contract Manufacturing		
	2021	2020	Δ in %	2021	2020	Δ in %	2021	2020	Δ in %
Sales	15,357.4	15,435.6	0.5	17,608.7	15,639.5	12.6	889.6	969.9	8.3
EBITDA	666.8	382.3	74.4	3,359.6	2,493.6	34.7	194.2	-22.1	978.7
in % of sales	4.3	2.5		19.1	15.9		21.8	-2.3	
EDIT	-374.6	-1,494.9	74.9	2,215.3	1,266.4	74.9	130.4	-94.0	238.7
in % of sales	-2.4	-9.7		12.6	8.1		14.7	-9.7	
Adjusted sales ¹	15,346.6	15,242.5	0.7	17,608.6	15,617.0	12.8	889.6	969.9	-8.3
Adjusted operating result (adjusted EBIT) ²	-197.1	-335.1	41.2	2,186.1	1,759.4	24.3	104.0	55.8	86.4
in % of adjusted sales	-1.3	-2.2		12.4	11.3		11.7	5.8	

¹ Before changes in the scope of consolidation.

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

“In the past, mobility was mostly about horsepower. Now it’s about sustainability, safety and connectivity. This change brings progress, which we are actively shaping. The new horsepower of mobility continues to bear the hallmark of Continental.”

**Find out more in our
online magazine:**





C2

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Further Information



Chairman's Letter

Dear shareholders,

Difficult times often obscure success. This sums up the situation quite well when looking back at 2021: the ongoing coronavirus pandemic, continuing supply shortages for semiconductors in particular, stubbornly low global automotive production, and massive cost increases in procurement and logistics. And all that on top of the ongoing need to fundamentally transform our industry in the face of climate change, globalization and digitalization.

Yet, despite these challenges, the Continental team had some notable successes:

- › We achieved organic sales growth of 7.4 percent.
- › We won new business in key growth areas, thanks to our technological innovations.
- › And we made rapid progress in implementing our strategy and structurally transforming the company.

While we are proud of our achievements, we are definitely not satisfied – especially when it comes to our financial performance. Our Automotive group sector is feeling the effects and consequences of the semiconductor supply shortage. This has led to higher costs and a negative margin over the past two years since the pandemic began. In ContiTech and Tires, cost increases in procurement and logistics are having a noticeable impact.

Despite these challenges, we succeeded in achieving respectable business results. We increased our free cash flow to €1.4 billion. As a result, the Executive Board and Supervisory Board have resolved to propose a dividend of €2.20 per share to the Annual Shareholders' Meeting. This corresponds to a dividend payout ratio of around 30 percent.

We are in the midst of a fundamental transformation, from which we want to emerge as winners. Our strategy is clear and is based on three cornerstones:

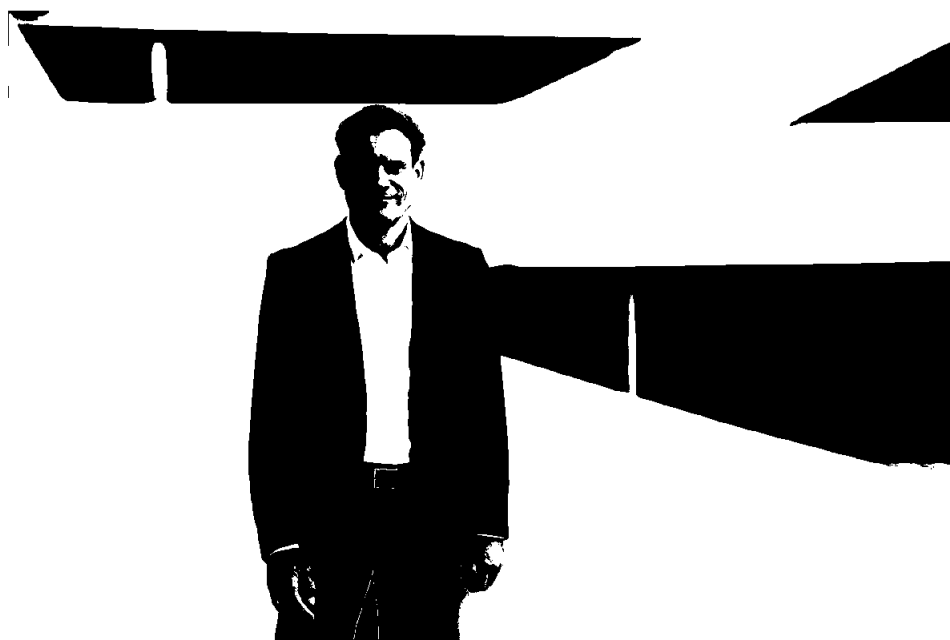
Strengthening operational performance. We paved the way early to proactively shape the transformation in the automotive industry by launching our Transformation 2019-2029 program. This will enable us to achieve gross savings of some €850 million annually from 2023 onward. We have made good progress in implementing this program.

We are responding to the semiconductor shortage with long-term changes in our purchasing structures, more transparent and efficient processes, and adapted product designs. Together with our partners in the automotive industry, we are striving to find fair solutions in the face of higher procurement costs. In our various markets, we are considering offsetting higher raw materials costs by adjusting our pricing structures accordingly.

Differentiating the portfolio. Growth and value are the two key areas in mapping out our product portfolio, and our organizational restructuring efforts have focused on pursuing these aims accordingly. One example of this is the new market-oriented organization in our Automotive group sector, based on strategic action fields and customer requirements.

Following the spin-off of Vitesco Technologies in the year under review, we are now able to focus our attention and our capital entirely on the segments that we consider key. We are concluding targeted partnerships that advance our business and technology more swiftly, as well as establishing and expanding our own additional areas of expertise.

Turning change into opportunity. In 2021, we established the appropriate organizational structure to do just this. With the Tires group sector for the tire business, the ContiTech group sector for automotive and industrial products, and the Automotive group sector for technologies and solutions for connected mobility, we can seize opportunities even more quickly and translate them into profit. The Contract Manufacturing group sector handles contract manufacturing for Vitesco Technologies and ensures smooth delivery to customers. Transparent structures and a high level of autonomy make us more flexible in an increasingly complex market environment.



We also see opportunities in sustainability, with environmentally friendly and carbon-neutral products. In the year under review, for example, we introduced a car tire made from more than 50 percent renewable or recycled materials.

We are committed to our targets: in the medium term, we want to achieve an adjusted EBIT margin of between 8 and 11 percent, a return on capital employed of around 15 to 20 percent and a cash conversion ratio of more than 70 percent.

We have what we need to achieve this: the right strategy in place, a consistently aligned structure, and our Continental team with its new Executive Board and dedicated employees. I am very grateful to you all. You have impressively overcome the many restrictions and barriers confronting you over the past year.

Our 2021 anniversary year reminded us that after 150 years of change, transformation is truly part of our company's DNA. We always come out of crises stronger than before – and this time will be no exception. After all, we not only respond to new challenges quickly and decisively, but we also see ourselves as active drivers of transformation. Sustainable, safe and connected driving is the new horsepower of mobility that will continue to bear the hallmark of Continental.

Yours,
Nikolai Setzer

Nikolai Setzer
Chairman of the Executive Board



Members of the Executive Board



Philip Nelles

Born in 1974 in Berlin, Germany
ContiTech Group Sector
Appointed until May 2024

Katja Dürrfeld

Born in 1972 in Göttingen, Germany
Group Finance and Controlling
Group Information Technology
Appointed until December 2024

Dr. Ariane Reinhart

Born in 1969 in Hamburg, Germany
Group Human Relations
Director of Labor Relations
Group Sustainability
Appointed until September 2025

Christian Kötz

Born in 1970 in Braunschweig, Germany
Tires Group Sector
Group Purchasing
Appointed until April 2027

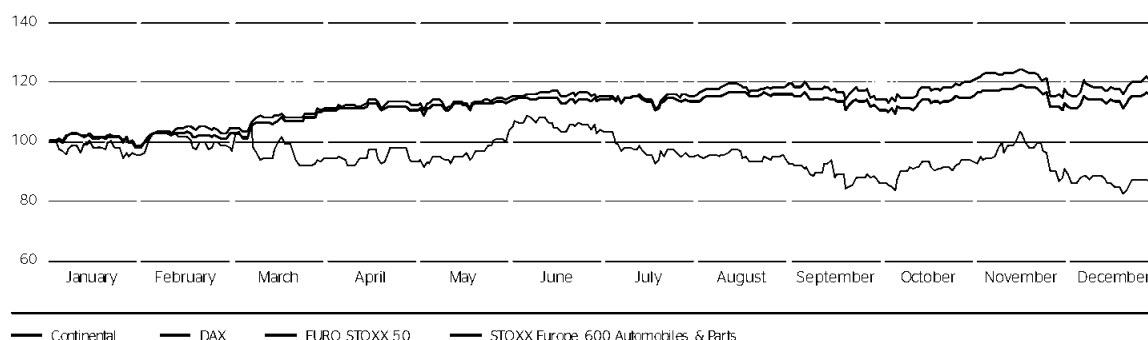
Nikolai Setzer

Born in 1971 in Groß-Gerau, Germany
Chairman of the Executive Board
Chairman of the Automotive Board
Group Compliance
Group Law and Intellectual Property
Group Communications and Public Affairs
Group Strategy
Group Quality, CBS and Environment
Appointed until March 2024

Continental Shares and Bonds

Price performance of Continental shares in 2021 versus selected stock indexes

Indexed to January 1, 2021



In order to improve comparability, figures relating to Continental shares prior to September 16, 2021, have been adjusted to account for the effect from the spin-off of Vitesco Technologies. Data source: Bloomberg.

Positive trend on the stock markets

The trend on the stock markets was mostly positive in 2021, thanks to better economic data and corporate results than in the previous year. Accelerated vaccination campaigns to contain the COVID-19 pandemic and declining cases in many countries also helped to raise investor confidence. This upward trend slowed in November, however, due to news of the rapid spread of the Omicron variant in several countries, which triggered concerns among investors of possible adverse effects on the economic situation.

The DAX closed 2021 at 15,884.86 points. This represented an increase of 15.8% compared to the end of 2020, when it was quoted at 13,718.78 points. The EURO STOXX 50 rose by 21.0% in 2021 and ended the year at 4,298.41 points.

Sharp rise in many automotive stocks

Over the course of 2021, automotive producers and tire manufacturers in particular benefited from a strong revival in demand in many markets coupled with short supply, causing their share prices to rise sharply. By contrast, many automotive suppliers suffered from supply bottlenecks – especially for semiconductors – and a rapid increase in purchase prices, as well as higher logistics and energy costs. This resulted in stagnating or declining share prices for the suppliers in question.

The STOXX Europe 600 Automobiles & Parts rose to 659.72 points in 2021, an increase of 25.1% compared to the end of 2020, mainly due to the strong performance and high index weighting of automotive manufacturers.

Negative performance by Continental shares

Continental shares initially followed the trend in the European automotive sector at the start of the year. At the beginning of March 2021, the announcement regarding the new annual guidance disappointed the expectations of many investors, with the price of Continental shares falling significantly as a result. Over the rest of the year, Continental shares again largely tracked the STOXX Europe 600 Automobiles & Parts. However, the ongoing supply shortages and the impact of cost increases led to further setbacks with respect to investor sentiment and a drop in share prices in the second half of 2021.

At the end of 2021, they were listed at €93.11, having fallen 14.0% compared to the 2020 year-end price, adjusted for the spin-off of Vitesco Technologies, of €108.32.

In terms of its share-price performance, Continental was 33rd in the 2021 annual ranking of the new DAX, consisting of 40 constituents (PY: 13th out of 30 DAX constituents).



Continental's key bonds outstanding as at December 31, 2021

WKN/ISIN	Coupon	Maturity	Volume in € millions	Issue price	Price as at Dec. 31, 2021	Price as at Dec. 31, 2020
AZYPE5/XS2051667181	0.000%	September 12, 2023	500.0	99.804%	100.209%	100.098%
A28XTQ/XS2178585423	2.125%	November 27, 2023	750.0	99.559%	103.946%	105.797%
A28YEC/XS2193657561	1.125%	September 25, 2024	625.0	99.589%	102.625%	103.589%
AZYPAE/XS2056430874	0.375%	June 27, 2025	600.0	99.802%	100.627%	100.852%
A28XTR/XS2178586157	2.500%	August 27, 2026	750.0	98.791%	109.623%	111.672%

Prices of Continental bonds virtually unchanged

Interest rates for European corporate bonds showed only slight fluctuations up until September 2021 and remained at a very low level. In the final months of the year, rising inflation figures caused interest rates to increase slightly and share prices to fall slightly as a result.

The prices of outstanding Continental bonds at the end of December 2021 remained virtually unchanged compared with the end of 2020 – apart from the usual decline in fair value due to interest paid and a shorter remaining term.

Positive earnings per share

The economic recovery following the previous year, which was severely affected by the outbreak of the COVID-19 pandemic, led to a considerably improved operating result in the reporting year. Net income attributable to the shareholders of the parent achieved a positive value of €1.46 billion (PY: -€0.96 billion).

Earnings per share amounted to €7.28 in 2021 (PY: -€4.81).

Dividend proposal of €2.20 for fiscal 2021

The Executive Board and the Supervisory Board have resolved to propose to the Annual Shareholders' Meeting, which will be held virtually on April 29, 2022, that a dividend of €2.20 be paid for the past fiscal year and that the retained earnings for fiscal 2021 be carried forward to new account.

In accordance with a resolution of the Annual Shareholders' Meeting, no dividend was paid for fiscal 2020.

Free float unchanged at 54.0%

As in the previous year, free float as defined by Deutsche Börse AG amounted to 54.0% as at the end of 2021. The most recent change took place on September 17, 2013, when our major shareholder, the IHO Group, Herzogenaurach, Germany, announced the sale of 7.8 million Continental shares, reducing its shareholding in Continental AG from 49.9% to 46.0%.

As at the end of 2021, the market capitalization of Continental AG amounted to €18.6 billion (PY: €24.3 billion including Vitesco Technologies). Market capitalization on the basis of free float averaged €10.1 billion over the last 20 trading days of the reporting year (PY: €12.6 billion including Vitesco Technologies). Free-float market capitalization is the decisive factor for index calculation in the new regulatory framework of Deutsche Börse AG.

At the end of 2021, Continental AG ranked 36th in terms of free-float market capitalization in the new DAX, which has consisted of 40 constituents since September 2021 (PY: 26th out of 30 DAX constituents).

Share of free float in the USA rises further

As at the end of the year, we once again determined the distribution of free float of Continental shares by way of shareholder identification (SID).

We were able to assign 105.4 million of the 108.0 million shares held in the form of shares or alternatively as American depositary receipts (ADRs) in the USA to more than 570 institutional investors, banks and asset managers across 40 countries. The identification ratio was 97.6% (PY: 90.7%).

According to the SID, the identified level of Continental shares held in Europe was slightly lower than the previous year at 49.0% of free float (PY: 52.5%).

The identified level of shares held by investors from the UK and Ireland remained unchanged compared to the previous year at 29.7%.

The identified free-float holdings of German investors fell to 6.3% in the year under review (PY: 9.3%).

French investors held 3.4% of Continental free-float shares at the end of 2021.

The free-float holdings of Scandinavian investors fell to 3.1% in 2021 (PY: 4.1%).

Investors in other European countries increased their share of free float to 6.5% in 2021 (PY: 6.0%).

Shareholdings of investors in North America increased significantly in 2021. In total, they held 45.7% (PY: 34.5%) of the free float in the form of shares or ADRs.

The identified shareholdings of investors in Asia, Australia and Africa were at 2.9% at the end of 2021 (PY: 3.6%).



Continental share data

Type of share	No-par-value share
German stock exchanges (regulated market)	Frankfurt (Prime Standard), Hamburg, Hanover, Stuttgart
German securities code number (WKN)	543900
ISIN	DE0005439004
Reuters ticker symbol	CONG
Bloomberg ticker symbol	CON
Index memberships (selection)	DAX, Prime All Share, Prime Automobile, NISAX
Outstanding shares as at December 31, 2021	200,005,983
Free float as at December 31, 2021	54.0%

Continental's American depositary receipt (ADR) data

Ratio	1 share - 10 ADRs
SEDOL number	2219677
ISIN	US2107712000
Reuters ticker symbol	CTTAY PK
Bloomberg ticker symbol	CTTAY
ADR level	Level 1
Trading	OTC
Sponsor	Deutsche Bank Trust Company Americas
ADRs issued as at December 31, 2021	35,274,610 (with 3,527,461 Continental shares deposited)

Share capital unchanged

As at the end of fiscal 2021, the share capital of Continental AG still amounted to €512,015,316.48. It is divided into 200,005,983 no-par-value shares with a notional value of €2.56 per share.

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

All shares, except treasury shares (December 31, 2021: three shares), have the same dividend and voting rights.

Continental share listings

Continental's shares continue to be officially listed on the German stock exchanges in Frankfurt, Hamburg, Hanover and Stuttgart on

the regulated market. They are also traded on other unofficial stock exchanges in Germany and in other countries around the world.

Continental ADR listings

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

Continental Investor Relations online

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

Key figures of the Continental share¹

€ (unless otherwise specified)	2021	2020
Basic earnings per share	7.28	-4.81
Diluted earnings per share	7.28	-4.81
Dividend per share	2.20 ²	—
Dividend payout ratio (%)	30.2 ²	n. a.
Dividend yield ³ (%)	2.1 ²	0.0
Annual average price-earnings ratio (P/E ratio) ⁴	14.2	n. a.
Share price at year end	93.11	108.32
Annual average share price	103.03	83.33
Share price at year high	118.53	113.01
Share price at year low	87.53	45.96
Number of outstanding shares, average (in millions)	200.0	200.0
Number of outstanding shares as at December 31 (in millions)	200.0	200.0

¹ All market prices are quotations of the Continental share in the Xetra system of Deutsche Börse AG. In order to improve comparability, figures prior to September 16, 2021, have been adjusted to account for the effect from the spin-off of Vitesco Technologies. Data source: Bloomberg.

² Subject to the approval of the Annual Shareholders' Meeting on April 29, 2022.

³ Dividend per share at the annual average share price.

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

Corporate Governance Report of the Supervisory Board

Dear shareholders,

The Supervisory Board comprehensively fulfilled all tasks incumbent upon it under applicable law, the Articles of Incorporation and By-Laws in fiscal 2021. We closely supervised, carefully monitored and advised the Executive Board in the management of the company. We were directly involved in a timely manner in all decisions of fundamental importance to the company.

The Executive Board provided the Supervisory Board with regular, timely and comprehensive updates at its meetings and in writing on all issues of relevance to the company. In particular, these include the business performance, planning, business strategy, significant business transactions in the company and the Continental Group, and the related risks and opportunities, as well as compliance issues. The members of the Supervisory Board were also available to the Executive Board for consultation outside the meetings. As chairman of the Supervisory Board, I had regular contact with the members of the Executive Board, in particular with its chairman, and discussed current company issues and developments with them. Pursuant to a suggestion of the German Corporate Governance Code, I also held discussions with investors in 2021 on topics specific to the Supervisory Board.

Meetings of the Supervisory Board and the committees

Meetings of the Supervisory Board and its committees took place virtually on a regular basis throughout the fiscal year, with the exception of the strategy meeting and the ordinary meeting of the Supervisory Board following immediately thereafter in September, which were both held in person. In total, the Supervisory Board convened for four ordinary meetings and two extraordinary meetings in 2021, as well as for the strategy meeting and an information session. At its meetings, the Supervisory Board regularly conferred part of the time in the absence of the Executive Board. The Chairman's Committee held three meetings in the reporting year and passed one resolution by means of a written procedure. The Audit Committee met six times in 2021 and passed one resolution by means of a written procedure. The Nomination Committee held one meeting. The Mediation Committee in accordance with Section 27 (3) of the German Co-determination Act (*Mitbestimmungsgesetz - MitbestG*) was not required to meet in 2021, and neither was the Committee for Related Party Transactions. There are no other committees with decision-making powers. All committees report to the plenary session on a regular basis. The corporate governance statement starting on page 15 describes their responsibilities in more detail and names their members.

In fiscal 2021, all members of the Supervisory Board attended more than half of the meetings of the plenary session and also of the committee to which they belonged. A detailed account of each Supervisory Board member's meeting attendance will be published in the Investors section of our [website](#) on March 23, 2022, together with the invitation to the Annual Shareholders' Meeting.

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

At each meeting of the plenary session, the Executive Board informed the Supervisory Board in detail of the sales, results and employment development in the Continental Group and individual business areas as well as the financial situation of the company. Where the actual course of business deviated from the defined plans and targets, the Executive Board provided detailed explanations. It discussed the reasons for these deviations and the measures introduced in depth with the Supervisory Board. In addition, the Executive Board regularly informed us about the Continental Group's main raw materials and sales markets and about Continental AG's share price performance. Another focus of the Supervisory Board's work – particularly in the second half of the year – was on monitoring the investigative proceedings by public prosecutors in connection with the use of manipulated software in diesel engines by certain vehicle manufacturers.

Also in the reporting year, the Supervisory Board had to regularly deal with the continuing major challenges from the accelerating change – at times disruptive – in the automotive industry and the impact of the COVID-19 pandemic on the industry and the company. In connection with this, at the meeting on **March 16, 2021**, the Executive Board informed us in detail about the ongoing semiconductor supply shortages and the effects these were having on the company. At the same meeting, we dealt intensively with the spin-off of Vitesco Technologies Group AG. A separate, detailed information session about the spin-off had already been held for the Supervisory Board on February 19. At the meeting on **March 16, 2021**, the Supervisory Board approved the spin-off as well as the conclusion of related contracts and likewise recommended that the Annual Shareholders' Meeting approve the spin-off. At the same meeting, we also discussed changes to the organization of the Automotive Technologies group sector remaining at Continental and approved the creation of the "Autonomous Mobility" and "Safety and Motion" business areas as of January 1, 2022. At the same time, the Supervisory Board approved a supplementary plan providing for additional expenses and investments in the Autonomous Mobility and Safety business area for the purpose of safeguarding its future.

We discussed and subsequently approved the company's annual financial statements and the consolidated financial statements for 2020 in the presence of the auditor. We also approved the decision by the Executive Board to hold the 2021 Annual Shareholders' Meeting virtually and resolved the proposed resolutions of the Supervisory Board to the Annual Shareholders' Meeting.

At its meeting on **April 29, 2021**, the Supervisory Board resolved to reappoint Christian Kötz to the Executive Board for a further five years as of April 1, 2022.



Another extraordinary Supervisory Board meeting was held on **June 14, 2021**. At this meeting, we approved the sale of the specialty track systems and rubber track product lines, including the location in St. Marys, Ohio, USA, as well as the sale of shares in QuantumScape Corp., Wilmington, Delaware, USA. At the same meeting, the Executive Board also reported in detail on the status of the investigative proceedings by public prosecutors against former and current employees and members of the Executive Board suspected of being accessories to fraud in connection with the use of manipulated software in diesel engines by certain automotive manufacturers. At the recommendation of the Executive Board, the Supervisory Board resolved at this meeting to carry out a comprehensive and independent investigation in accordance with Section 111 (2) of the German Stock Corporation Act (*Aktiengesetz - AktG*). To support these efforts, the Supervisory Board brought in an external law firm to ensure that the investigation was conducted properly and coordinated with the investigating public prosecutor's office and the company's defense attorneys, to report to the Supervisory Board on the progress of the investigation and its findings, and to propose recommendations for action. In connection with this, the Supervisory Board formed a non-decision-making special committee that is available to experts, defense attorneys and the public prosecutors' office as a point of contact, source of information and recipient of reports, that regularly reports to the plenary session on the investigation and that prepares any resolutions required for the plenary session or committees. Prof. Wolfgang

Reitzle, Georg F. W. Schaeffler and Dirk Nordmann were appointed as members of the special committee. The special committee held four meetings in fiscal 2021.

At the full-day strategy meeting held on **September 29, 2021**, the Executive Board and the Supervisory Board once again extensively addressed the strategic objectives and strategic planning for the Continental Group as well as the portfolio management process, and discussed at length the HR strategy. In addition to the strategy of Rubber Technologies and its Tires and ContiTech business areas, key discussion topics included the areas of action in the Automotive Technologies group sector, with an emphasis on autonomous mobility and vehicle architecture. We also addressed the sustainability ambitions of the Continental Group.

We again devoted a larger part of the meeting on **September 30, 2021**, to discussions without the Executive Board, including discussions relating to the succession planning for the Executive Board. In addition, the Supervisory Board approved the purchase of the printing blanket business of Trelleborg and resolved to amend the declaration pursuant to Section 161 *AktG* to reflect the changed circumstances resulting from the spin-off of Vitesco Technologies Group AG. Furthermore, the Supervisory Board approved the reorganization of the company and the Continental Group as of January 1, 2022, with the division into four group sectors – Automotive, Tires, ContiTech and Contract Manufacturing – and a focus on the

establishment of five new business areas within the Automotive group sector geared to its strategic action fields.

At an extraordinary meeting of the plenary session on **November 17, 2021**, the Supervisory Board approved the mutually agreed and immediate termination of Wolfgang Schäfer's Executive Board appointment. Up to that point, he had been responsible for Group Finance and Controlling, Group Information Technology, and Group Compliance, Law and Intellectual Property as CFO.

At its meeting on **December 14, 2021**, the Supervisory Board appointed Katja Dürrfeld as a member of the Executive Board, with responsibility for Group Finance and Controlling and Group Information Technology (CFO). She had already been heading up these areas on an acting basis since November 17, 2021. The Group Compliance, Law and Intellectual Property functions have been reporting to the chairman of the Executive Board since November 17, 2021. Also at this meeting, the Supervisory Board extensively addressed the annual planning for 2022 and the long-term planning. It also approved the planning and investment plans for fiscal 2022. In addition, we discussed the Supervisory Board's self-assessment report and resolved the target quota of women on the Executive Board.

The **Chairman's Committee** held three meetings in the year under review, in which it primarily prepared the personnel-related decisions of the plenary session and made recommendations for resolutions. At the first meeting on **March 16, 2021**, this included the recommendation on determined performance bonuses for fiscal 2020, which the plenary session resolved at its following meeting. It also approved Dr. Ariane Reinhart's request to assume a seat on the Supervisory Board of software company Suse S.A., Luxembourg.

Key topics dealt with by the Audit Committee

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

As a focus of each of its quarterly meetings, the Audit Committee talks with the Executive Board about the accounting as at the end of the previous quarter and the outlook for the year as a whole as well as the quarterly statements and the half-year financial report prior to their publication. At its meeting on **March 2, 2021**, the Audit Committee discussed the company's annual financial statements and the consolidated financial statements as well as the combined non-financial statement for 2020 with the Executive Board and the auditor, and recommended their approval to the

plenary session of the Supervisory Board. The interim financial statements as at June 30, 2021, were reviewed by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover (PwC), on behalf of the Audit Committee. The work of the Compliance and Group Audit departments and reporting on significant incidents are also regular topics at each quarterly meeting. This includes in particular the matters described in more detail in the report on risks and opportunities and in the notes to the consolidated financial statements. The head of the Compliance department and the head of Group Audit are also available to provide information directly to the Audit Committee and its chairman in coordination with the Executive Board. The chairman of the Audit Committee shares key information as part of his regular reporting to the plenary session. In addition, the Executive Board reports to the Audit Committee on the material risks covered by the risk management system and the corresponding measures resolved.

In addition to these recurring topics, the Audit Committee was informed at its meeting on **March 2, 2021**, about the investigations initiated by the public prosecutor's office against Continental employees in connection with the diesel scandal as a result of supplying the engine control unit for the EA 189 engine to VW. At its meeting on **May 4, 2021**, reporting on the organization of product compliance was treated as a special topic. On **August 3, 2021**, the Audit Committee dealt with the review of the interim financial statements by PwC and with the review of the remuneration report. The committee resolved to have the remuneration report reviewed by PwC not only in terms of form, but also in terms of content. As part of its analysis of major acquisition and investment projects that had been carried out, the Audit Committee obtained information on business performance following the acquisition of the anti-vibration system (AVS) business of Cooper Standard, Novi, Michigan, USA. Finally, the committee advised on the risk situation and risk provisions in the field of cyber security. In the absence of the Executive Board, the committee discussed with PwC the focal points to be determined in the audit by the Supervisory Board. At the meeting on **November 4, 2021**, the Audit Committee issued the mandate for the audit of the 2021 annual and consolidated financial statements, the dependent company report, the non-financial statement and the remuneration report to the auditor appointed by the Annual Shareholders' Meeting, PwC, after obtaining the necessary dependent company report. In addition, the Audit Committee defined an approval framework for commissioning the auditor with permissible non-audit services in accordance with the EU Audit Regulation. The Executive Board regularly informs the Audit Committee about the use of this authorization. It also received reports for 2021 in accordance with the Taxonomy Regulation, addressed supply chain risks and discussed the perception of Continental on the capital market. At the extraordinary meeting on **November 21, 2021**, the Audit Committee discussed the risk provisions due to the investigative proceedings in connection with the use of manipulated software in diesel engines as well as the effectiveness of the Compliance function. Finally, the risk provisions for the aforementioned investigative proceedings were also the subject of the extraordinary meeting of the Audit Committee on **December 13, 2021**.

Corporate governance

At its meeting on September 30, 2021, the Supervisory Board agreed to an updated declaration in accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz – AktG*) on the recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) ("the Code"). At its meeting on December 14, 2021, the Supervisory Board approved amendments to the By-Laws of the Supervisory Board and the Audit Committee prompted as a result of the Financial Market Integrity Strengthening Act (*Finanzmarktintegritätsstärkungsgesetz – FISG*). There were no conflicts of interest for members of the Supervisory Board in the reporting year. In its opinion, the Supervisory Board also had an appropriate number of independent members, in particular on the shareholder side, as defined in the Code at all times in the period under review. Further information on this topic and on corporate governance in general is included in the corporate governance statement starting on page 15.

Annual and consolidated financial statements; combined non-financial statement for 2021

PwC audited the annual financial statements as at December 31, 2021, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch – HGB*), the 2021 consolidated financial statements and the combined management report for the company and the Continental Group, including the accounts, the accounting-related internal control system and the system for early risk recognition. The 2021 consolidated financial statements of Continental AG were prepared in accordance with the International Financial Reporting Standards (IFRS). The auditor issued unqualified opinions. In terms of the system for early risk recognition, the auditor found that the Executive Board had taken the necessary measures under Section 91 (2) *AktG* and that the company's system for early risk recognition is suitable for identifying developments at an early stage that pose a risk to the company as a going concern. In addition, PwC audited the Executive Board's report on relations with affiliated companies pursuant to Section 312 *AktG* (dependent company report). PwC issued the following unqualified opinion on this report in accordance with Section 313 (3) *AktG*:

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

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

The Audit Committee discussed the documents relating to the annual financial statements, including the dependent company report, as well as the auditor's reports and the remuneration report with the Executive Board and the auditor on March 2, 2022. Furthermore, the plenary session of the Supervisory Board discussed these at length at its meeting to approve the annual financial statements on March 17, 2022. The discussions also concerned the combined

non-financial statement for the Continental Group and for Continental AG according to Section 289b and Section 315b *HGB*. The required documents were distributed to all members of the Audit Committee and the Supervisory Board in good time before these meetings so that the members had sufficient opportunity to review them. The auditor was present at these discussions. The auditor reported on the main results of the audits and was available to provide additional information to the Audit Committee and the Supervisory Board. Based on its own review of the annual financial statements, the consolidated financial statements, the combined management report of Continental AG and of the Continental Group, as well as the dependent company report including the final declaration of the Executive Board, and based on the report and the recommendation of the Audit Committee, the Supervisory Board concurred with the results of the auditor's audit. There were no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements. The annual financial statements are thereby adopted. PwC issued an unqualified opinion for the combined non-financial statement. Based on the Supervisory Board's own review, the Audit Committee's report on its preliminary examination and its recommendation, and PwC's audit and unqualified opinion on the combined non-financial statement, the Supervisory Board finds that the combined non-financial statement is correct and appropriate and was prepared in accordance with Sections 315b and 315c in conjunction with Sections 289c to 289e *HGB*. The auditor reviewed the remuneration report prepared by the Executive Board and the Supervisory Board and issued a report that is attached to the remuneration report.

The Supervisory Board together with the Executive Board will propose to the Annual Shareholders' Meeting on April 29, 2022, to distribute a dividend for the past fiscal year of €2.20 per share entitled to dividends, and to carry the retained earnings forward in full to new account.

Personnel changes in the Supervisory Board and Executive Board

Kirsten Vörkel stepped down from her position as an employee representative on the Supervisory Board with effect from the end of September 15, 2021. At the request of the Executive Board, the Hanover Local Court appointed Carmen Löffler as a member of the Supervisory Board with effect from September 16, 2021. Likewise at the request of the Executive Board, the Hanover Local Court appointed Stefan Buchner as a member of the Supervisory Board with effect from January 1, 2022, after Prof. KR Siegfried Wolf stepped down from his position on the Supervisory Board effective December 31, 2021. The Supervisory Board would like to thank Kirsten Vörkel and Prof. Wolf for their many years of service on the Supervisory Board and for their good and trusting cooperation.

Further information on the members of the Supervisory Board and its committees who were in office in the year under review can be found on pages 19 and 20 and on pages 217 and 218.

Hans-Jürgen Duensing stepped down from his position on the Executive Board of Continental AG from the end of May 31, 2021. At its meeting on March 16, 2021, the Supervisory Board appointed Philip Nelles to succeed him as Executive Board member responsible for the ContiTech business area with effect from June 1, 2021. The Supervisory Board would like to thank Hans-Jürgen Duensing

for the valuable contributions he made over many years to enhancing Continental's value creation and for successfully managing and developing the ContiTech business area.

Andreas Wolf, Executive Board member responsible for the Powertrain business area until his departure, stepped down from the Executive Board in the course of the spin-off of Vitesco Technologies Group AG on September 15, 2021. The Supervisory Board would like to thank Andreas Wolf for his work on the Executive Board and the successful strategic realignment of Vitesco Technologies.

Helmut Matschi, as Executive Board member responsible for the former Vehicle Networking and Information business area, and Frank Jourdan, as Executive Board member responsible for the former Autonomous Mobility and Safety business area, stepped down from their respective positions in agreement with the Supervisory Board with effect from December 31, 2021. The Supervisory Board would like to thank Helmut Matschi and Frank Jourdan for their many years of successful work. Both contributed significantly to the development of Continental into one of the most successful automotive suppliers and prepared their respective business areas for the technological transformation.

Wolfgang Schäfer, responsible for Group Financing and Controlling, Group Information Technology, Group Compliance, Law and Intellectual Property, stepped down from his position on the Executive Board in agreement with the Supervisory Board with immediate effect from November 17, 2021.

On December 14, 2021, the Supervisory Board appointed Katja Dürrfeld to the Executive Board for an initial period of three years, with responsibility for Group Finance and Controlling and Group Information Technology.

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

Hanover, March 17, 2022



Prof. Dr.-Ing. Wolfgang Reitzle
Chairman

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

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

Good, responsible corporate governance geared toward sustainable, long-term value creation and in the interests of all stakeholder groups is what governs the actions of the Executive Board and Supervisory Board of Continental AG. The following corporate governance statement pursuant to Section 289f of the German Commercial Code (*Handelsgesetzbuch - HGB*) is representative of corporate governance at Continental and is a part of the management report. The remuneration report for fiscal 2021 on the remuneration of the Executive Board and the Supervisory Board together with the auditor's report and the valid remuneration system for the remuneration of the Executive Board are available on Continental's website [under Company/Executive Board](#). The valid remuneration system for remuneration of the Supervisory Board is available together with the latest remuneration resolution by the Annual Shareholders' Meeting on Continental's website [under Company/Supervisory Board](#).

Declaration pursuant to Section 161 of the German Stock Corporation Act (*Aktengesetz - AktG*) and deviations from the German Corporate Governance Code

In October 2021, the Executive Board and the Supervisory Board issued the following annual declaration pursuant to Section 161 *AktG*:

"The Executive Board and the Supervisory Board of Continental AG declare in accordance with Section 161 German Stock Corporations Act (*AktG*) that the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version dated December 16, 2019 (published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (*Bundesanzeiger*) on March 20, 2020; hereinafter "Code"), are being complied with, with the exceptions set out below.

Reference is made to the declaration of the Executive Board and the Supervisory Board of December 2020 as well as to previous declarations in accordance with Section 161 *AktG* and the deviations from the recommendations of the German Corporate Governance Code explained therein.

- According to recommendation C.2 of the Code, the Supervisory Board shall set an age limit for members of the Supervisory Board. The Supervisory Board does not set an age limit because it does not consider such a general criterion to be appropriate for evaluating the qualifications of a Supervisory Board member.
- According to recommendation C.4 of the Code, a Supervisory Board member who is not a member of any management board of a listed company shall not accept more than five Supervisory Board directorships at non-group listed companies or comparable functions, with an appointment as Chair of the Supervisory Board being counted twice. In connection with the spin-off of Vitesco

Technologies Group Aktiengesellschaft on September 15, 2021, among others, Prof. KR Siegfried Wolf, member of the Supervisory Board of Continental AG, has been elected to the Supervisory Board of Vitesco Technologies Group Aktiengesellschaft, which has been listed on the stock exchange on September 16, 2021. Prof. Wolf was elected chairman of the Supervisory Board of Vitesco Technologies Group Aktiengesellschaft on October 4, 2021. As a result, Prof. Wolf exceeds the maximum number of supervisory board directorships recommended by recommendation C.4 of the Code.

- According to recommendation C.5 of the Code, members of any management board of a listed company shall not be on more than two supervisory boards in non-group listed companies or comparable functions, and shall not accept the chairmanship of a Supervisory Board in a non-group listed company. In connection with the spin-off of Vitesco Technologies Group Aktiengesellschaft on September 15, 2021, among others, Mr. Klaus Rosenfeld, member of the Supervisory Board of Continental AG and chief executive officer of Schaeffler AG, has also been elected to the Supervisory Board of Vitesco Technologies Group Aktiengesellschaft. As Mr. Rosenfeld is also on the supervisory board of another listed company, he exceeds the number of supervisory board directorships recommended in recommendation C.5 of the Code.
- Mr. Rosenfeld has already announced that he will step down from the supervisory of this other company. It is expected to take effect at the end of February 2022. Prof. Wolf has announced that he will resign from one of his Supervisory Board directorships in 2022. Due to the only temporary exceeding of the recommended maximum number of directorships, the Supervisory Board does not consider its appropriate composition affected.

Hanover, October 2021

Prof. Dr. Wolfgang Reitzle
Chairman of the Supervisory Board

Nikolai Setzer
Chairman of the Executive Board"

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

As at the date of this corporate governance statement, the indicated deviations from recommendations C.4 and C.5 of the German Corporate Governance Code no longer exist. As outlined in the report of the Supervisory Board under "Personnel changes in the Supervisory Board and Executive Board" (pages 13 and 14), Prof. KR Ing. Siegfried Wolf stepped down from the Supervisory Board of Continental AG with effect from December 31, 2021. With effect from January 1, 2022, the Hanover Local Court appointed Mr. Stefan E. Buchner as a member of the company's Supervisory Board at the request of the Executive Board of Continental AG.



Mr. Klaus Rosenfeld's resignation, which was commented on in the declaration of compliance of October 2021, has also taken effect in the meantime. Continental AG thus now fulfills recommendations C.4 and C.5. The Executive Board and the Supervisory Board will issue and publish an updated declaration of compliance in due course.

Key corporate governance practices

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

- › OUR BASICS – Continental AG's corporate guidelines. The vision, mission and values, desired behavior and self-image of the Continental Group; available on Continental's website [📄](#) under Company/Sustainability.
- › Sustainability ambition; available on Continental's website [📄](#) under Company/Sustainability.
- › Compliance with the binding Code of Conduct for all Continental employees. For more information, see the Compliance section on page 22 and Continental's website [📄](#) under Sustainability.

Corporate bodies

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

The Executive Board and its practices

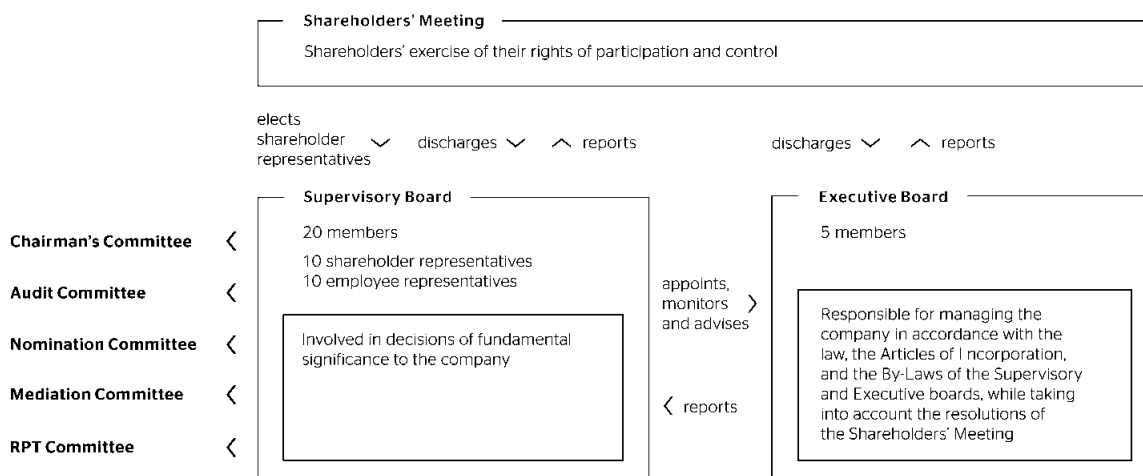
The Executive Board has sole responsibility for managing the company in the interests of the company, free from instructions from third parties in accordance with the law, the Articles of Incorporation and the Executive Board's By-Laws, while taking into account the resolutions of the Shareholders' Meeting.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

each Executive Board member is individually responsible for the areas entrusted to them. The chairman of the Executive Board is responsible for the company's overall management and business policy. He ensures management coordination and uniformity on the Executive Board and represents the company to the public. The Executive Board jointly develops the company's strategy, agrees it with the Supervisory Board and ensures its implementation.

The Executive Board had seven members as at December 31, 2021, and five members as at the date of this declaration (for details, see the report of the Supervisory Board under "Personnel changes in the Supervisory Board and Executive Board" (pages 13 and 14). The first time a person is appointed to the Executive Board, his or her term as a rule is three years only. As a rule, a member of the Executive Board is not appointed beyond the statutory retirement age.

Only under exceptional circumstances will a member of the Executive Board be reappointed earlier than one year prior to the end of their term of appointment with simultaneous annulment of their current appointment. More information on the members of the Executive Board can be found on pages 215 and 216 and on Continental's website [📄](#) under Company/Corporate Governance.

Corporate bodies of the company



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

The Executive Board has established a separate board for the Automotive group sector and has resolved to set up separate boards for the Tires and ContiTech group sectors in the near future. This measure supports the decentralization of responsibility that the global reorganization of the company seeks to achieve, and relieves the burden on the Continental Group Executive Board. In addition to establishing these boards, the Executive Board has delegated or will delegate to them decision-making powers for certain matters – particularly those relating to operational decisions – that affect only the relevant group sectors.

The boards for the three group sectors each comprise the Executive Board member responsible for the group sector in question as their chairman, the heads of the relevant business areas within the group sector, as well as further members from among the central functions of the relevant group sectors.

In preparation for the spin-off of Vitesco Technologies that was carried out on September 15, 2021, with subsequent listing on September 16, 2021, Vitesco Technologies was granted greater organizational independence as of January 1, 2021, with the aim of promoting its flexibility and agility. As part of this move, the Executive Board transferred decision-making authorities, effective January 1, 2021, to the Management Board of Vitesco Technologies GmbH for certain matters relating exclusively to the business of Vitesco Technologies.

The Supervisory Board and its practices

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

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

issues specific to the Supervisory Board. He maintains regular contact between meetings with the Executive Board, and in particular with its chairman, to discuss issues relating in particular to the company's strategy, business development, risk management and compliance.

Composition of the Supervisory Board

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

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

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

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

The Supervisory Board regularly reviews how effectively it and its committees have fulfilled their responsibilities. It carried out such a review in 2021 with the help of an external consultant. This confirmed the Supervisory Board's efficient and professional approach to its work in the past years. The Supervisory Board has adopted the recommendations that resulted from the 2021 self-assessment.



Profile of skills and expertise for the Supervisory Board

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

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

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

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

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

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

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

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

› The number of members of the Supervisory Board who have the required international experience should at a minimum remain constant. At least seven members currently have international skills and experience.

› An appropriate number of members with industry experience should be maintained. Far more than half of the Supervisory Board members cover this area of expertise.

› The Supervisory Board should have an appropriate number of members on the shareholder side whom it deems to be independent in accordance with the German Corporate Governance Code. Taking into account the ownership structure, a Supervisory Board member is therefore considered independent if they are independent of the company and its Executive Board, and also independent of a controlling shareholder.

› The independence of shareholder representatives was assessed in accordance with the German Corporate Governance Code by shareholder representatives on the Supervisory Board. As part of the assessment of independence from the Executive Board and the company, it was taken into account that five shareholder representatives will have been members of the Supervisory Board for more than 12 years in 2022. It was also taken into consideration in the assessment of independence from any controlling shareholder that three Supervisory Board members are linked to the controlling shareholder, the IHO Group, Herzogenaurach, Germany. As determined in the assessment by the shareholder representatives on the Supervisory Board, the Supervisory Board still has an appropriate number of members on the shareholder side who are independent in accordance with the German Corporate Governance Code. This assessment is based on the following considerations:

› More than one half of the shareholder representatives should be independent of Continental AG and its Executive Board. In the assessment of the independence of the five shareholder representatives that have been on the Supervisory Board for more than 12 years, given the former and ongoing administration of the members in question, the shareholder representatives overall see no grounds to accept changing the existing assessment of independence. The shareholder representatives currently on the Supervisory Board are therefore all, without exception, independent of Continental AG and its Executive Board.

› At least five shareholder representatives should be independent of the controlling shareholder, the IHO Group, headquartered in Herzogenaurach, Germany. The shareholder representatives independent of the controlling shareholder are:

- › Prof. Dr.-Ing. Wolfgang Reitzle
- › Stefan E. Buchner (as of January 1, 2022)
- › Dr. Gunter Dunkel
- › Satish Khatu
- › Isabel Corinna Knauf
- › Sabine Neuß
- › Prof. Dr. Rolf Nonnenmacher
- › Prof. KR Ing. Siegfried Wolf (until December 31, 2021)

› In its nominations for election to the Supervisory Board, the Supervisory Board as a rule does not nominate candidates who have already held this position for three full terms of office at the time of the election.

› The Supervisory Board has not stipulated an age limit as recommended in recommendation C.2 of the German Corporate Governance Code. It does not consider such a general criterion to be suitable for evaluating the qualifications of a candidate's nomination to the Supervisory Board.

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

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

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

Committees of the Supervisory Board

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

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

The **Audit Committee's** tasks relate primarily to the overseeing of the company's accounting, the audit of the financial statements, risk management, and compliance. In particular, the committee deals with the audit of the accounts, monitors the accounting process and the effectiveness of the internal control system, the risk management system, the internal audit system and compliance; and performs a preliminary examination of Continental AG's annual financial statements and the consolidated financial statements. The committee makes its recommendation to the plenary session of the Supervisory Board, which then passes resolutions pursuant to

Section 171 *AktG*. Furthermore, the committee discusses the company's draft interim financial reports. It is also responsible for ensuring the necessary independence of auditors and deals with additional services performed by the auditors. The committee engages the auditors, determines the focus of the report as necessary, negotiates the fee and regularly reviews the quality of the audit. It also gives its recommendation for the Supervisory Board's proposal to the Annual Shareholders' Meeting for the election of the auditor. The Audit Committee is also responsible for the preliminary audit of non-financial reporting and for the engagement of an auditor for its review, if any. The chairman of the Audit Committee is Prof. Dr. Rolf Nonnenmacher. He is independent in all respects as defined in the German Corporate Governance Code. As an auditor, he has special knowledge and experience in the application of accounting principles and internal control procedures, and is entrusted with performing a financial statement audit. Another committee member, Klaus Rosenfeld, is also a financial expert, and likewise has in-depth knowledge in the area of accounting. The other members are Francesco Grioli, Dirk Nordmann, Georg F. W. Schaeffler and Michael Iglhaut. Neither a former Executive Board member nor the chairman of the Supervisory Board may act as chairman of the Audit Committee.

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

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

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

More information on the members of the Supervisory Board and its committees can be found on pages 217 and 218. Current resumes, which are updated annually, are available on Continental's website under Company/Corporate Governance. They also contain information on how long each member has held their position on the Supervisory Board.

Shareholders and the Shareholders' Meeting

The company's shareholders exercise their rights of participation and control in the Annual Shareholders' Meeting. The Annual Shareholders' Meeting, which must be held in the first eight months of every fiscal year, decides on all issues assigned to it by law, such as the appropriation of profits, the election of shareholder representatives to the Supervisory Board, the discharging of Supervisory Board and Executive Board members, the appointment of auditors and the approval of the remuneration report. Each Continental AG share entitles the holder to one vote. There are no shares conferring multiple or preferential voting rights and no limitations on voting rights.

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

Accounting and auditing of financial statements

The Continental Group's accounting is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The annual financial statements of Continental AG are prepared in accordance with the accounting regulations of the German Commercial Code (*HGB*). The Annual Shareholders' Meeting on April 29, 2021, elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover (PwC) to audit the consolidated financial statements for fiscal 2021 as well as the interim financial reports of the company for the first time. Sven Rosorius is the responsible auditor at PwC.

Internal control system and risk management

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

Transparent and prompt reporting

As part of our investor relations and corporate communications, we regularly report to shareholders, analysts, shareholders' associations, the media and interested members of the public in equal measure on significant developments in the company and its situation. All shareholders have instant access to all the information that is also available to financial analysts and similar parties. The website [of Continental AG](#) provides the latest information, including the company's financial reports, presentations held at analyst and investor conferences, press releases and ad-hoc disclosures. The dates of key periodic publications (annual report, quarterly statements and half-year report) and events as well as of the Annual Shareholders' Meeting and the annual financial press conference are announced well in advance in a financial calendar on the website [of Continental AG](#). For the scheduled dates for 2022, see the [Investors/Events and Presentations](#) section.

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

Pursuant to Section 96 (2) *AktG*, the Supervisory Board of Continental AG as a listed stock corporation subject to the German Co-determination Act consists of at least 30% women and at least 30% men. This minimum quota must always be fulfilled by the Supervisory Board as a whole. Due to an objection by the employee representatives against the overall fulfillment in accordance with Section 96 (2) Sentence 3 *AktG* before the election of the Supervisory Board in spring 2019, the minimum quota for the Supervisory Board of Continental AG must be fulfilled separately by the shareholder representatives and the employee representatives. Women made up 30% of both the shareholder and employee representatives on the Supervisory Board of Continental AG as at December 31, 2021.

In accordance with Section 111 (5) *AktG*, the Supervisory Board must set a target quota of women on the Executive Board and a deadline for achieving this target. If the ratio of women is less than 30% at the time this is set, the target must not subsequently fall below the ratio achieved. In December 2016, the Supervisory Board set a target quota for women on the Executive Board of Continental AG of at least 11% for the period up until December 31, 2021.

With women making up 28.6% of the Executive Board of Continental AG as at December 31, 2021, and 40% at the time this report was prepared, this target ratio was fulfilled. With the previous time period for attaining the target of December 31, 2021, having already ended, in December 2021 the Supervisory Board set a new target quota for women on the Executive Board of Continental AG of at least 28.6% by July 31, 2022. Beyond this point in time, the ratio requirement as set out in Section 76 (3a) AktG applies for the ratios of new Executive Board members.

In accordance with Section 76 (4) AktG, the Executive Board of Continental AG is required to set targets for the ratio of women in the first two management levels below the Executive Board and a deadline for achieving these targets. In November 2016, the Executive Board set the following target quotas for women in the first two management levels below the Executive Board at Continental AG for the period up until December 31, 2021: 26% for the first management level and 33% for the second management level. Due to reorganizations that have taken place in the corporate functions since the end of 2016, the total number of managers at the first and second management levels has changed. As a result, the target quota for the first management level was significantly exceeded at 37% as at December 31, 2021, while the equivalent target quota for the second management level was missed at 29%.

Given that the time period for attaining the previous target quotas came to an end on December 31, 2021, the Executive Board set new target quotas for women in the first two management levels below the Executive Board at Continental AG for the period up until December 31, 2026: 37% for the first management level and 33% for the second management level.

As a global company, Continental continues to attach high priority to the goal of steadily increasing the proportion of women in management positions throughout the Continental Group, above and beyond the legal requirements in Germany.

Diversity concept

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

The Supervisory Board also pays attention to the diversity of the composition of the Executive Board. The Executive Board does the same when appointing people to management positions. As a basic principle, the Executive Board aims to achieve a balanced ratio of domestic to international managers everywhere. The proportion of local and international managers varies according to region. In 2021, a total of about 48% of the Continental Group's managers came from countries other than Germany. Continental is also working on increasing the proportion of women in management positions. In 2021, we were able to increase this number to around 18% across the Continental Group (PY: 16%). The proportion is to be increased to 25% by 2025.

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

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

Compliance

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

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

The chief compliance officer heads the Compliance department and reports directly to the chairman of the Executive Board. The focal area of the work of the Compliance department is preventing violations of antitrust and competition law, corruption, fraud and other property offenses, and infringements of regulations for the prevention of money laundering. For other areas in which there is a risk of compliance violations, responsibility for compliance management lies with the respective functions that have performed these duties competently for a long time and are supported in these tasks by the Compliance department.

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

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

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

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

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

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

Material compliance-related matters and risks are described in more detail in the report on risks and opportunities starting on page 92, and in the notes to the consolidated financial statements (Note 38).

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

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Glossary of Financial Terms

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

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

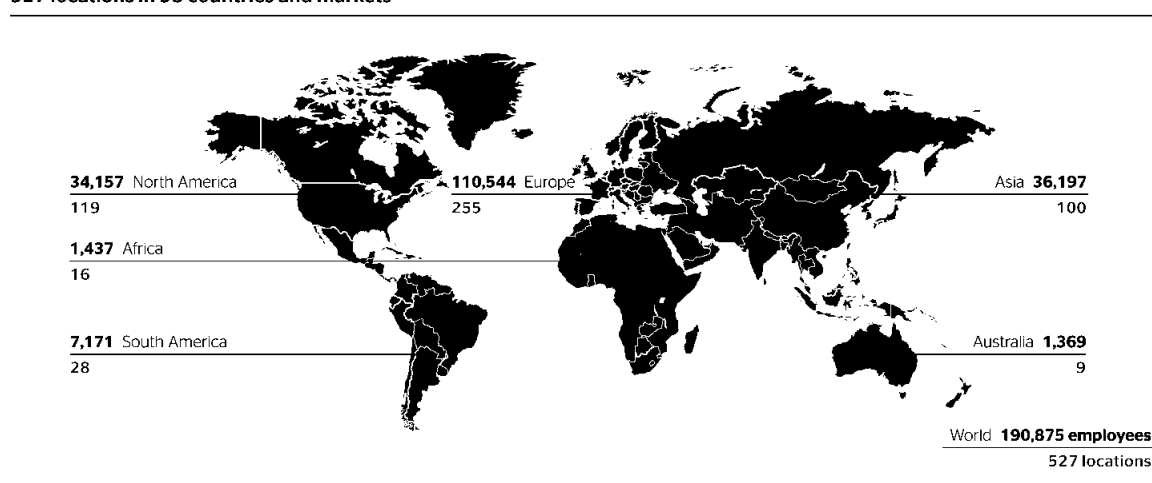
Customer structure

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 €2.6 billion in expenditure	Diverse €23.2 billion in volumes	Global 210 locations	Local €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|alt." he|alt 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

Strengthen operational performance

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

2

Differentiate our portfolio

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

3

Turn change into opportunity

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



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 NetZeroNow 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%.

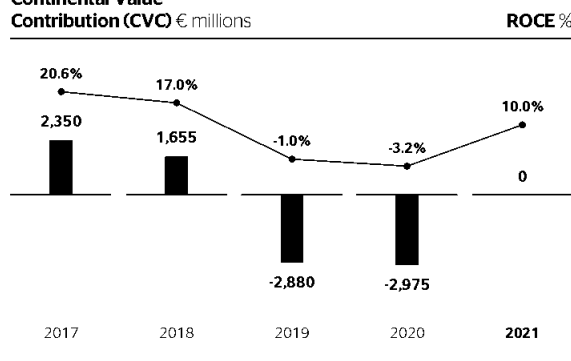
Corporate Management

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



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.

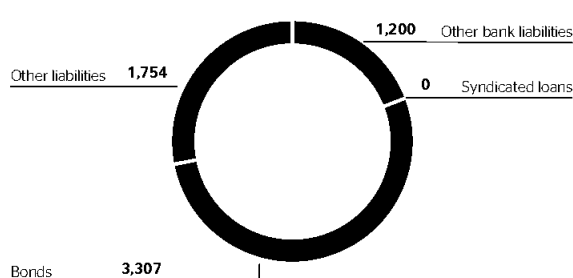
ROCE by business area (in %)	2021	2020 continuing operations	2020 continuing and discontinued operations
Autonomous Mobility and Safety	-2.8	-2.8	-2.1
Vehicle Networking and Information	-6.8	-33.3	-31.9
Tires	25.7	14.3	14.3
ContiTech	16.8	7.7	7.7
Contract Manufacturing	29.0	-28.8	—
Powertrain	—	—	-14.1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

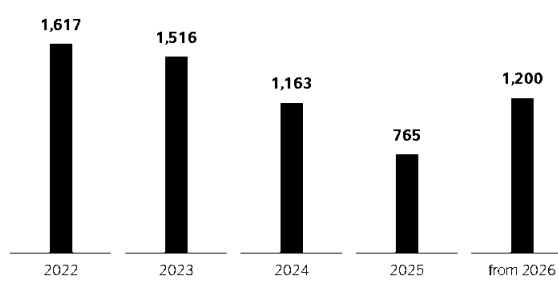
Gross indebtedness amounted to €6,260.5 million as at December 31, 2021. Key financing instruments are the syndicated loan with a revolving credit line of €4.0 billion that has been granted until December 2026, and bonds issued on the capital market.

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's¹		
Long-term	BBB	BBB
Short-term	A-2	A-2
Outlook	negative	negative
Fitch²		
Long-term	BBB	BBB
Short-term	F2	F2
Outlook	stable	stable
Moody's³		
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	
	€ millions	% of sales	€ millions	% of sales
Research and development expenses (net)				
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.

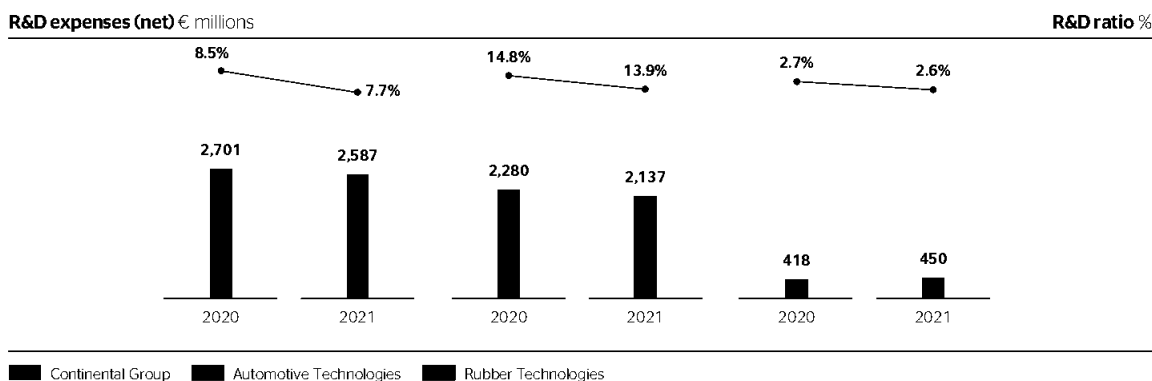
The AMBIENC3 features new surface solutions for the floor and ceiling, walls, seats, recliners, storage areas and the instrument panel, all of which are made from innovative and sustainable materials. These are either natural and renewable, or recycled and reclaimed. Good air quality inside the vehicle is ensured through low-emission, low-pollutant materials, while the lightweight surfaces also help to reduce vehicle weight. This lowers energy consumption and therefore CO₂ 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.



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 CO₂ 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 CO₂ 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 CO₂ 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 NetZeroNow. Carbon backpack refers to CO₂ 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 CO₂ emissions, i.e. own CO₂ 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 CO₂ emissions have been reduced by 70% compared with fiscal 2019, as this green electricity produces no CO₂ 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 CO₂ emissions (Scope 1 and 2) in millions of metric tons of CO₂	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. CO₂ emission factors correspond to CO₂ equivalents (CO₂e).

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 CO₂ 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 CO₂ 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 [www.continental.com](#) 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. CO₂ 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		
Employee coverage (as at December 31) in %	76	82
Energy management system certification (ISO 50001) ¹		
Employee coverage (as at December 31) in %	40	51
Occupational safety and health management system certification (ISO 45001 or similar) ¹		
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 anti-trust 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 www.continental-sustainability.com 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 CO₂ 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

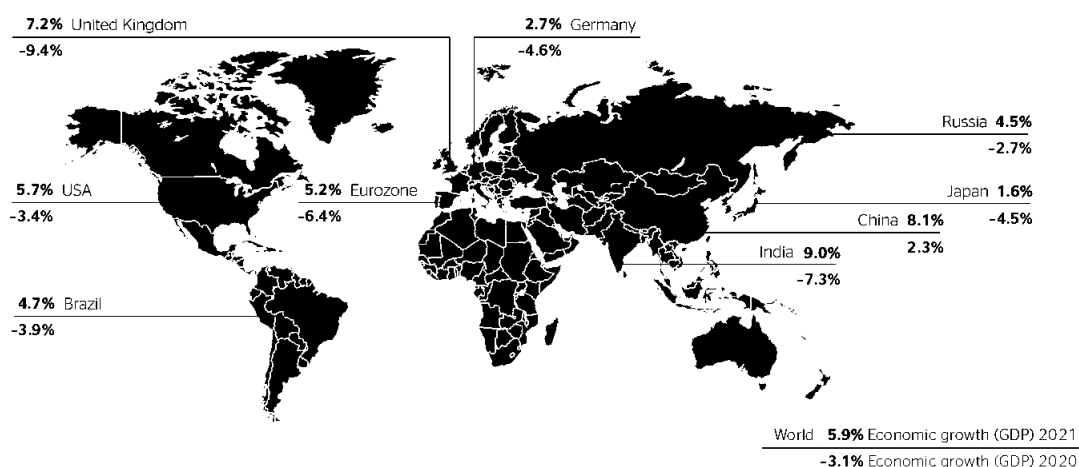
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – was Continental's most important customer group in fiscal 2021. Automotive Technologies accounted for the lion's share, but the Tires and ContiTech business areas also generated significant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

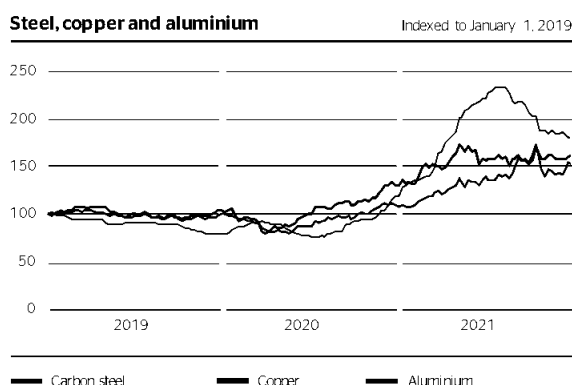
Vehicle production: IHS Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey)

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.



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

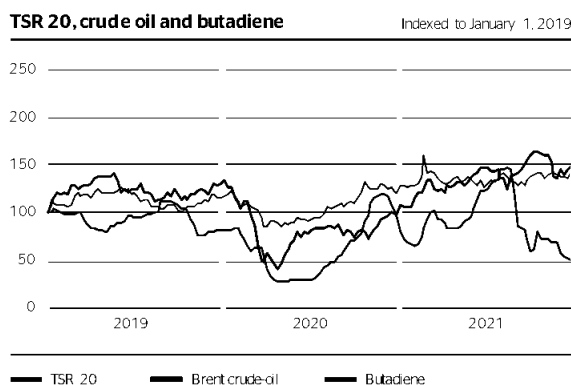
Precious metals such as silver and gold are used by Continental and by our suppliers to coat components. The average price of silver was up 22% year-on-year on a US dollar basis in 2021. In contrast to this, following the rise in the previous year, the price of gold remained relatively stable with an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



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.

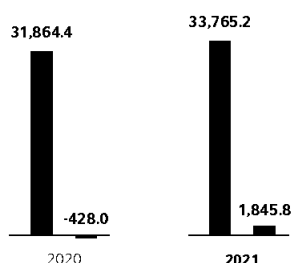
There is usually a gap of several months between purchasing raw materials, their delivery and their use in production, depending on the product and contractual arrangement. As a result, the rise in spot prices in the second half of 2021 is also expected to lead to increased costs for raw materials in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

Earnings, Financial and Net Assets Position

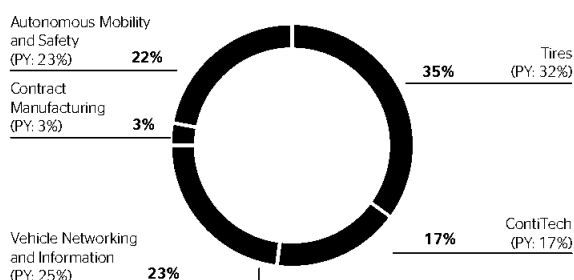
- › Sales up 6.0% to €33.8 billion
- › Organic sales up 7.4%
- › Earnings per share at €7.28

Sales; EBIT

€ millions

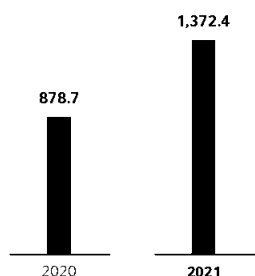


Sales by business area



Free cash flow

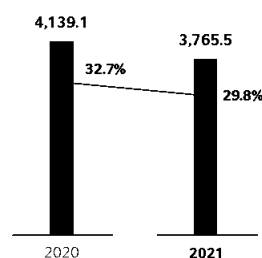
€ millions



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)	19	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 BV, 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 to €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 to €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 electro-mechanical 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.

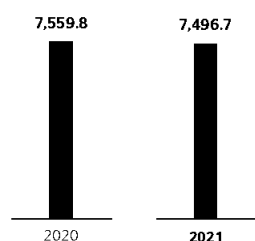
Sales down 0.8%

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.

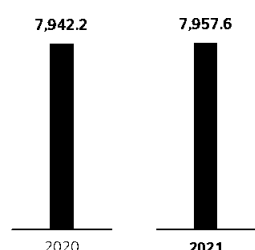
Sales up 0.2%

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	2,196.1	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.

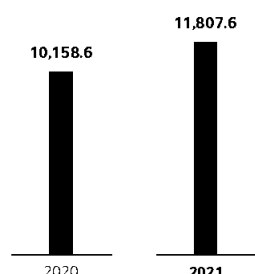
Sales up 16.2%

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%

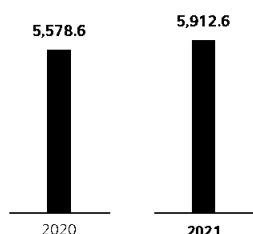
Sales up 6.0%

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.

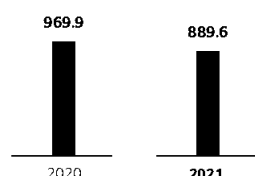
Sales down 8.3%

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, *Handels-gesetzbuch* - 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 (*Aktengesetz - 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 (*Aktengesetz - 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 [www.continental.com](#) 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 [www.continental.com](#) 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.

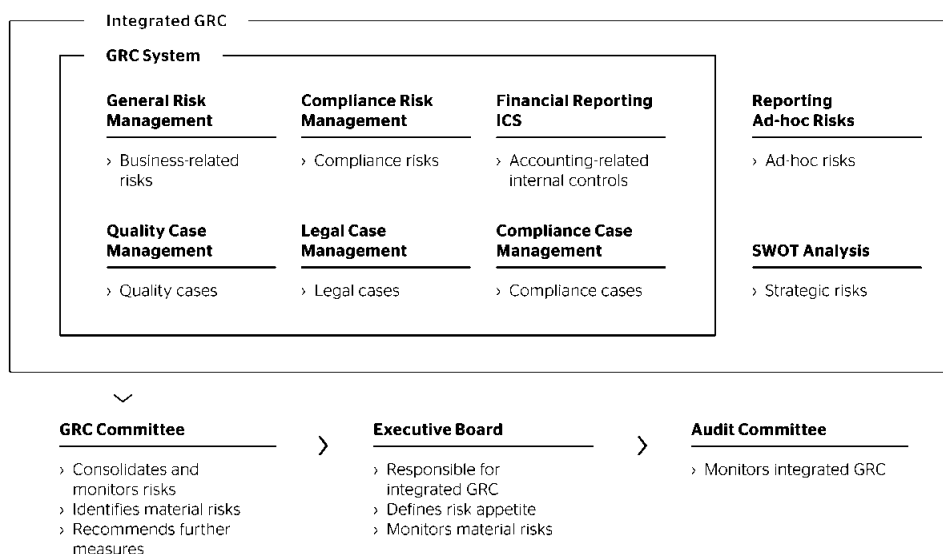
Governance, risk and compliance (GRC)

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)	Invest ments (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	1.2¹	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.



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Statement of the Executive Board

The Executive Board of Continental AG is responsible for the preparation, completeness and integrity of the consolidated financial statements and the management report for Continental AG and the Continental Group, as well as for the other information provided in the annual report. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and include any necessary and appropriate estimates. The management report for Continental AG and the Continental Group contains an analysis of the earnings, financial and net assets position of the Continental Group, as well as further information provided in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch – HGB*).

An effective internal management and control system is employed to ensure that the information used for the preparation of the consolidated financial statements, including the management report for Continental AG and the Continental Group, as well as for internal reporting, is reliable. This includes standardized guidelines at the corporate level for accounting and risk management in accordance with Section 91 (2) of the German Stock Corporation Act (*Aktien-gesetz – AktG*) and an integrated financial control system as part of the Continental Group's value-oriented management, plus audits by Group Audit. The Executive Board is thus in a position to identify significant risks at an early stage and to take countermeasures.

PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Hanover, Germany, was engaged as the auditor for fiscal 2021 by the Annual Shareholders' Meeting of Continental AG. The audit mandate was issued by the Audit Committee of the Supervisory Board. PricewaterhouseCoopers audited the consolidated financial statements prepared in accordance with IFRS and the management report for Continental AG and the Continental Group. The auditor will issue the independent auditor's report.

The consolidated financial statements, the management report for Continental AG and the Continental Group, the auditor's report and the risk management system in accordance with Section 91 (2) *AktG* are discussed in detail by the Audit Committee of the Supervisory Board together with the auditor. These documents relating to the annual financial statements and these reports will then be discussed with the entire Supervisory Board, also in the presence of the auditor, at the meeting of the Supervisory Board held to approve the financial statements.

Hanover, February 22, 2022

The Executive Board

Independent Auditor's Report

To Continental Aktiengesellschaft, Hanover

Report on the Audit of the Consolidated Financial Statements and of the Consolidated Management Report

Audit opinions

We have audited the consolidated financial statements of Continental Aktiengesellschaft, Hanover, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of comprehensive income, consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the consolidated management report of Continental Aktiengesellschaft, which is combined with the Company's management report – comprising the content included to comply with German legal requirements and the non-financial statement pursuant to Section 289b (1) of the German Commercial Code (*Handelsgesetzbuch – HGB*) and Section 315b (1) *HGB* included in the "Sustainability and Combined Non-Financial Statement" section of the consolidated management report – for the financial year from January 1 to December 31, 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- › the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) *HGB* and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and
- › the accompanying consolidated management report as a whole provides an appropriate view of the Group's position. In all material respects, this consolidated management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 *HGB*, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the consolidated management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the consolidated management report in accordance with Section 317 *HGB* and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany

(Institut der Wirtschaftsprüfer, IDW). Our responsibilities under those requirements and principles are further described in the "auditor's responsibilities for the audit of the consolidated financial statements and of the consolidated management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the consolidated management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- › Recoverability of goodwill
- › Accounting treatment of deferred taxes

Our presentation of these key audit matters has been structured in each case as follows:

- › Matter and issue
- › Audit approach and findings
- › Reference to further information

Hereinafter we present the key audit matters:

Recoverability of goodwill

- › In the Company's consolidated financial statements, goodwill amounting to a total of €3,711.8 million (10.4% of total assets and 29.4% of total equity) was reported. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is the higher of fair value less costs of disposal and the value in use. The Company generally determines the recoverable amount using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the long-term planning for the cash-generating units adopted by the

executive directors forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

- › As part of our audit we assessed the methodology used by the Company for the purposes of conducting the impairment tests, among other things, with the assistance of our internal specialists from Valuation, Modeling & Analytics. After matching the future cash inflows used for the calculation against the long-term planning for the cash-generating units adopted by the executive directors, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company on the effect of potential changes in revenue, the discount rate and the EBIT margin on the recoverable amount. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future cash flows.

In addition, we assessed whether the disclosures in the notes relating to the recoverability of goodwill were appropriate and complete.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

- › The Company's disclosures on goodwill are contained in Notes 2 and 15 of the notes to the consolidated financial statements.

Accounting treatment of deferred taxes

- › In the consolidated financial statements of the Company, deferred tax assets amounting to €2,529.5 million (7.1% of total assets and 20.0% of total equity) after netting are reported, of which €674.6 million relates to tax loss carryforwards. Deferred tax assets amounting to €4,028.5 million were recognized before netting with matching deferred tax liabilities. These items were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences and unused tax losses to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the business plan adopted by the executive directors. No deferred tax assets were recognized in respect of deductible temporary differences and unused tax losses amounting in total to €2,935.0 million since it is not probable that they will be utilized for tax purposes by means of offset against taxable profits.

In our view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties.

- › As part of our audit of the recoverability of deferred tax assets and with the assistance of our specialists from Tax Reporting & Strategy, among other things, we assessed the internal processes and controls for recording tax matters, as well as the methodology used for the determination, accounting treatment and measurement of deferred taxes. We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unused tax losses on the basis of internal forecasts of the Company's and its subsidiaries' future earnings situation for tax purposes, and the appropriateness of the underlying estimates and assumptions.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

- › The Company's disclosures relating to deferred taxes are contained in Note 21 of the notes to the consolidated financial statements.

Emphasis of matter – Immanent risk due to uncertainties regarding the legal conformity of the interpretation of the EU Taxonomy Regulation

We draw attention to the statements made by the executive directors in the "Information in Accordance with the EU Taxonomy Regulation" section of the non-financial statement pursuant to Section 289b (1) *HGB* and Section 315b (1) *HGB* contained in the "Sustainability and Combined Non-Financial Statement" section of the consolidated management report, which describe how the EU Taxonomy Regulation and the delegated acts issued thereunder contain wording and terms that are still subject to interpretation uncertainties. The executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the delegated acts adopted thereunder. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties. Our audit opinion on the consolidated management report is not modified in respect of this matter.

Other information

The executive directors are responsible for the other information.

The other information comprises

- › the corporate governance statement pursuant to Sections 289f and 315d *HGB*
- › all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited consolidated management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the consolidated management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- › is materially inconsistent with the consolidated financial statements, with the consolidated management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- › otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the consolidated management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) *HGB* and for ensuring that the consolidated financial statements, in compliance with these requirements, give a true and fair

view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the consolidated management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a consolidated management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the consolidated management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the consolidated management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the consolidated management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the consolidated management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the consolidated management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 *HGB* and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this consolidated management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.

We also

- › Identify and assess the risks of material misstatement of the consolidated financial statements and of the consolidated management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

- › Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the consolidated management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- › Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- › Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the consolidated management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- › Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- › Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the consolidated management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- › Evaluate the consistency of the consolidated management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- › Perform audit procedures on the prospective information presented by the executive directors in the consolidated management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the consolidated management report prepared for publication purposes in accordance with Section 317 (3a) HGB

Assurance opinion

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the consolidated management report (hereinafter the "ESEF documents") contained in the electronic file Continental AG_KAuKLB_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the consolidated management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the consolidated management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) *HGB* for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying consolidated management report for the financial year from January 1 to December 31, 2021, contained in the report on the audit of the consolidated financial statements and on the consolidated management report above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the assurance opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the consolidated management report contained in the electronic file identified above in accordance with Section 317 (3a) *HGB* and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) *HGB* (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the consolidated management report in accordance with Section 328 (1) Sentence 4 No. 1 *HGB* and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 *HGB*.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) *HGB* for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) *HGB*, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- › Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) *HGB*, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- › Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- › Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- › Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited consolidated management report.
- › Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Annual Shareholders' Meeting on April 29, 2021. We were engaged by the Supervisory Board on December 10, 2021. We have been the auditor of Continental Aktiengesellschaft, Hanover, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).



Reference to Another Matter - Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited consolidated management report as well as the assured ESEF documents. The consolidated financial statements and the consolidated management report converted to the ESEF format – including the versions to be published in the German Federal Gazette (*Bundesanzeiger*) – are merely electronic renderings of the audited consolidated financial statements and the audited consolidated management report and do not take their place. In particular, the report on the assurance on the electronic rendering of the consolidated financial statements and the consolidated management report prepared for publication purposes in accordance with Section 317 (3a) *HGB* and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

Note on Supplementary Audit

We issue this auditor's report on the consolidated financial statements and amended consolidated management report as well as on the amended electronic rendering of the consolidated financial statements and the consolidated management report contained in the file Continental_AG_KAuKLB_ESEF-2021-12-31.zip and prepared for publication purposes on the basis of our audit, duly completed as at March 2, 2022, and our supplementary audit completed as at March 15, 2022, related to the amendments in the "Report on Risks and Opportunities" and "Report on Expected Developments" of the consolidated management report as well as to the related amendments of the ESEF documents. We refer to the presentation of the amendments by the executive directors in the amended consolidated management report, sections "Material Risks" and "Outlook for the Continental Group."

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Sven Rosorius.

Hanover, March 2, 2022/limited to the amendments stated in the "Note on Supplementary Audit" section above: March 15, 2022

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft

Harald Kayser
Wirtschaftsprüfer
(German Public Auditor)

Sven Rosorius
Wirtschaftsprüfer
(German Public Auditor)



Consolidated Statement of Income

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

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

€ millions	See Note	2021	2020
Sales	7	33,765.2	31,864.4
Cost of sales		-26,024.9	-24,370.6
Gross margin on sales		7,740.3	7,493.8
Research and development expenses	8	-3,530.4	-3,352.8
Selling and logistics expenses		-2,391.7	-2,264.8
Administrative expenses		-1,004.9	-960.1
Other income	9	2,099.8	1,321.9
Other expenses	9	-1,122.5	-2,597.1
Income from equity-accounted investees	11	54.8	-69.5
Other income from investments	11	0.4	0.6
EBIT		1,845.8	-428.0
Interest income ¹	12	102.7	90.7
Interest expense ¹	12	-180.4	-264.2
Effects from currency translation	12	-128.1	-86.0
Effects from changes in the fair value of derivative instruments, and other valuation effects	12	69.5	71.6
Financial result	12	-136.3	-187.9
Earnings before tax from continuing operations		1,709.5	-615.9
Income tax expense	13	-359.5	50.3
Earnings after tax from continuing operations		1,350.0	-565.6
Earnings after tax from discontinued operations	6	156.9	-353.2
Net income		1,506.9	-918.8
Non-controlling interests		-51.9	-43.1
Net income attributable to the shareholders of the parent		1,455.0	-961.9
Earnings per share (in €) relating to			
Basic earnings per share from continuing operations	40	6.49	-3.02
Consolidated basic earnings per share	40	7.28	-4.81
Diluted earnings per share from continuing operations	40	6.49	-3.02
Consolidated diluted earnings per share	40	7.28	-4.81

¹ As of fiscal 2021, expected income from long-term employee benefits and from pension funds and interest expense from long-term employee benefits are reported net under interest expense.



Consolidated Statement of Comprehensive Income

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

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

€ millions	2021	2020
Net income	1,506.9	-918.8
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans ¹	676.7	-490.5
Fair value adjustments ¹	706.4	-523.6
Investment in equity-accounted investees ²	-0.1	0.0
Currency translation ¹	-29.6	33.1
Other investments	92.7	-9.0
Fair value adjustments ¹	92.4	-6.1
Investment in equity-accounted investees ²	0.9	-2.9
Currency translation ¹	-0.6	-
Tax on other comprehensive income	-186.0	43.4
Items that may be reclassified subsequently to profit or loss		
Currency translation ¹	759.7	-1,048.9
Difference from currency translation ¹	838.5	-1,051.7
Reclassification adjustments to profit and loss	-71.3	0.7
Investment in equity-accounted investees ²	-7.5	2.1
Tax on other comprehensive income	1.8	-1.7
Other comprehensive income	1,344.9	-1,506.7
Comprehensive income	2,851.8	-2,425.5
Attributable to non-controlling interests	-89.0	7.3
Attributable to the shareholders of the parent	2,762.8	-2,418.2
The share of comprehensive income attributable to the shareholders of the parent is as follows:		
Continuing operations	2,348.9	-1,760.1
Discontinued operations	413.9	-658.1

¹ Including non-controlling interests.

² Including taxes



Consolidated Statement of Financial Position

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

Following the deconsolidation of Vitesco Technologies, all items in the reporting period represent continuing operations. The figures for the comparative period show continuing and discontinued operations.

Assets

€ millions	See Note	December 31, 2021	December 31, 2020
Goodwill	15	3,711.8	4,361.6
Other intangible assets	15	1,087.7	1,346.9
Property, plant and equipment	16, 17	11,411.6	13,760.6
Investment property	18	12.0	12.2
Investments in equity-accounted investees	19	305.9	351.3
Other investments	20	169.4	123.4
Deferred tax assets	21	2,529.5	2,751.4
Defined benefit assets	30	101.6	82.7
Long-term derivative instruments and interest-bearing investments	34	113.2	142.6
Long-term other financial assets	22	229.6	161.0
Long-term other assets	23	113.7	24.2
Non-current assets		19,786.0	23,117.9
Inventories	24	4,993.7	4,238.2
Trade accounts receivable	25	7,089.5	7,353.2
Short-term contract assets	7	94.0	119.1
Short-term other financial assets	22	118.4	146.8
Short-term other assets	23	1,066.1	1,352.5
Income tax receivables		303.4	234.8
Short-term derivative instruments and interest-bearing investments	34	112.7	114.0
Cash and cash equivalents	26	2,269.1	2,938.7
Assets held for sale	27	7.9	22.8
Current assets		16,054.8	16,520.1
Total assets		35,840.8	39,638.0



Equity and liabilities

€ millions	See Note	December 31, 2021	December 31, 2020
Issued/subscribed capital		512.0	512.0
Capital reserves		4,155.6	4,155.6
Retained earnings		10,258.6	11,960.2
Other comprehensive income		-2,735.5	-4,365.4
Equity attributable to the shareholders of the parent		12,190.7	12,262.4
Non-controlling interests		452.5	376.7
Total equity	28	12,643.2	12,639.1
Long-term employee benefits	30	4,743.0	6,109.9
Deferred tax liabilities	21	101.6	168.6
Long-term provisions for other risks and obligations	31	787.7	1,242.6
Long-term indebtedness	33	4,643.2	5,144.4
Long-term other financial liabilities	35	10.3	6.7
Long-term contract liabilities	7	7.6	7.0
Long-term other liabilities	37	36.0	63.9
Non-current liabilities		10,329.4	12,743.1
Short-term employee benefits	30	1,243.5	1,236.5
Trade accounts payable	36	5,865.4	5,933.1
Short-term contract liabilities	7	265.2	291.0
Income tax payables	32	672.9	790.1
Short-term provisions for other risks and obligations	31	1,130.7	1,725.4
Short-term indebtedness	33	1,617.3	2,190.0
Short-term other financial liabilities	35	1,265.0	1,287.9
Short-term other liabilities	37	808.2	801.8
Current liabilities		12,868.2	14,255.8
Total equity and liabilities		35,840.8	39,638.0



Consolidated Statement of Cash Flows

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

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

€ millions	See Note	2021	2020
Net income		1,506.9	-918.8
Income tax expense	13	521.9	-11.3
Financial result	12	131.0	212.0
EBIT		2,159.8	-718.1
Interest paid		-165.4	-169.4
Interest received		46.8	32.8
Income tax paid	13, 32	-751.2	-885.5
Dividends received		31.0	31.3
Depreciation, amortization, impairment and reversal of impairment losses	9, 15, 16, 17	2,415.0	3,751.9 ¹
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	11, 19	-10.6	22.9
Gains/losses from the disposal of assets, companies and business operations		-295.6	-187.7
Changes in			
inventories	24	-1,417.7	205.6
trade accounts receivable	25	31.2	140.2
trade accounts payable	36	941.4	-925.0
employee benefits and other provisions	30, 31	146.8	1,121.5
other assets and liabilities		-177.1	293.5
Cash flow arising from operating activities		2,954.4	2,714.0
Cash flow arising from operating activities - continuing operations		2,490.5	2,718.9
Cash flow arising from operating activities - discontinued operations		463.9	-4.9
Cash flow from the disposal of assets	15, 16	77.7	57.6
Capital expenditure on property, plant and equipment, and software	15, 16	-1,825.8	-1,942.4
Capital expenditure on intangible assets from development projects and miscellaneous	15	-52.0	-183.7
Cash flow from the disposal of companies and business operations	5	342.8	304.3
Acquisition of companies and business operations	5	-124.7	-71.1
Cash flow arising from investing activities		-1,582.0	-1,835.3
Cash flow arising from investing activities - continuing operations		-1,420.2	-1,401.9
Cash flow arising from investing activities - discontinued operations		-161.8	-433.4

¹ Includes expenses from derecognitions of brand values.



€ millions	See Note	2021	2020
Cash flow before financing activities (free cash flow)		1,372.4	878.7
Net cash change in short-term indebtedness	33	-1,099.1	-2,557.7
Cash change in long-term indebtedness	33	16.6	2,160.7
Other cash changes		-44.9	81.9
Successive purchases	5	–	-172.8
Dividends paid		–	-600.0
Dividends paid to and cash changes from equity transactions with non-controlling interests		-29.3	-52.7
Cash flow arising from financing activities		-1,156.7	-1,140.6
Cash flow arising from financing activities – continuing operations		-1,134.0	-1,136.2
Cash flow arising from financing activities – discontinued operations		-22.7	-4.4
Change in cash and cash equivalents		215.7	-261.9
Cash and cash equivalents at the beginning of the reporting period		2,938.7	3,341.8
Effect of exchange-rate changes on cash and cash equivalents		96.1	-141.2
Cash and cash equivalents from continuing and discontinued operations		3,250.5	2,938.7
Less cash and cash equivalents from discontinued operations at the time of disposal		-981.4	n. a.
Cash and cash equivalents from continuing operations at the end of the reporting period	26	2,269.1	n. a.



Consolidated Statement of Changes in Equity

€ millions	Issued/ subscribed capital ¹	Capital reserves	Retained earnings	Successive purchases ²	Difference from			Subtotal	Non- controlling interests	Total
					remeasurement of defined benefit plans ³	currency translation ⁴	financial instruments ⁵			
As at January 1, 2020	512.0	4,155.6	13,522.1	-187.4	-2,366.4	-233.1	-7.5	15,395.3	480.4	15,875.7
Net income	—	—	-961.9	—	—	—	—	-961.9	43.1	-918.8
Other comprehensive income	—	—	0.0	—	-450.6	-999.6	-6.1	-1,456.3	-50.4	-1,506.7
Net profit for the period	—	—	-961.9	—	-450.6	-999.6	-6.1	-2,418.2	-7.3	-2,425.5
Dividends paid/resolved	—	—	-600.0	—	—	—	—	-600.0	-62.9	-662.9
Successive purchases	—	—	—	-114.8	—	—	—	-114.8	-33.5	-148.3
Other changes	—	—	—	0.1	—	—	—	0.1	0.0	0.1
As at December 31, 2020	512.0	4,155.6	11,960.2	-302.1	-2,817.0	-1,232.7	-13.6	12,262.4	376.7	12,639.1
Net income	—	—	1,455.0	—	—	—	—	1,455.0	51.9	1,506.9
Other comprehensive income	—	—	0.0	—	490.3	724.9	92.6	1,307.8	37.1	1,344.9
Net profit for the period	—	—	1,455.0	—	490.3	724.9	92.6	2,762.8	89.0	2,851.8
Dividends paid/resolved	—	—	—	—	—	—	—	—	-18.5	-18.5
Non-cash dividends due to the completed spin-off	—	—	-2,824.8	—	—	—	—	-2,824.8	—	-2,824.8
Successive purchases	—	—	—	-5.2	—	—	—	-5.2	5.3	0.1
Other changes ⁶	0.0	—	-331.8	-4.5	331.8	—	—	-4.5	0.0	-4.5
As at December 31, 2021	512.0	4,155.6	10,258.6	-311.8	-1,994.9	-507.8	79.0	12,190.7	452.5	12,643.2

1 Divided into 200,005,980 (PY: 200,005,983) outstanding shares with dividend and voting rights.

2 Includes an amount of -€5.2 million (PY: -€114.8 million) from successive purchases of shares in fully consolidated companies and an amount of -€4.5 million (PY: €0.1 million) relating to effects from the first-time consolidation of previously non-consolidated subsidiaries.

3 Includes shareholder's portion of -€0.1 million (PY: €0.0 million) in non-realized gains and losses from pension obligations of equity-accounted investees.

4 Includes shareholder's portion of -€7.5 million (PY: €2.1 million) in the currency translation of equity-accounted investees.

5 The change in the difference arising from financial instruments was due to other investments of €92.6 million (PY: -€6.1 million).

6 Other changes in relation to the retained earnings of €331.8 million resulted from reclassifications to retained earnings not recognized in profit or loss. Of these, €331.4 million was attributable to the spin-off of Vitesco Technologies and €0.4 million resulted from changes in the scope of consolidation. Other changes in non-controlling interests took place due to changes in the scope of consolidation and capital increases.

Notes to the Consolidated Financial Statements

1. Segment Reporting

In accordance with the provisions of IFRS 8, *Operating Segments*, Continental AG's segment reporting is based on the management approach with regard to segment identification, under which information regularly provided to the chief operating decision-maker for decision-making purposes is considered decisive.

The activities of the Continental Group are divided into the following segments:

Autonomous Mobility and Safety develops, produces and integrates active and passive safety technologies and controls vehicle dynamics.

Vehicle Networking and Information develops and integrates components and end-to-end systems for connected mobility – architecture, hardware, software and services.

With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, **Tires** stands for innovative 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.

ContiTech develops and manufactures 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.

As of September 2021, the contract manufacturing of products by Continental companies for Vitesco Technologies has been consolidated in **Contract Manufacturing**. 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.

Other/holding/consolidation

This comprises centrally managed subsidiaries and affiliates, such as holding, financing and insurance companies, as well as the holding function of Continental AG and certain effects of consolidation. It also contains the effects on earnings of uncertain risks, particularly those in connection with contractual and similar claims or obligations representing, among other things, risks from investments that cannot currently be assigned to the individual operating units.

Internal control and reporting within the Continental Group are based on International Financial Reporting Standards (IFRS) as described in Note 2. The Continental Group measures the performance of its segments on the basis of their adjusted operating result (adjusted EBIT). Their performance is expressed as the return on sales (adjusted EBIT divided by adjusted sales) and as the return on capital employed (ROCE), which represents EBIT as a percentage of average operating assets. Intersegment sales and other proceeds are determined at arm's length prices. For administrative services performed by centrally operated companies or by the Continental Group's management, costs are calculated on an arm's length basis in line with utilization. Where direct allocation is not possible, costs are assigned according to the services performed.

The segment assets comprise the operating assets of the assets side of the statement of financial position as at the end of the reporting period. The segment liabilities show the operating asset parts on the liabilities side of the statement of financial position.

Capital expenditure relates to additions to property, plant and equipment, and software, as well as additions to capitalized right-of-use assets in line with IFRS 16, *Leases*, and additions to capitalized borrowing costs in line with IAS 23, *Borrowing Costs*. Depreciation and amortization include the scheduled diminution of and the impairment on intangible assets, property, plant and equipment, capitalized right-of-use assets and investment properties as well as the impairment on goodwill. This figure does not include impairment on financial investments.

Non-cash expenses/income mainly include additions to and reversals of pension and warranty provisions as well as provisions for litigation and environmental risks.

In the segment information broken down by country and region, sales are allocated on the basis of the domicile of the respective customers; in contrast, capital expenditure and segment assets are allocated on the basis of the domicile of the respective companies.

Viewed across all segments of its continuing operations, Continental recorded sales totaling €3,521.3 million (PY: €3,507.8 million) with a group of companies under common control in the year under review.

In 2021, the Continental Group generated 20% of its sales in the USA (PY: 20%), 17% in Germany (PY: 18%) and 12% in China (PY: 13%). Other than these countries, there were no countries in which more than 10% of sales were achieved, as was also the case in the previous year.



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

All segment report tables show only the figures for continuing operations in the reporting and comparative periods for all segments. Following the spin-off of Vitesco Technologies, the Contract Manufacturing segment is being reported for the first time. It comprises the continuing operations of the former Powertrain segment. All key figures for the segments reflect the resegmentation over the entire reporting period and are adjusted accordingly for the comparative period.

Segment report for 2021

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
External sales	7,411.2	7,893.2	11,722.1	5,850.5	888.2	—	33,765.2
Intercompany sales	85.5	64.4	85.5	62.1	1.4	-298.9	—
Sales (total)	7,496.7	7,957.6	11,807.6	5,912.6	889.6	-298.9	33,765.2
EBIT (segment result)	-128.0	-245.8	1,700.6	514.7	130.4	-126.1	1,845.8
in % of sales	-1.7	-3.1	14.4	8.7	14.7	—	5.5
thereof income from equity-accounted investees	12.0	44.9	-2.8	-0.3	—	1.0	54.8
Capital expenditure ¹	548.7	497.5	626.0	204.4	19.9	50.9	1,947.4
in % of sales	7.3	6.3	5.3	3.5	2.2	—	5.8
Depreciation and amortization ²	523.2	518.7	825.3	319.0	63.8	8.4	2,258.4
thereof impairment ³	1.5	11.0	5.9	-3.1	13.8	0.0	29.1
Internally generated intangible assets	11.5	20.0	—	—	—	—	31.5
Significant non-cash expenses/income ⁴	-173.7	-144.6	-69.5	-61.1	-8.1	-31.1	-488.1
Segment assets	7,489.6	6,967.7	9,683.2	4,408.0	1,035.8	242.1	29,826.4
thereof investments in equity-accounted investees	123.5	64.2	86.8	21.5	—	9.9	305.9
Segment liabilities	2,911.4	3,078.4	3,135.0	1,312.0	281.9	158.3	10,877.0
Operating assets as at December 31	4,578.2	3,889.3	6,548.2	3,096.0	753.9	83.8	18,949.4
Operating assets (average)	4,501.1	3,612.6	6,625.5	3,070.3	450.2	156.4	18,416.1
ROCE in %	-2.8	-6.8	25.7	16.8	29.0	—	10.0
Number of employees as at December 31 ⁵	44,579	44,771	57,217	40,960	2,904	444	190,875
Adjusted sales ⁶	7,496.7	7,946.8	11,807.5	5,912.6	889.6	-298.9	33,754.3
Adjusted operating result (adjusted EBIT) ⁷	-38.8	-157.5	1,729.3	456.8	104.0	-193.4	1,900.4
in % of adjusted sales	-0.5	-2.0	14.6	7.7	11.7	—	5.6

With the application of IFRS 5, the external sales of Vitesco Technologies resulting from supply and service relationships between the Contract Manufacturing segment and Vitesco Technologies have been shown as external sales of the Contract Manufacturing segment due to the continuation of the supply and service relationships. The external sales of discontinued operations have been reduced by this amount.

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

² Excluding impairment on financial investments.

³ Impairment also includes necessary reversal of impairment losses.

⁴ In line with the changes to internal reporting, the determination of significant non-cash expenses/income was revised in fiscal 2021. Non-cash expenses/income mainly include additions to and reversals of pension and warranty provisions as well as provisions for litigation and environmental risks.

⁵ Excluding trainees.

⁶ Before changes in the scope of consolidation.

⁷ Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.



Segment report for 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
External sales	7,492.2	7,799.3	10,093.7	5,513.3	965.9	–	31,864.4
Intercompany sales	67.6	142.9	64.9	65.3	4.0	-344.7	–
Sales (total)	7,559.8	7,942.2	10,158.6	5,578.6	969.9	-344.7	31,864.4
EBIT (segment result)	-129.5	-1,364.9	1,012.3	254.1	-94.0	-106.0	-428.0
in % of sales	-1.7	-17.2	10.0	4.6	-9.7	–	-1.3
thereof income from equity-accounted investees	5.3	-38.4	-1.5	0.4	-35.9	0.6	-69.5
Capital expenditure ¹	488.1	471.9	535.5	179.6	32.8	71.8	1,779.7
in % of sales	6.5	5.9	5.3	3.2	3.4	–	5.6
Depreciation and amortization ²	542.4	1,335.2	852.6	374.6	71.9	14.8	3,191.5
thereof impairment ³	9.5	743.8	11.8	25.1	9.9	0.0	800.1
Internally generated intangible assets	28.9	108.7	–	–	–	–	137.6
Significant non-cash expenses/income ⁴	-165.5	-268.3	-132.8	-62.9	-5.8	-34.1	-669.4
Segment assets	6,979.1	6,185.1	8,906.7	4,251.7	522.3	272.4	27,117.3
thereof investments in equity-accounted investees	124.5	57.6	94.1	20.0	15.1	9.0	320.3
Segment liabilities	2,646.4	2,851.1	2,504.4	1,198.2	320.4	13.3	9,533.8
Operating assets as at December 31	4,332.7	3,334.0	6,402.3	3,053.5	201.9	259.1	17,583.5
Operating assets (average)	4,580.5	4,098.1	7,090.7	3,281.2	326.8	198.4	19,565.7
ROCE in %	-2.8	-33.3	14.3	7.7	-28.8	–	-2.2
Number of employees as at December 31 ⁵	46,110	45,551	56,864	43,463	3,502	406	195,896
Adjusted sales ⁶	7,545.0	7,763.9	10,158.6	5,556.1	969.9	-344.7	31,648.8
Adjusted operating result (adjusted EBIT) ⁷	80.6	-415.2	1,343.4	416.0	55.8	-100.7	1,379.9
in % of adjusted sales	1.1	-5.3	13.2	7.5	5.8	–	4.4

With the application of IFRS 5, the external sales of Vitesco Technologies resulting from supply and service relationships between the Contract Manufacturing segment and Vitesco Technologies have been shown as external sales of the Contract Manufacturing segment due to the continuation of the supply and service relationships. The external sales of discontinued operations have been reduced by this amount.

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

2 Excluding impairment on financial investments.

3 Impairment also includes necessary reversal of impairment losses. Expenses from derecognitions of brand values are likewise included.

4 In line with the changes to internal reporting, the determination of significant non-cash expenses/income was revised in fiscal 2021. Non-cash expenses/income mainly include additions to and reversals of pension and warranty provisions as well as provisions for litigation and environmental risks. The previous year's figures have been adjusted accordingly.

5 Excluding trainees.

6 Before changes in the scope of consolidation.

7 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.



Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 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. It 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 segment. 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 ⁵	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 segment and of €14.5 million in the ContiTech segment.

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 segment, expenses totaling €49.9 million in connection with preparations for the repatriation of the business from associate OSRAM CONTINENTAL GmbH, Munich, Germany, and an expense of €37.5 million due to an allowance recognized on the carrying amount of an associate.



Reconciliation of EBIT to net income

€ millions	2021	2020
Autonomous Mobility and Safety	-128.0	-129.5
Vehicle Networking and Information	-245.8	-1,364.9
Tires	1,700.6	1,012.3
ContiTech	514.7	254.1
Contract Manufacturing	130.4	-94.0
Other/Holding/Consolidation	-126.1	-106.0
EBIT	1,845.8	-428.0
Financial result	-136.3	-187.9
Earnings before tax from continuing operations	1,709.5	-615.9
Income tax expense	-359.5	50.3
Earnings after tax from continuing operations	1,350.0	-565.6
Earnings after tax from discontinued operations	156.9	-353.2
Net income	1,506.9	-918.8
Non-controlling interests	-51.9	-43.1
Net income attributable to the shareholders of the parent	1,455.0	-961.9

Segment report by region

€ millions	Germany	Europe excluding Germany	North America	Asia	Other countries	Continental Group
External sales 2021	5,878.4	10,585.5	8,529.2	7,340.3	1,431.8	33,765.2
External sales 2020	5,886.3	9,736.1	8,040.1	7,029.6	1,172.3	31,864.4
Capital expenditure 2021¹	455.3	707.7	363.4	371.1	49.9	1,947.4
Capital expenditure 2020 ¹	468.9	678.2	321.7	268.4	42.5	1,779.7
Segment assets as at December 31, 2021	8,249.7	8,196.4	6,693.3	6,278.9	408.1	29,826.4
Segment assets as at December 31, 2020	8,302.4	7,491.5	5,908.2	5,471.1	-55.9	27,117.3
Number of employees as at December 31, 2021²	46,303	64,241	34,157	37,566	8,608	190,875
Number of employees as at December 31, 2020 ²	48,300	64,954	35,867	37,756	9,019	195,896

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

² Excluding trainees.



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 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

Reconciliation of consolidated sales and EBIT (continuing operations) in accordance with the consolidated statement of income to sales and EBIT from continuing and discontinued operations

€ millions	2021	2020
Consolidated sales in accordance with the consolidated statement of income	33,765.2	31,864.4
Plus sales from discontinued operations	4,432.7	5,857.9
Sales from continuing and discontinued operations	38,197.9	37,722.3
Consolidated EBIT in accordance with the consolidated statement of income	1,845.8	-428.0
Plus EBIT from discontinued operations	314.0	-290.1
EBIT from continuing and discontinued operations	2,159.8	-718.1

2. General Information and Accounting Principles

Continental Aktiengesellschaft (Continental AG), whose registered office is Vahrenwalder Straße 9, Hanover, Germany, is the parent company of the Continental Group and a listed stock corporation. It is entered in the commercial register of the Hanover Local Court (*Amtsgericht*) under HR B 3527. The Continental Group is a supplier to the automotive industry, with worldwide operations. The areas of business and main activities in which the Continental Group is engaged are described in more detail in the Segment Reporting section. The consolidated financial statements of Continental AG for fiscal 2021 were prepared by resolution of the Executive Board of February 22, 2022, and will be submitted to and published in the German Federal Gazette (*Bundesanzeiger*). Continental AG is included in the consolidated financial statements of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, which are published in the German Federal Gazette.

The consolidated financial statements of Continental AG as at December 31, 2021, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, pursuant to EU Regulation (EC) No. 1606/2002 in conjunction with Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch – HGB*). The term IFRS also includes the International Accounting Standards (IAS), the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor the International Financial Reporting Interpretations Committee (IFRIC), and those of the former Standing Interpretations Committee (SIC). All International Financial Reporting Standards mandatory for fiscal 2021 have been applied, subject to endorsement by the European Union.

The consolidated financial statements have been prepared on the basis of historical cost, with the exception of certain financial assets and liabilities (including derivative instruments), which are measured at fair value; assets held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell (or costs to distribute); and defined benefit pension plans, for which the plan assets are measured at fair value.

The annual financial statements of companies included in the Continental Group have been prepared using uniform accounting policies, in accordance with IFRS 10, *Consolidated Financial Statements*. The reporting date for the individual financial statements of companies included in the Continental Group is the same as the reporting date for the consolidated financial statements.

The consolidated financial statements have been prepared in euros. Unless otherwise stated, all amounts are shown in millions of euros (€ millions). Please note that differences may arise as a result of the use of rounded amounts and percentages.

Spin-off of parts of the former Powertrain segment

The spin-off of parts of the former Powertrain segment resolved by Continental with the approval of the Annual Shareholders' Meeting on April 29, 2021, was completed on September 15, 2021. Following the spin-off of Vitesco Technologies, the Contract Manufacturing segment is being reported for the first time. It comprises the continuing operations of the former Powertrain segment.

In conjunction with the application of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, in the reporting period, the term "Continental Group" is generally used in the financial statements to refer to continuing operations. Any other use of this term is indicated by separate explanations.

Companies consolidated

All major subsidiaries that Continental AG controls in accordance with the provisions of IFRS 10 have been included in the consolidated financial statements and are fully consolidated. To meet this definition, Continental AG must have the decision-making power to control the relevant activities and a right to variable returns from the associated company. Furthermore, it must be able to use its decision-making power to determine the amount of these returns. The companies consolidated may therefore also include companies that are controlled by Continental AG irrespective of the share of voting rights by way of other substantial rights such as contractual agreements, as is the case with structured units included in the consolidated financial statements.

The consolidation of subsidiaries is based on the acquisition method by offsetting the acquisition cost against the proportion of net assets attributed to the parent company at fair value at the acquisition date. Intangible assets not previously recognized in the separate financial statements of the acquired company are carried at fair value. Intangible assets identified in the course of a business combination – including, for example, brand names, patents, technology, customer relationships and order backlogs – are recognized separately at the acquisition date only if the requirements under IAS 38, *Intangible Assets*, for an intangible asset are met. Measurement at the acquisition date is usually provisional only. Increases or reductions of assets and liabilities that become necessary within 12 months after the acquisition are made retrospectively as at the acquisition date. Significant adjustments are presented in the notes to the financial statements.



Any positive remaining amount is capitalized as goodwill. The share of non-controlling interests is measured using the share of (remeasured) net assets of the subsidiary. In order to ensure the recoverability of goodwill arising from an as yet incomplete measurement and the corresponding purchase price allocation, the goodwill is allocated provisionally to the affected business units as at the end of the reporting period. This provisional allocation can deviate significantly from the final allocation. Any negative difference that arises is recognized in other income after the fair value of the acquired assets and liabilities has again been reviewed.

Non-controlling interests in the net assets of subsidiaries that are not attributable to the Continental Group are shown under "Non-controlling interests" as a separate component of total equity.

Once control has been obtained, any differences arising from successive purchases of shares from non-controlling interests between the purchase price and the carrying amount of those non-controlling interests are recognized in other comprehensive income.

Where there are successive purchases of shares resulting in control, the difference between the carrying amount and the fair value at the time of first-time consolidation for those shares already held is recognized in profit or loss under other income and expenses.

Significant investments where Continental AG can exert significant influence on the associated companies (associates) are accounted for using the equity method. The carrying amount of these associates is adjusted to reflect the share in the associates' net equity. If the financial statements of the associates are not available, the share of earnings or losses is recognized as necessary based on estimated amounts. Goodwill arising from first-time consolidation is reported using the equity method. Goodwill is not amortized, but the carrying amount of investments in associates consolidated using the equity method is tested for impairment if there are relevant indications.

Joint ventures are accounted for in the same way as associates. Companies that are dormant or have only a low level of business activity and therefore no significant impact on the earnings, financial and net assets position of the Continental Group are not included

in the consolidated financial statements. These are accounted for as other investments at fair value (FVOCI).

Intercompany receivables and payables, in addition to income and expenses, are eliminated on consolidation. Intercompany profits arising from internal transactions and dividend payments made within the Continental Group are eliminated on consolidation. Deferred taxes on the elimination of intercompany transactions are carried in the amount derived from the average income tax rate for the Continental Group.

Currency translation

The statements of financial position of foreign subsidiaries with a functional currency other than the euro are translated into euros using the middle rate at the end of the reporting period (closing rate). The income statements are translated at the average exchange rate for the year. Differences resulting from currency translation are recognized in the difference from currency translation in equity until the disposal of the subsidiary, without recognizing deferred taxes.

In the separate financial statements of Continental AG and its subsidiaries, foreign-currency receivables and payables are measured on recognition at the transaction rate and adjusted at the end of the reporting period to the related closing rates. Gains and losses arising on currency translation are recognized in profit or loss, except for certain loans. Exchange-rate differences relating to the translation of intercompany financing made in the functional currency of one of the parties are recognized in the difference from currency translation in equity if repayment of these intercompany loans is not expected in the foreseeable future.

Goodwill is recognized directly as an asset of the subsidiary acquired and therefore also translated into euros for subsidiaries whose functional currencies are not the euro at the end of the reporting period using the middle rate (closing rate). Differences resulting from currency translation are recognized in the difference from currency translation in equity.

The following table summarizes the exchange rates used in currency translation that had a material effect on the consolidated financial statements:

Currencies		Closing rate		Average rate for the year	
		December 31, 2021	December 31, 2020	2021	2020
€1 in					
Brazil	BRL	6.31	6.38	6.38	5.86
Switzerland	CHF	1.03	1.08	1.08	1.07
China	CNY	7.19	8.03	7.63	7.96
Czechia	CZK	24.87	26.27	25.65	26.43
United Kingdom	GBP	0.84	0.90	0.86	0.89
Hungary	HUF	369.63	364.63	358.57	350.84
Japan	JPY	130.38	126.53	129.87	121.73
South Korea	KRW	1,347.48	1,335.28	1,353.53	1,344.10
Mexico	MXN	23.14	24.38	23.99	24.45
Malaysia	MYR	4.72	4.94	4.90	4.79
Philippines	PHP	57.71	58.99	58.29	56.57
Romania	RON	4.95	4.87	4.92	4.84
USA	USD	1.13	1.23	1.18	1.14
South Africa	ZAR	18.04	18.01	17.48	18.72

Revenue recognition

Only sales of products and services resulting from the ordinary business activities of the company are shown as revenue.

In accordance with IFRS 15, *Revenue from Contracts with Customers*, Continental recognizes as revenue from contracts with customers the amount that is received as consideration for the transfer of goods or services to customers. The relevant point in time or period of time is the transfer of control of the goods or services to the customer (control approach).

To determine when to recognize revenue and at what amount, the five-step model is applied. By applying the five-step model in the Continental Group to contracts with customers, distinct performance obligations are identified. The transaction price is determined – and allocated to the performance obligations – according to the requirements of IFRS 15. Variable consideration in contracts with customers, such as rebates, bonus agreements or other kinds of price concessions, is analyzed, measured and included in the revenue recognition. The allocation of the transaction price in the case of more than one performance obligation at hand would be performed by using observable prices if possible. Otherwise the allocation would be performed using the adjusted market assessment approach or the approach of cost plus a margin. For every performance obligation that, in accordance with IFRS 15, is distinct within the context of the contract, the revenue recognition is determined to be at a point in time or to be satisfied over time.

Multi-component contracts that contain distinct performance obligations with different timing of revenue recognition are not currently material.

Description of sales revenue in automotive original-equipment business

The type of performance obligations to customers in automotive original-equipment business relates to the diverse and predominantly customer-specific products of Automotive Technologies, the Contract Manufacturing and ContiTech segments, and the original-equipment business of the Tires segment; please refer to the descriptions of the business areas in the Structure of the Continental Group section of the consolidated management report. Invoices are generally prepared once a month, while the payment terms average 60 days and differ mostly depending on the region and/or product group. Payments are made by bank transfer in the vast majority of cases. No significant discounts on the invoice amount are granted; however, customer bonuses and other price reductions are included in the transaction price as variable price components in line with expectations. The customers do not usually make any significant advance payments. Revenue is almost always recognized over time using an output-based measurement method, and sales revenue is measured based on the products that leave the production plant, as the products are produced and delivered "just in time." There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

Description of sales revenue in industrial and replacement business

The type of performance obligations to customers in industrial and replacement business relates to the replacement-tire and retail business of the Tires segment, the industrial and retail business of the ContiTech segment, and the replacement-parts and retail business of the Autonomous Mobility and Safety, Vehicle Networking and Information, and Contract Manufacturing segments; please refer to the descriptions of the business areas in the Structure of the Continental Group section of the consolidated management report. Invoices are generally prepared once a month, while the payment terms for most of the sales average 60 days and differ mostly depending on the region and/or product group. Payments are made by bank transfer in the vast majority of cases, with the exception of business with end customers and consumers, who often pay in cash. No significant discounts on the invoice amount are granted; however, customer bonuses and other price reductions are included in the transaction price as variable price components in line with expectations. The customers do not usually make any significant advance payments. Revenue is recognized at the point in time when control is transferred to the customer, taking into account the agreed incoterms. There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

Description of revenue in smaller business activities

Revenue in smaller business activities is included in the sales of the automotive original-equipment business, in the sales of the industrial and replacement business, and in other revenues. On the one hand, services are provided and, on the other, project business is conducted in which developments for customers are made, goods produced or services provided over a medium-term or longer period. For this revenue, there are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

The largest component of this revenue relates to revenue from research and development, which is recognized at a point in time, either when the entire development is completed or when identifiable milestones within a development are reached. Invoices are generally prepared after completion of a milestone or an entire development and acceptance by the customer. Payments are made by bank transfer in most cases. No significant discounts on the invoice amount are granted. The customers do not usually make any significant advance payments.

In addition, and in smaller amounts, services that are performed alongside the main business lead to revenue recognition over time. Both input- and output-based measurement methods are used and sales are measured either based on the hours or days worked or the costs incurred (input), or based on the services rendered (output). Invoices are generally prepared at least once a month and payments are made by bank transfer in the vast majority of cases. No significant discounts on the invoice amount are granted. The customers do not usually make any significant advance payments.

In addition, project business is conducted, in which generally customer-specific goods or services are produced or provided for customers over a medium-term or longer period. Revenue from this is likewise recognized over time and sales are mostly measured using input-based measurement methods, taking account of the costs incurred. Invoices are generally issued as contractually agreed. Advance payments averaging 30% are usually made by the customers before the start of a project. Payments are made by bank transfer in the vast majority of cases. No significant discounts on the invoice amount are granted.

Research and development expenses

Research and development expenses comprise expenditure on research and development and expenses for customer-specific applications, prototypes and testing. Where refunds from customers for research and development expenses are agreed, these costs are recognized in inventories until control is transferred. Once control is transferred, they are stated under other income. In addition, the expenses are reduced by the amount relating to the application of research results from the development of new or substantially improved products, if the related activity fulfills the recognition criteria for internally generated intangible assets set out in IAS 38, *Intangible Assets*. This portion of the expenses is capitalized as an asset and amortized over a period of three to seven years from the date that the developed products become marketable. However, expenses for customer-specific applications, pre-production prototypes or tests for products already being marketed do not qualify as development expenditure which may be recognized as an intangible asset. Furthermore, expenses incurred directly in connection with the launch of new production operations and plants are recognized directly in profit or loss.

New developments for the original-equipment business are not marketable until Continental AG has been nominated as the supplier for the particular vehicle platform or model and, furthermore, has successfully fulfilled pre-production release stages. Moreover, these release stages serve as the prerequisite to demonstrate the technical feasibility of the product, especially given the high demands imposed on safety and comfort technology. Accordingly, development costs are recognized as an asset only as at the date of nomination as supplier and upon fulfillment of a specific pre-production release stage. The development is considered to be completed once the final approval for the unlimited production is granted. Only very few development projects fulfill the recognition criteria.

Although suppliers are nominated by original equipment manufacturers with the general obligation to supply products over the entire life of the particular model or platform, these supply agreements constitute neither long-term contracts nor firm commitments, in particular because the original equipment manufacturers make no commitments in regard to purchase quantities. For this reason, all pre-production expenses – with the exception of the capitalized development costs as previously described – are recognized immediately in profit or loss.

Product-related expenses

Costs for advertising, sales promotion and other sales-related items are expensed as incurred. Provisions are recognized for possible warranty claims on sold products on the basis of past experience, as well as legal and contractual terms. Additional provisions are recognized for specific known cases.

Financial result and investment income

Interest income and expenses are recognized for the period to which they relate.

Dividends are recognized in profit or loss if legal entitlement to payment of the dividend is established, the economic benefit associated with the dividend is likely to be received, and the dividend amount can be measured reliably.

Earnings per share

Basic earnings per share are calculated on the basis of the weighted average number of shares issued. Treasury stock is deducted for the period it is held. Diluted earnings per share also include shares from the potential exercise of option or conversion rights. The corresponding expenses that would no longer be incurred after the conversion or exchange are eliminated.

Statement of financial position classification

Assets and liabilities are reported as non-current assets and liabilities in the statement of financial position if they have a remaining term of over one year and, conversely, as current assets and liabilities if the remaining term is shorter. Liabilities are treated as current if there is no unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pension provisions, provisions for other post-employment benefits, and other employee benefits, as well as deferred tax assets and liabilities are accounted for as non-current. If assets and liabilities have both current and non-current portions, the amounts are classified separately and shown as current and non-current assets or liabilities.

Goodwill

Goodwill corresponds to the difference between the acquisition cost and the fair value of the acquired assets and liabilities of the business combination. Goodwill is not subject to amortization; it is tested for impairment at least annually and, if necessary, impaired.

The details of the annual impairment test are described under "Impairment" in this section. Once an impairment loss has been recognized on goodwill, it is not reversed in subsequent periods.

Intangible assets

Purchased intangible assets are carried at acquisition costs and internally generated intangible assets at their production costs, provided that the conditions for recognition of an internally generated intangible asset are met in accordance with IAS 38, *Intangible Assets*. If intangible assets have finite useful lives, they are amortized on a straight-line basis over a useful life of three to eight years in general. Intangible assets with indefinite useful lives are tested at least annually for impairment and, if necessary, impaired.

The details of the annual impairment test are described under "Impairment" in this section.

Property, plant and equipment

Property, plant and equipment is measured at cost less straight-line depreciation. If necessary, additional impairment is recognized on the affected items.

Production cost consists of the direct costs and attributable material and manufacturing overheads, including depreciation.

Under certain conditions, portions of the borrowing costs are capitalized as part of the acquisition cost. This also applies to finance leases and investment property.

As soon as an asset is available for its intended use, subsequent cost is capitalized only to the extent the related modification changes the function of the asset or increases its economic value and the cost can be clearly identified. All other subsequent expenditure is recognized as current maintenance expense.

Property, plant and equipment is broken down into the lowest level of the components that have significantly different useful lives and, to the extent integrated in other assets, when they are likely to be replaced or overhauled during the overall life of the related main asset. Maintenance and repair costs are recognized in profit or loss as incurred. The Continental Group has no property, plant or equipment that by the nature of its operation and deployment can be repaired and serviced only in intervals over several years. The useful lives are up to 25 years for buildings and land improvements; up to 20 years for technical equipment and machinery; and up to 12 years for operating and office equipment.

When assets are sold, closed down or scrapped, the difference between the net proceeds and the net carrying amount of the assets is recognized as gain or loss in other income or expense, respectively.

Government grants

Government grants are reported if there is reasonable assurance that the conditions in place in connection with the grants will be fulfilled and that the grants will be awarded.

Monetary government grants and government subsidies that are directly attributable to depreciable fixed assets are deducted from the procurement and manufacturing costs of the assets in question. All other monetary grants and subsidies are recognized as income in line with planning and are presented alongside the corresponding expenses. Non-monetary government grants are recognized at fair value.

Investment property

Land and buildings held for the purpose of generating rental income instead of production or administrative purposes are carried at depreciated cost. Depreciation is charged on a straight-line basis over the useful lives, which correspond to those for real estate in use by the company.

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lessee shall recognize a right-of-use asset and a corresponding lease liability, which represents the lessee's obligation to make lease payments.

The lease liability is measured at the present value of the lease payments not yet made. It is recognized under indebtedness. Discounting is determined using the incremental borrowing rates, as the interest rates underlying the leases often cannot be determined regularly. The right-of-use asset recognized by the lessee is measured at cost. This amount comprises the corresponding lease liability and prepaid lease payments, taking into account any lease incentives received. It is recognized in property, plant and equipment. Depreciation is charged on a straight-line basis. The lease liability is subsequently measured according to the effective interest method. The resulting interest expense is recognized in the financial result.

Continental utilizes the exemptions for short-term leases and for leases in which the underlying asset is of low value.

Continental leases property, plant and equipment, especially buildings.

As lessor, Continental classifies leases as operating leases or finance leases. For this classification, Continental considers whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, it is a finance lease; otherwise, it is an operating lease.

If Continental acts as an intermediate lessor, the interests arising from the head lease and sublease are accounted for separately. The sublease is measured based on the value of the right-of-use asset resulting from the head lease and not based on the underlying asset. If the head lease is a short-term lease for which the Continental Group applies the exemption described in Note 3, it classifies the sublease as an operating lease.

The Continental Group applies IFRS 15, *Revenue from Contracts with Customers*, when allocating the consideration in the contract to each lease and non-lease component.

Impairment

The Continental Group immediately reviews intangible assets and property, plant and equipment, investment property and goodwill as soon as there is an indication of impairment (triggering event). Impairment is assessed by comparing the carrying amount with the recoverable amount. The recoverable amount is the higher of the fair value less cost of disposal and the present value of the expected future cash flows from the continued use of the asset (value in use). If the carrying amount is higher than the recoverable amount, the difference is recognized as impairment. If the indications for the prior recognition of impairment no longer apply, the impairment losses are reversed for intangible assets, property, plant and equipment, and investment property.

Capitalized goodwill is generally tested for impairment once a year as at November 30 at the level of cash-generating units (CGUs). CGUs are units that come below the segments and are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This represents the lowest level at which goodwill is monitored for internal management purposes. The impairment test is performed by comparing the carrying amount of the business unit including its goodwill and the recoverable amount of this business unit. The recoverable amount in this case is the value in use calculated on the basis of discounted cash flows before interest and tax. Impairment is recognized to the extent the carrying amount exceeds the recoverable amount for a business unit. If the reasons for this cease to apply in the future, impairment losses on goodwill are not reversed.

The expected cash flows of the business units are derived from long-term planning that covers the next five years and is approved by management. The plans are based in particular on assumptions regarding macroeconomic developments, as well as trends in sales prices, raw material prices and exchange rates. In addition to these current market forecasts, past developments and experience are also taken into account. For the perpetuity beyond the period of five years, the cash flow is extrapolated using the expected long-term growth rates for the individual business units.

The main assumptions when calculating the value in use of a CGU are the free cash flows, the discount rate and its parameters, and the long-term growth rate.

Annual impairment testing was performed on the basis of the bottom-up business plan for the next five years approved by management in the period under review. The cash flows of the CGUs of the Autonomous Mobility and Safety and Vehicle Networking and Information segments were discounted with an interest rate before tax of 10.7% (PY: 10.4%); those of the Tires segment were discounted with an interest rate of 8.6% (PY: 8.7%); those of the ContiTech segment were discounted with an interest rate of 9.2% (PY: 8.7%); and those of the Contract Manufacturing segment with an interest rate of 10.7%. These pre-tax WACCs are based on the capital structure of the respective relevant peer group on average over the last five

years. The risk-free interest rate is -0.07% (PY: -0.17%) and the market risk premium 7.5% (PY: 7.5%). Borrowing costs were calculated as the total of the risk-free interest rate plus the credit spreads of peer group companies rated by Standard & Poor's, Moody's or Fitch.

For the annual impairment test, the growth rate on average in the detailed planning period for the CGUs in the Autonomous Mobility and Safety segment was 17.5% (PY: 9.3%), in the Vehicle Networking and Information segment 14.3% (PY: 9.0%), in the Tires segment 4.4% (PY: 5.3%) and in the ContiTech segment 5.5% (PY: 6.6%). Contract manufacturing for Vitesco Technologies is reported in the new Contract Manufacturing segment and will conclude by the end of the detailed planning period. The long-term growth rate was 1.0% (PY: 1.5%) for the CGUs of the Autonomous Mobility and Safety and Vehicle Networking and Information segments, 0.5% (PY: 0.5%) for those of the Tires and ContiTech segments and 0.0% for those of the Contract Manufacturing segment. These growth rates do not exceed the long-term average growth rates for the markets in which the CGUs operate.

The annual impairment testing of goodwill determined no requirements for impairment for 2021.

Assuming a 0.5-percentage-point increase in the discount rate would not result in any impairment of goodwill. There would be no asset impairment. Reducing the long-term growth rate by 0.5 percentage points would not result in any impairment of goodwill. There would be no asset impairment. If sales in perpetuity would decline by 5.0%, consequently reducing free cash flow as a key planning parameter, this would not result in any impairment of goodwill. There would be no asset impairment.

Assets held for sale and related liabilities

A non-current asset (or disposal group) is classified as held for sale and is presented separately in the statement of financial position if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

A non-current asset (or disposal group) held for sale is measured at the lower of its carrying amount and fair value less costs to sell where it meets the held for sale criteria. Depreciation of these assets ceases once they are classified as held for sale. Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts shall be measured in accordance with the applicable IFRS.

A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. A non-current asset (or disposal group) held for distribution is measured at the lower of its carrying amount and fair value less costs to distribute.

On subsequent remeasurement of a disposal group, the carrying amounts of any assets and liabilities that are not within the scope of the measurement requirements of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with the applicable IFRS before the fair value less costs to sell of the disposal group is remeasured.

A discontinued operation can also be classified as held for sale under IFRS 5. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The classification of a component of an entity as a discontinued operation is also appropriate in the case of classification as held for distribution, provided the criteria are met.

In the context of IFRS 5, the spin-off of parts of the former Powertrain segment was significant in the reporting period. For the parts to be spun off, the criteria of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, for recognition as discontinued operations from the end of the first quarter of 2021 were met. The spin-off was completed on September 15, 2021.

Financial instruments

A financial instrument, as defined in IAS 32, *Financial Instruments: Presentation*, is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

In the Continental Group, a purchase or sale of financial assets or financial liabilities is recognized or derecognized at the settlement date.

Financial assets

Financial assets are recognized in the statement of financial position as at the date Continental becomes a contractual party to the financial instrument. At the acquisition date, they must be classified into measurement categories that determine the subsequent accounting.

Receivables from the receivables factoring programs carried out in the Continental Group are recognized in the statement of financial position when the risks and rewards, in particular credit and default risk, have not been essentially transferred. The repayment obligations therefrom are, as a rule, then shown as short-term financial liabilities.

The classification and measurement of financial assets that constitute debt instruments is based on the business model in which the assets are managed and on their cash flow characteristics. These conditions are cumulative criteria whose audit sequence is irrelevant.

It is therefore necessary to analyze the business model in which the asset to be classified is held. This relates to the investigation of the way in which financial assets held in order to collect cash flows are managed. The Continental Group reclassifies debt instruments only if the corresponding business model changes.

IFRS 9, *Financial Instruments*, distinguishes between three business models:

- › Hold-to-collect: The objective of this business model is to hold the financial assets and generate the contractual cash flows. This model is the prevalent business model in the Continental Group.
- › Hold-to-collect and sale: This business model aims to collect the contractual cash flows or sell the financial assets. This business model does occur – for example, in connection with notes receivable – but is fundamentally of subordinate importance in the Continental Group.
- › Other: This business model constitutes a catch-all category. This model occurs in the Continental Group in connection with recognized trade accounts receivable from third parties which will probably be sold under a true sale-of-receivables factoring agreement; however, it is fundamentally of subordinate importance in the Continental Group.

In addition to the analysis of the business model, the contractual terms applicable on acquisition of the financial instrument must also be assessed (SPPI (solely payments of principal and interest) criterion). The SPPI criterion is met when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

On the basis of the aforementioned conditions, a distinction is drawn between the following measurement categories for financial assets that constitute debt instruments:

- › Measured at cost: The financial asset, which constitutes a debt instrument, is held within a business model whose objective is to hold assets in order to collect contractual cash flows. Furthermore, the contractual cash flows can be characterized as payments of principal and interest on the principal amount outstanding. Interest income is recognized in the financial result using the effective interest method. Gains or losses arising from derecognition are recognized in profit or loss together with the foreign-currency gains and losses. Impairment losses are likewise recognized separately in the income statement.

› Measured at fair value through other comprehensive income with reclassification (FVOCIwR): The financial asset, which constitutes a debt instrument, is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Furthermore, the contractual cash flows can be characterized as payments of principal and interest on the principal amount outstanding. Changes in the carrying amount are recognized in other comprehensive income. Income or expenses from impairment, interest income and foreign-currency gains and losses are recognized in profit or loss. The cumulative gain or loss stated in other comprehensive income is reclassified from equity to the income statement when the financial asset is derecognized. Interest income is recognized in the financial result using the effective interest method. Foreign-currency gains and losses are recognized in other income and expenses.

› Measured at fair value through profit or loss (FVPL): The financial asset, which constitutes a debt instrument, is not to be measured at cost or at fair value through other comprehensive income with reclassification (FVOCIwR), as either the SPPI criterion was not met or the "Other" business model applies. Classification to the "measured at fair value through profit or loss (FVPL)" category can also be appropriate if the fair value option is applied to debt instruments that should actually be classified as measured at cost or at fair value through other comprehensive income with reclassification (FVOCIwR). However, the Continental Group does not currently intend to apply the fair value option to debt instruments. Income or expense from a financial asset measured at fair value through profit or loss is recognized in the income statement.

Investments that fall within the scope of IFRS 9, *Financial Instruments*, and meet the definition of equity must generally be measured at fair value. For equity instruments that are neither held for trading nor constitute contingent consideration accounted for by the acquirer in a business combination according to IFRS 3, *Business Combinations*, the Continental Group regularly exercises the option at the acquisition date of recognizing changes in fair value in other comprehensive income (fair value OCI option). The cumulative gain or loss in other comprehensive income is not reclassified to the income statement when the financial asset is derecognized. This results in the measurement category of fair value through other comprehensive income without reclassification (*FVOCIwOR*). Dividends are an exception to this and continue to be recognized in profit or loss when the legal entitlement is established, unless this relates to a partial restitution of acquisition costs. Dividends are recognized in other income from investments.

Equity instruments held for trading purposes or for which the fair value OCI option is not utilized are without exception accounted for at fair value through profit or loss (FVPL).

On initial recognition, the Continental Group measures a financial asset at fair value plus the transaction costs directly attributable to the acquisition, with the exception of financial assets measured at fair value through profit or loss, for which associated transaction costs are recognized as expense in the income statement.

Impairment is recognized using the expected loss model. The impairment model applies to financial assets measured at amortized cost or at fair value through other comprehensive income (FVOCI) (except for investments in equity instruments), contract assets that result from IFRS 15, *Revenue from Contracts with Customers*, lease receivables, loan commitments and financial guarantee contracts.

Loss allowances are measured on the basis of 12-month expected credit losses or on the basis of lifetime expected credit losses. 12-month expected credit losses result from possible default events within 12 months after the reporting date. Lifetime expected credit losses result from all possible default events over the expected life of a financial instrument.

Lifetime expected credit loss measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition, and 12-month expected credit loss measurement applies if it has not. The credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due on the reporting date.

For trade accounts receivable and contract assets with and without significant financing components, lease payments receivable and current receivables from related parties, only lifetime expected credit loss measurement is applied. Under this approach, the lifetime expected credit losses must be recognized from the initial recognition of the receivable.

A financial asset is in default or credit-impaired if one of the following criteria is met:

- › Insolvency or a similar event that indicates significant financial difficulty and a probable default of the counterparty.
- › Probable debt waiver.
- › A breach of contract that leads to the assumption that it is more probable that one or more receivables are not collectible.
- › Other reasons in the assessment of credit management that lead to the assumption that it is more probable that the receivables are not collectible.

If there is evidence of uncollectibility, the financial asset is derecognized. If creditworthiness improves, the allowance is reversed.

Financial liabilities

Financial liabilities are recognized in the statement of financial position as at the date Continental becomes a contractual party to the financial instrument.

Financial liabilities are generally measured at amortized cost using the effective interest method. Instruments that are held for trading are classified as "financial liabilities measured at fair value through profit or loss." For financial liabilities not held for trading, the fair value option can be exercised. If the fair value option is used, the portion of the change in the fair value due to changes in the credit risk of the liability is recognized in other comprehensive income. The fair value option is not currently exercised in the Continental Group. In the consolidated financial statements of Continental AG, all non-derivative financial liabilities are measured at amortized cost, which as a rule comprises the remaining principal balance and issuing costs, net of any unamortized premium or discount. Liabilities from leases are shown at the present value of the remaining lease payments based on the implicit lease interest rate. Financial obligations with fixed or determinable payments that comprise neither financial liabilities nor derivative financial liabilities and are not quoted in an active market are reported in the statement of financial position under other financial liabilities in accordance with their term.

In the case of information reported in accordance with IFRS 7, *Financial Instruments: Disclosures*, classification is in line with the items disclosed in the statement of financial position and/or the measurement category used in accordance with IFRS 9, *Financial Instruments*.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value through profit or loss (FVPL). The fair value is generally the market or exchange price. In the absence of an active market, the fair value is determined using financial models.

Fair values of currency forwards are calculated by way of future cash flows being translated into one of the two currencies using forward rates, netted, discounted with risk-free interest rates and then translated into the functional currency of the respective subsidiary at current spot exchange rates if applicable (par method).

The value of options is determined by applying recognized option pricing models.

To calculate the fair value of interest-rate swaps and cross-currency interest-rate swaps, the future cash flows are discounted with the interest rates for the respective maturities, with primarily deposit or IBOR rates used as short-term interest rates while long-term interest rates are based on the swap rates in the respective currency. Future cash flows are forecast using interest-rate curves with an appropriate payment tenor. When discounting, currency basis spreads or, if applicable, tenor basis spreads are taken into account.

The measurement of derivative instruments takes into account the credit spread in general.

Derivative instruments are recognized at the date when the obligation to buy or sell the instrument arises.

For the current status of implementation of the IBOR reform and its impact on the consolidated financial statements of Continental, see Note 34.

Hedge accounting is currently not applied.

The amount of the effective portion of the change in value of the hedges remaining from the hedging of foreign-currency risks from net investments in foreign operations is still recognized together with the effect from the currency translation of the net investment in the difference from currency translation in equity. The accumulated currency effects are not reclassified in profit and loss until the foreign operations are sold or liquidated.

Embedded derivatives

An embedded derivative is a component of a hybrid contract alongside a non-derivative host contract. A portion of the cash flows of the hybrid contract is therefore subject to similar variability as a separate derivative.

Non-derivative host contracts, with the exception of financial assets, are regularly inspected for embedded derivatives.

If the host contract does not fall under the scope of IFRS 9 or if the host contract is a financial liability, embedded derivatives must be separated from the host contract if the assessment finds that the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms would meet the definition of a derivative and Continental does not exercise the option to measure the entire hybrid instrument at fair value through profit or loss.

If separation is appropriate, the host contract is accounted for in accordance with the relevant IFRS requirements. The embedded derivative is recognized at fair value through profit or loss (FVPL).

Inventories

Inventories are recognized at the lower of cost and net realizable value. Acquisition cost is generally determined using the weighted-average method. Production cost includes direct costs, production-related material costs, overheads and depreciation. Inventory risks resulting from decreased marketability or excessive storage periods are accounted for with write-downs.

Other assets

Other assets are recognized at amortized cost. Allowances are recognized as appropriate to reflect any possible risk related to recoverability.

Accounting for income taxes

Income taxes are measured using the concept of the statement of financial position liability method in accordance with IAS 12, *Income Taxes*. Tax expenses and refunds that relate to income are recognized as income taxes. Late payment fines and interest arising from subsequently assessed taxes are not reported under the item income tax expense, but rather as interest income and expense.

Current taxes owed on income are recognized as expenses when they are incurred. They are determined taking into account the respective local tax laws and relevant case law. The complexity of these regulations and the possible differences in interpretation between taxpayers on the one hand and local tax authorities on the other may lead to uncertainties regarding the handling of individual facts and circumstances. These uncertain tax positions are measured in accordance with IFRIC 23 as the mostly likely amount. Owing to the lack of an unrestricted market comparison, determining prices for cross-border intercompany transactions is extremely complex and therefore subject to uncertainty. In the Continental Group, prices are therefore regularly determined on the basis of the internationally recognized arm's length principle, taking into account the transfer pricing methods specified by lawmakers and the Organisation for Economic Co-operation and Development (OECD). If there are multiple tax uncertainties and a correlation between them and certain tax parameters, they are presented in the financial statements either individually or as a group, depending on how the risk is realized. For improved transparency, an unconverted individual presentation is preferred.

Deferred taxes include expected tax payments and refunds from temporary differences between the carrying amounts in the consolidated financial statements and the related tax bases, as well as from the utilization of loss carryforwards. No deferred tax is recognized for non-tax-deductible goodwill. The deferred tax assets and liabilities are measured at the applicable tax rates related to the period when the temporary differences are expected to reverse. Changes in tax rates are recognized once the rate has been substantially enacted. Deferred tax assets are not recognized if it is not probable that they will be realized in the future.

Income tax receivables and liabilities are recognized as current items, as they are due immediately and this due date often cannot be deferred.

Employee benefits

The retirement benefits offered by the Continental Group comprise both defined benefit and defined contribution plans.

Pension provisions under defined benefit plans are actuarially measured pursuant to IAS 19, *Employee Benefits* (revised 2011), using the projected unit credit method that reflects salary, pension and employee fluctuation trends. The discount rate to determine the present value is based on long-term loans in the respective capital market. Actuarial gains and losses are recognized in other comprehensive income. Expenses from interest cost on pension liabilities and income from pension funds are reported net in the financial result.

Accordingly, the interest effects of other long-term employee benefits are reported in the financial result. Pension liabilities for some companies of the Continental Group are covered by pension funds. Furthermore, plan assets comprise all assets, as well as claims from insurance contracts, that are held exclusively toward payments to those entitled to pensions and are not available to meet the claims of other creditors. Pension obligations and plan assets are reported on a net basis in the statement of financial position.

The other post-employment benefits also shown under the employee benefits relate to obligations to pay for health costs for retired workers in the USA and Canada in particular.

Defined contribution plans represent retirement benefits where the company only contributes contractually fixed amounts for current service entitlements, which are generally invested by independent, external asset managers until the date of retirement of the employee. The fixed amounts are partly dependent on the level of the employee's own contribution. The company gives no guarantees of the value of the asset after the fixed contribution, either at the retirement date or beyond. The entitlement is therefore settled by the contributions paid in the year.

Provisions for other risks and obligations

Provisions are recognized when a legal or constructive obligation has arisen that is likely to result in a future cash outflow to third parties and the amount can be reliably determined or estimated. The provisions are recognized as at the end of the reporting period at the value at which the obligations could probably be settled or transferred to a third party. Non-current provisions such as those for litigation or environmental risks are discounted to their present value. The resulting periodic interest charge for the provisions is shown under the financial result including an effect from a change in interest.

Non-financial liabilities

Current non-financial liabilities are carried at their settlement amount. Non-current non-financial liabilities are measured at amortized cost.

Share-based payments

Cash-settled share-based payments are measured at fair value using a Monte Carlo simulation. The liabilities are recognized under employee benefits until the end of the holding period. Equity-settled share-based payments are measured at the fair value of the granted equity instruments.

Estimates

Proper and complete preparation of the consolidated financial statements requires management to make estimates and assumptions affecting the amount and disclosure of the recognized assets and liabilities, income and expenses as well as the disclosures in the notes for the reporting period.

The significant assumptions and estimates in the reporting period related to:

- › the determination of the useful lives of intangible assets and property, plant and equipment.

- › the impairment testing of goodwill and non-current assets, in particular the underlying cash flow forecasts and discount rates (determination of the recoverable).

- › the identification of impairment losses or reversals of impairment losses on intangible assets.

- › the identification of impairment losses or reversals of impairment losses on inventories.

- › the identification of intangible assets and their measurement within the scope of company acquisitions.

- › the assessment of the recoverability of receivables and other financial assets (impairment amount).

- › the determination of fair values with regard to financial assets and liabilities.

- › the recognition and measurement of income tax payables and deferred taxes on temporary differences, and the recognition of deferred tax assets on losses carried forward.

- › the assessment of technical and economic feasibility when capitalizing development costs.

- › the recognition and measurement of leases.

- › the measurement of revenue reductions and reimbursement liabilities within the scope of revenue recognition.

- › the actuarial parameters influencing share-based payments.

- › the recognition and measurement of liabilities and provisions, in particular the actuarial parameters for pensions and similar obligations used to determine defined benefit obligations.

- › the point in time at which assets and liabilities are classified as held for sale.

- › the recognition and measurement of provisions and contingent liabilities, in particular with regard to the parameters for measuring restructuring provisions, as well as the probability of occurrence and the amount of warranty, litigation and environmental risks.

As in previous years, climate-related issues were taken into account in the estimates in the reporting year. These had no significant effect on the consolidated financial statements of Continental AG.

Based on available information, the effects of the COVID-19 pandemic on the accounting of the Continental Group were also continuously reviewed over the course of 2021. The analysis of the effects on the accounting of the Continental Group did not lead to any significant adjustments. However, the nature of the pandemic's development and the lack of empirical data in this regard increased the level of uncertainty in making estimates in the reporting year compared with the years before the COVID-19 pandemic.



The assumptions and estimates are based on the information currently available at the date of preparation of the consolidated financial statements. The underlying information is regularly reviewed and updated to reflect actual developments as necessary.

Consolidated statement of cash flows

The statement of cash flows shows the sources during the reporting period that generated cash and cash equivalents as well as the application of cash and cash equivalents. This includes all cash and cash equivalents and demand deposits. Cash equivalents are short-term, highly liquid financial investments that can be readily converted into known cash amounts and are subject to an insignificant risk of changes in value.

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents.

Financial investments are considered to be cash equivalents only if they have a remaining term not exceeding three months.

3. New Accounting Pronouncements

In accordance with EU Regulation (EC) No. 1606/2002 in conjunction with Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch – HGB*), Continental AG has prepared its consolidated financial statements in compliance with IFRS as adopted by the Commission of the European Communities under the European Union endorsement procedure. Accordingly, IFRS are only required to be applied following endorsement of the new standards by the EU Commission.

The following endorsed standards, interpretations issued in relation to published standards and amendments that were applicable to the consolidated financial statements of Continental AG became effective in 2021 and have been adopted accordingly:

The amendments to IFRS 4, *Insurance Contracts (Extension of the Temporary Exemption from Applying IFRS 9)*, extend the expiry date for the temporary exemption from IFRS 9, *Financial Instruments*, by two years to annual periods beginning on or after January 1, 2023. The extension maintains the alignment between the expiry date of the temporary exemption and the effective date of IFRS 17, *Insurance Contracts*, which replaces IFRS 4. The amendments are required to be applied for annual periods beginning on or after January 1, 2021. The amendments had no significant effect on the consolidated financial statements of Continental AG.

The amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases (Interest Rate Benchmark Reform (IBOR Reform) – Phase 2)*, address issues that might affect financial reporting during the reform of an interest rate benchmark, including changes to contractual cash flows or hedging relationships arising from the replacement of an interest-rate benchmark with an alternative benchmark rate (replacement issues). The amendments represent phase 2 of the deliberations regarding the interest-rate benchmark reform after the issuance of the phase 1 amendments. The amendments are required to be applied for annual periods beginning on or after January 1, 2021. The amendments had no significant effect on the consolidated financial statements of Continental AG.

The amendment to IFRS 16, *Leases (COVID-19-Related Rent Concessions beyond 30 June 2021)*, amends the conditions of the practical expedient in IFRS 16 that provides relief to lessees in the context of rent concessions occurring as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a COVID-19-related rent concession from a lessor that meets specified conditions is a lease modification. A lessee that applies the expedient shall account for any change in lease payments resulting from these rent concessions in the same way as it would account for the change under IFRS 16 if the change were not a lease modification. With the amendment, the expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided all other conditions for applying the practical expedient are met. The amendment is required to be applied from April 1, 2021, for annual periods

beginning on or after January 1, 2021. The amendment had no effect on the consolidated financial statements of Continental AG.

The following standards, interpretations issued in relation to published standards and amendments have already been adopted by the EU but will not take effect until a later date:

The amendments to IAS 16, *Property, Plant and Equipment (Proceeds before Intended Use)*, deal with the accounting of proceeds from selling items produced during the period in which an item of property, plant and equipment is brought to its location and in the condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit the deduction of such proceeds from the cost of an item of property, plant and equipment. The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)*, specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The cost of fulfilling a contract comprises the costs that relate directly to the contract. This includes the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IFRS 3, *Business Combinations (Reference to the Conceptual Framework)*, replace a reference to the *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (issued in March 2018). As the replacement of the reference was made without the intention to make significant changes to the requirements of IFRS 3, the amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. The amendments also clarify the existing guidance for contingent assets. The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

IFRS 17, *Insurance Contracts*, replaces IFRS 4, *Insurance Contracts*, and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. In June 2020, further amendments and clarifications were made to IFRS 17 in order to simplify the requirements of the standard and facilitate the transition to the new regulations. The standard and the consequential amendments to other standards were originally required to be applied for annual periods beginning on or after January 1, 2021. The amendments to IFRS 17 defer the effective date of IFRS 17

(including the amendments to IFRS 17 and the consequential amendments to other standards) by two years to annual reporting periods beginning on or after January 1, 2023. The standard and the consequential amendments to other standards are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

Under the IASB's annual improvements project, *Improvements to IFRSs, May 2020, Cycle 2018-2020*, the following amendments will become effective at a later date:

- › The amendment to IFRS 1, *First-time Adoption of International Financial Reporting Standards (Subsidiary as a First-time Adopter)*, extends the exemption relating to the measurement of assets and liabilities for a subsidiary that becomes a first-time adopter later than its parent. The amendment also extends the exemption to cumulative translation differences in equity.
- › The amendment to IFRS 9, *Financial Instruments (Fees in the "10 percent" Test for Derecognition of Financial Liabilities)*, clarifies which fees an entity includes in the 10 percent test for derecognition of financial liabilities. An entity derecognizes the original financial liability and recognizes a new financial liability when there is an exchange between an existing borrower and lender of debt instruments with substantially different terms; or a substantial modification of the terms of an existing financial liability or a part of it. To identify whether the terms are substantially different, the 10 percent test must be carried out. The amendment to IFRS 9 clarifies that in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- › The amendment to *Illustrative Examples* accompanying IFRS 16, *Leases (Lease Incentives)*, deletes in Illustrative Example 13 the reimbursement relating to leasehold improvements that was included as part of the fact pattern. The example did not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.
- › The amendment to IAS 41, *Agriculture (Taxation in Fair Value Measurements)*, removes the requirement in IAS 41 to exclude cash flows from taxation when measuring fair value.

The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The following standards, interpretations issued in relation to published standards and amendments have not yet been adopted by the EU and will become effective at a later date:

The amendments to IAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*, clarify the classification of a liability. For a liability to be classified as non-current, the entity must have an unconditional right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The entity's intention to actually

exercise this right is irrelevant. If the rights are dependent on certain terms, these must be fulfilled as at the end of the reporting period. If terms are attached to the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments, these do not affect its classification as current or non-current, provided the option is classified as an equity instrument and is reported separately as an equity component of a compound financial instrument in accordance with IAS 32, *Financial Instruments: Presentation*. The amendments were originally required to be applied for annual periods beginning on or after January 1, 2022. The amendment to IAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current - Deferral of Effective Date)*, defers the effective date of the amendments by one year to annual reporting periods beginning on or after January 1, 2023, as operational relief due to the COVID-19 pandemic. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgements, (Disclosure of Accounting Policies)*, provide guidance and examples to clarify the application of materiality judgements to accounting policy disclosures. The amendments replace the requirement to disclose significant accounting policies with the requirement to disclose material accounting policies. Furthermore, the amendments add guidance on how to apply the concept of materiality in the context of accounting policy disclosures. The amendments are required to be applied for annual periods beginning on or after January 1, 2023. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)*, replace the previous definition of a change in accounting estimate with a definition of accounting estimates to clarify the distinction between accounting policies and accounting estimates. Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments are required to be applied for annual periods beginning on or after January 1, 2023. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 12, *Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*, narrow the scope of the recognition exemption in IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are required to be applied for annual periods beginning on or after January 1, 2023. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendment to IFRS 17, *Insurance Contracts (Initial Application of IFRS 17 and IFRS 9 - Comparative Information)*, adds a transition option (classification overlay) for entities that apply IFRS 17 and IFRS 9 at the same time. An entity is permitted to apply the option

for the purpose of presenting comparative information about a financial asset if the comparative information has not been restated for IFRS 9. This is the case when the entity chooses not to restate prior periods or if the entity restates prior periods but the financial asset has been derecognized during those prior periods. When applying the option, the comparative information should be presented as if the classification and measurement requirements of IFRS 9 for financial assets had been applied. For entities that have applied IFRS 9 before they apply IFRS 17, the option applies to financial

assets that have been derecognized in the comparative period. In this case, an entity is permitted to apply the redesignation requirements of IFRS 17 based on how the entity expects the asset would have been designated at the date of initial application of IFRS 17. The amendment is required to be applied for annual periods beginning on or after January 1, 2023. The amendment is not expected to have any significant effect on the future consolidated financial statements of Continental AG.

4. Companies Consolidated and Information on Subsidiaries and Investments

Companies consolidated

In addition to the parent company, the number of companies consolidated includes 472 (PY: 563) domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10 or that are classified as joint arrangements or associates. Of these, 393 (PY: 444) are fully consolidated and 79 (PY: 119) are accounted for using the equity method.

The number of companies consolidated has decreased by a total of 91 since the previous year. Six new companies were founded and six companies were acquired. Sixty-seven companies were deconsolidated in connection with the spin-off of Vitesco Technologies. This reduced the scope of consolidation by 42 fully consolidated companies and 25 companies accounted for using the equity method. Twelve companies were sold and eight companies were liquidated. The number of companies consolidated also decreased by 16 as a result of mergers.

The acquisitions and disposals in 2021 resulted primarily from the termination of associate OSRAM CONTINENTAL GmbH, Munich, Germany.

A total of 30 (PY: 36) companies whose assets and liabilities, expenses and income – individually and combined – are not material for the earnings, financial and net assets position of the Continental Group, are not included in consolidation. Twenty-nine (PY: 31) of these are affiliated companies, three (PY: three) of which are currently inactive. One (PY: five) further company not included in consolidation is an associate. This unit is active.

Information on subsidiaries and investments

As at December 31, 2021, non-controlling interests were not of significance to the Continental Group. There are no significant restrictions in terms of access to or the use of assets of the Continental Group due to statutory, contractual or regulatory restrictions or property rights of non-controlling interests.

Continental Teves Taiwan Co., Ltd., Tainan, Taiwan; and e.solutions GmbH, Ingolstadt, Germany, each of which has a 51% share of voting rights, and Carrel Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, Germany, which has a 94% share of voting rights, are not fully consolidated as, under the companies' statutes, these interests are not enough to direct the relevant activities of these investments.

EasyMile SAS, Toulouse, France, which has an 11% share of voting rights, is classified as an associate, as significant influence can be exerted on the basis of the company's Articles of Incorporation.

Continental AG consolidates 18 (PY: 18) structured entities. These structured entities are characterized, among other things, by limited activities and a narrowly defined business purpose. Continental holds no voting rights or investments in the fully consolidated structured entities. However, Continental directs the business activities of these entities on the basis of contractual rights. The shareholders therefore have no influence. Furthermore, Continental is also exposed to variable returns from these entities and can influence these by directing business activities. There are no significant shares or rights in non-consolidated structured entities.

Further information on equity investments and an overview of the German companies and partnerships that utilized the exemption provisions of Sections 264 (3) and 264b of the German Commercial Code (*Handelsgesetzbuch - HGB*) can be found in Note 44.

5. Acquisition and Disposal of Companies and Business Operations

Acquisition of companies and business operations

Following the fulfillment of all agreed conditions, the agreement concluded on December 29, 2020, with OSRAM GmbH, Munich, Germany, to terminate the joint venture OSRAM CONTINENTAL GmbH, Munich, Germany, was implemented on October 1, 2021.

As part of the termination of the company, which was jointly founded in 2018, the two business areas were repatriated to the participating companies. In this context, Continental reacquired in the form of five share deals and three asset deals the light control unit business that it had originally contributed to the venture, assigning it to the Vehicle Networking and Information segment. In return, Continental Automotive GmbH, Hanover, Germany, sold its 50% share in OSRAM CONTINENTAL GmbH, Munich, Germany, to OSRAM GmbH, Munich, Germany. The ongoing difficult market situation did not allow the prior joint expectations of profitable growth for the joint venture to be realized.

The consideration rendered for this transaction amounts to €105.5 million. This consideration consists of an amount of €72.0 million paid in cash and the fair value of the 50% stake in OSRAM Continental GmbH, Munich, Germany, amounting to €33.5 million.

The incidental acquisition costs of €6.3 million incurred in the reporting year were reported as other expenses.

Intangible assets of €39.6 million and goodwill of €56.4 million resulted from the preliminary purchase price allocation, mainly due to the synergies expected in purchasing and in the optimization of fixed costs. Tax-deductible goodwill amounted to €17.1 million.

Since the transaction was completed on October 1, 2021, the repurchased business has generated sales of €10.9 million and contributed earnings after tax of -€19.7 million to net income. If the transaction had been completed on January 1, 2021, sales would have increased by €52.4 million and net income after tax would have decreased by €36.8 million.

The following effects on the earnings, financial and net assets position of the Continental Group resulted in the reporting year in connection with the termination:

- › Income of €106.2 million resulted from the reversal during the course of the year of allowances for doubtful accounts on loans to OSRAM CONTINENTAL GmbH, Munich, Germany, and its subsidiaries, as well as the reversal of the provision for loan commitments. The derecognition of loans due to a debt waiver had an additional effect of €16.8 million. Income totaling €89.4 million is reported in the financial result.
- › Income of €32.5 million resulted in the reporting year from the reversal of the provision for capital commitments to OSRAM CONTINENTAL GmbH, Munich, Germany, which is reported in income from investments.
- › Income of €33.5 million resulted from the fair value measurement of the 50% share in OSRAM CONTINENTAL GmbH, Munich, Germany, which is reported in other income.



The following values were recognized for the assets and liabilities included in the consolidated statement of financial position for the first time as part of the acquisition:

	Fair value at date of first-time consolidation
Acquired net assets in € millions	
Other intangible assets ¹	41.3
Property, plant and equipment	6.3
Deferred tax assets	3.3
Long-term other assets	0.1
Trade accounts receivable	19.7
Short-term other assets	2.9
Income tax receivables	1.2
Cash and cash equivalents	14.4
Long-term employee benefits	-1.9
Deferred tax liabilities	-0.1
Long-term indebtedness	-0.8
Short-term employee benefits	-4.8
Trade accounts payable	-19.0
Short-term contract liabilities	-0.4
Income tax payables	-0.4
Short-term provisions for other risks and obligations	-0.5
Short-term indebtedness	-11.1
Short-term other liabilities	-1.1
Purchased net assets	49.1
Consideration transferred	105.5
Goodwill	56.4

¹ This includes an amount of €1.7 million for acquired software.

In the Tires segment, a share deal to acquire 100% of the shares in Exform GmbH, Kassel, Germany, was concluded on November 1, 2021. The purchase price of €12.5 million was paid in cash. Intangible assets of €5.1 million and goodwill of €7.6 million resulted from the final purchase price allocation. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2021.

Disposal of companies and business operations

In the Vehicle Networking and Information segment, the sale of an equity-accounted investee resulted in income of €0.3 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2021.

In the former Powertrain segment, a sub-area of the Sensing & Actuation business unit was sold. This transaction resulted in income of €8.5 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2021.

In the ContiTech segment, business activities of Special Technologies and Solutions as well as Conveying Solutions were sold. This transaction resulted in income of €155.4 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2021.

6. Discontinued Operations

With the approval of the Annual Shareholders' Meeting on April 29, 2021, Continental resolved the spin-off of parts of the former Powertrain segment. For the parts spun off, i.e. for Vitesco Technologies, the criteria of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, for recognition as discontinued operations were met with the Supervisory Board resolution of March 16, 2021.

Effective September 15, 2021, Continental transferred the shares in Vitesco Technologies to its shareholders as part of the spin-off. For the discontinued operations, in accordance with IFRS 5, all expenses and income are recognized separately in the income statement, and all cash flows separately in the statement of cash flows, and the statement for the comparative period has been adjusted accordingly. In the statement of financial position, the assets and liabilities attributed to the discontinued operations up to the effective date of the spin-off have been recognized separately. Upon classification as held for sale, the depreciation of assets within discontinued operations was ceased.

The loss of control by Continental led to a derecognition of the net assets of Vitesco Technologies and to the reclassification of components of other comprehensive income. The carrying amount of the spun-off net assets amounted to €2,824.8 million as at the date of the spin-off. The disposal posting was made against the liability from non-cash dividends – updated to be equivalent to the carrying amounts – that was recognized pursuant to the resolution of the Annual Shareholders' Meeting. The reclassification of corresponding components of other comprehensive income led to a gain of €69.6 million. Moreover, €331.4 million was reclassified to retained earnings not recognized in profit or loss. The spin-off reduced the scope of consolidation by 42 fully consolidated companies and 25 companies accounted for using the equity method.

Following the spin-off of Vitesco Technologies, the Contract Manufacturing segment was reported for the first time in the quarterly statement as at September 30, 2021. It comprises the continuing operations of the former Powertrain segment.



The assets and liabilities from discontinued operations as at the effective date of the spin-off are as follows:

€ millions	September 15, 2021
Goodwill	791.7
Other intangible assets	180.2
Property, plant and equipment	2,484.7
Investments in equity-accounted investees	31.3
Other investments	0.1
Deferred tax assets	283.2
Defined benefit assets	3.8
Long-term derivative instruments and interest-bearing investments	13.6
Long-term other financial assets	33.6
Long-term other assets	5.0
Inventories	811.3
Trade accounts receivable	1,488.7
Short-term contract assets	1.8
Short-term other financial assets	42.8
Short-term other assets	451.7
Income tax receivables	13.1
Short-term derivative instruments and interest-bearing investments	10.5
Cash and cash equivalents	981.4
Long-term employee benefits	-906.9
Deferred tax liabilities	-93.3
Long-term provisions for other risks and obligations	-327.0
Long-term indebtedness	-132.7
Long-term other financial liabilities	0.0
Long-term contract liabilities	-15.2
Long-term other liabilities	-5.8
Short-term employee benefits	-252.0
Trade accounts payable	-2,201.6
Short-term contract liabilities	-97.4
Income tax payables	-118.3
Short-term provisions for other risks and obligations	-455.2
Short-term indebtedness	-31.4
Short-term other financial liabilities	-134.3
Short-term other liabilities	-74.5
Subtotal	2,782.9
Other changes in disposed net assets	41.9
Total carrying amount of net assets as at September 15, 2021	2,824.8



Earnings from discontinued operations are as follows:

€ millions	2021	2020
Sales	4,432.7	5,857.9
Expenses	-4,113.4	-6,172.1
Earnings before tax from discontinued operations	319.3	-314.2
Income tax expense	-162.4	-39.0
Earnings after tax from discontinued operations	156.9	-353.2

Basic earnings per share from continuing operations and attributable to the shareholders amounted to €0.79. The figures for basic earnings per share were the same as for diluted earnings per share.

Notes to the Consolidated Statement of Income

7. Revenue from Contracts with Customers

In addition to the comments in Note 2, the disclosure requirements arising from IFRS 15, *Revenue from Contracts with Customers*, are grouped together in this note.

Revenue in the Continental Group

Revenue from contracts with customers and revenue from other sources are shown in the tables below:

€ millions	2021	2020
Sales	33,765.2	31,864.4
Income from research and development	943.6	652.1
Other revenues	87.3	72.1
Revenues from contracts with customers	34,796.1	32,588.6
Other ancillary business	93.7	84.6
Government grants ¹	51.4	46.4
Sale of fixed assets	39.5	24.4
Revenues from franchising and trademarks	20.1	21.8
Sale of energy and scrap	23.5	18.8
Gains from sale of a company	335.0	248.0
Others	8.9	4.2
Revenues from other sources	572.1	448.2
Total revenues	35,368.2	33,036.8

¹ Government grants in connection with the COVID-19 pandemic are not included in this presentation. Please see Note 14.

Sales from contracts with customers from January 1 to December 31, 2021

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Contract Manufacturing	Other/Holding/Consolidation	Continental Group
Germany	1,271.5	1,843.1	1,447.3	1,112.8	318.1	-114.4	5,878.4
Europe excluding Germany	1,697.7	2,373.6	4,778.4	1,548.8	256.3	-69.3	10,585.5
North America	1,832.3	1,752.6	3,196.1	1,682.8	155.8	-90.4	8,529.2
Asia-Pacific	2,539.2	1,798.2	1,679.6	1,185.8	156.2	-18.7	7,340.3
Other countries	156.0	190.1	706.2	382.4	3.2	-6.1	1,431.8
Sales by region	7,496.7	7,957.6	11,807.6	5,912.6	889.6	-298.9	33,765.2
Automotive original-equipment business	7,495.0	6,977.4	2,454.2	2,842.5	874.9	-188.5	20,455.5
Industrial/replacement business	1.7	980.2	9,353.4	3,070.1	14.7	-110.4	13,309.7
Sales by customer type	7,496.7	7,957.6	11,807.6	5,912.6	889.6	-298.9	33,765.2
Goods	7,487.0	7,613.7	11,134.5	5,595.0	888.8	-267.0	32,452.0
Services	—	200.8	673.1	125.6	0.8	-8.1	992.2
Project business	9.7	143.1	—	192.0	—	-23.8	321.0
Sales by product type	7,496.7	7,957.6	11,807.6	5,912.6	889.6	-298.9	33,765.2

Sales from contracts with customers from January 1 to December 31, 2020

€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Germany	1,256.1	1,982.2	1,348.6	1,035.9	373.4	-109.9	5,886.3
Europe excluding Germany	1,697.3	2,186.8	4,137.0	1,440.6	310.3	-35.8	9,736.2
North America	1,934.9	1,781.2	2,661.5	1,613.9	116.3	-67.6	8,040.2
Asia-Pacific	2,561.1	1,854.4	1,453.4	1,119.8	165.8	-125.2	7,029.3
Other countries	110.4	137.6	558.1	368.4	4.1	-6.2	1,172.4
Sales by region	7,559.8	7,942.2	10,158.6	5,578.6	969.9	-344.7	31,864.4
Automotive original-equipment business	7,558.5	7,072.3	2,344.4	2,699.1	950.1	-256.4	20,368.0
Industrial/replacement business	1.3	869.9	7,814.2	2,879.5	19.8	-88.3	11,496.4
Sales by customer type	7,559.8	7,942.2	10,158.6	5,578.6	969.9	-344.7	31,864.4
Goods	7,551.4	7,615.7	9,507.5	5,253.1	969.8	-306.2	30,591.3
Services	—	160.4	651.1	110.9	—	-8.1	914.3
Project business	8.4	166.1	—	214.6	0.1	-30.4	358.8
Sales by product type	7,559.8	7,942.2	10,158.6	5,578.6	969.9	-344.7	31,864.4

Income from research and development is presented in Note 8 (Research and Development Expenses) of the notes to the consolidated financial statements.

Information on contract assets and contract liabilities

Contract assets primarily arise in the project business from customer-specific goods or services for customers, but are only of minor significance in the Continental Group. Please see Note 2. Because in these cases the goods or services are provided over a medium-term or longer period in which goods or services have

already been provided by Continental but there is not yet an unconditional right against the customer – i.e. a receivable – contract assets must be recognized. The right – or part of the right – to consideration from the customer is often only unconditional once the provision of the services has been completed and can then be recognized as a receivable and invoiced in full. The associated payments are generally made on the basis of actual invoicing. The recognition of receivables and the receipt of payments reduce the associated contract assets.

The table below shows the contract assets from contracts with customers:

€ millions	December 31, 2021	December 31, 2020
Contract assets	94.0	119.1

Contract liabilities include mainly advance payments by customers for deliveries of goods and for services to be performed. In the case of these advance payments by customers for deliveries of goods and for services to be performed, for which contract liabilities are recognized, the customer has already paid the consideration – or part of the consideration – but Continental has generally

not yet satisfied its performance obligation, or has done so only to a limited extent. The provision of the corresponding services to the customers by Continental in these cases reduces the level of the associated contract liabilities.

The table below shows the contract liabilities from contracts with customers:

€ millions	December 31, 2021	December 31, 2020
Contract liabilities	272.8	298.0



Of the contract liabilities of €298.0 million accounted for at the beginning of the year, €279.3 million was recognized as revenue in the reporting year. As a result of performance obligations satisfied

in previous years, no material revenue – for example, due to changes in the transaction price – was recognized in the reporting year.

Transaction price for performance obligations not yet satisfied

The table below shows the aggregated, anticipated amounts of transaction prices for performance obligations not yet satisfied or only partly satisfied from contracts as defined in IFRS 15 with a term of more than one year.

€ millions	2022	2023 onward
Income from research and development	313.9	154.0
Other revenues	104.0	86.7
Total	417.9	240.7

The amounts relate chiefly to future income from research and development, and the revenue is expected to be recognized within the periods shown. For contracts as defined in IFRS 15 with a term of less than one year, the practical expedient under IFRS 15.121 (a) is applied and no amounts are shown.

Use of other practical expedients

For contracts for which the time interval between the provision of the service by Continental and the expected payment by the customer comes to more than one year as at the start of the contract, the practical expedient from IFRS 15.63 is applied and the transaction price is not adjusted for any significant financing components contained.

8. Research and Development Expenses

The expenses and income from research and development are shown in the two tables below. The research and development expenses include government grants totaling €43.9 million (PY: €37.3 million).

2021						
€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Contract Manufacturing	Continental Group
Research and development expenses	-1,510.9	-1,540.2	-293.8	-185.6	0.1	-3,530.4
Income from research and development	428.6	485.9	—	29.1	0.0	943.6
Research and development expenses (net)	-1,082.3	-1,054.3	-293.8	-156.5	0.1	-2,586.8

2020						
€ millions	Autonomous Mobility and Safety	Vehicle Networking and Information	Tires	ContiTech	Contract Manufacturing	Continental Group
Research and development expenses	-1,367.1	-1,539.8	-268.0	-174.7	-3.2	-3,352.8
Income from research and development	362.1	265.0	—	25.0	0.0	652.1
Research and development expenses (net)	-1,005.0	-1,274.8	-268.0	-149.7	-3.2	-2,700.7

9. Other Income and Expenses

€ millions	2021	2020
Other income	2,099.8	1,321.9
Other expenses	-1,122.5	-2,597.1
Other income and expenses	977.3	-1,275.2

Other income

€ millions	2021	2020
Income from research and development	943.6	652.1
Income in connection with specific warranties, restructuring measures and pending losses	271.9	44.6
Income from the disposal of companies and business operations	258.8	170.3
Income from the reimbursement of customer tooling expenses	49.4	62.6
Income from the reversal of impairment on financial assets and contract assets	46.2	51.5
Income from the disposal of property, plant and equipment	39.5	24.4
Income in connection with litigation and environmental risks	36.4	21.7
Compensation from customers and suppliers	22.1	17.6
Income from foreign currency translation	11.5	—
Reversal of impairment losses on property, plant and equipment	9.4	8.0
Income from the reversal of provisions for severance payments	4.2	5.3
Miscellaneous	406.8	263.8
Other income	2,099.8	1,321.9

Other income increased by €777.9 million to €2,099.8 million (PY: €1,321.9 million) in the reporting period.

Income from research and development increased by €291.5 million to €943.6 million (PY: €652.1 million).

Income of €271.9 million (PY: €44.6 million) resulted in the reporting period in connection with specific warranties, restructuring measures and pending losses, of which specific warranties accounted for €112.5 million (PY: €14.2 million) and restructuring measures for €150.3 million (PY: 25.9 million).

Disposals of companies and business operations resulted in income of €258.8 million (PY: €170.3 million) in the reporting period. This includes income of €69.6 million (PY: —) that resulted from the reclassification of corresponding components of other comprehensive income to equity in connection with the deconsolidation due to the spin-off of Vitesco Technologies.

Reimbursement of customer tooling expenses resulted in income of €49.4 million (PY: €62.6 million) in 2021.

Income from the reversal of impairment on financial assets and contract assets was €46.2 million (PY: €51.5 million).

Income of €39.5 million (PY: €24.4 million) was generated from the disposal of property, plant and equipment in the period under review.

Income totaling €36.4 million (PY: €21.7 million) resulted in conjunction with litigation and environmental risks.

Compensation from customers and suppliers resulted in income totaling €22.1 million (PY: €17.6 million) in the reporting period.

In the year under review, income of €11.5 million (PY: expense of €19.2 million) was generated as a result of currency translation from operating receivables and liabilities in foreign currencies not classified as indebtedness.

Reversal of impairment losses on property, plant and equipment resulted in income of €9.4 million (PY: €8.0 million) in 2021. These figures do not include reversal of impairment losses that arose in connection with restructuring.

Income of €4.2 million (PY: €5.3 million) arose from the reversal of provisions for severance payments in the reporting period.

The "Miscellaneous" item also includes income from insurance compensation due to damage to property, plant and equipment caused by force majeure. In addition, government grants amounting to €7.5 million (PY: €9.2 million) that were not intended for investments in non-current assets were received and recognized in profit or loss in the "Miscellaneous" item.



Other expenses

€ millions	2021	2020
Expenses from specific warranties, restructuring measures and pending losses	274.6	1,043.5
Expenses in connection with litigation and environmental risks	119.4	177.0
Expenses from severance payments	116.4	84.0
Expenses from impairment on financial assets and contract assets	64.0	103.1
Expenses from customer tooling	47.0	59.5
Impairment on property, plant and equipment, and intangible assets	29.0	131.1
Losses on the disposal of property, plant and equipment, and from scrapping	26.8	20.2
Compensation to customers and suppliers	21.7	30.7
Incidental acquisition costs from acquisitions of companies and business operations	6.3	0.1
Impairment on goodwill	—	654.6
Losses on the disposal of companies and business operations	—	11.5
Expenses from currency translation	—	19.2
Miscellaneous	417.3	262.6
Other expenses	1,122.5	2,597.1

Other expenses decreased by €1,474.6 million to €1,122.5 million (PY: €2,597.1 million) in the reporting period.

Expenses totaling €274.6 million (PY: €1,043.5 million) resulted in connection with specific warranties, restructuring measures and pending losses, of which specific warranties accounted for €228.2 million (PY: €216.6 million) and restructuring measures for €38.3 million (PY: €819.3 million).

In connection with litigation and environmental risks, there were expenses of €119.4 million (PY: €177.0 million).

Personnel adjustments not related to restructuring led to expenses from severance payments of €116.4 million (PY: €84.0 million).

Expenses from impairment on financial assets and contract assets were €64.0 million (PY: €103.1 million).

Expenses from customer tooling of €47.0 million (PY: €59.5 million) arose in 2021.

Impairment on property, plant and equipment, and intangible assets amounted to €29.0 million (PY: €131.1 million) in the reporting period. These figures do not include impairment that arose in connection with restructuring.

Losses on the disposal of property, plant and equipment, and from scrapping amounted to €26.8 million (PY: €20.2 million) in 2021.

Compensation to customers and suppliers that is not attributable to warranties resulted in expenses of €21.7 million (PY: €30.7 million) in the reporting period.

Incidental acquisition costs of €6.3 million (PY: €0.1 million) were incurred for the acquisition of companies and business operations.

In the previous year, goodwill was impaired by €654.6 million.

The "Miscellaneous" item also includes expenses from other taxes and losses due to force majeure.



10. Personnel Expenses

The following total personnel expenses are included in function costs in the income statement:

€ millions	2021	2020
Wages and salaries	7,547.3	8,033.4
Social security contributions	1,474.8	1,411.1
Pension and post-employment benefit costs	414.7	362.9
Personnel expenses¹	9,436.8	9,807.4

¹ Personnel expenses from continuing and discontinued operations in the reporting period amounted to €10,884.4 million (PY: €11,768.7 million).

Compared to the 2020 reporting year, personnel expenses decreased by €370.6 million to €9,436.8 million (PY: €9,807.4 million). The average number of employees in 2021 was 193,451 (PY: 195,941). As at the end of the year, there were 190,875 (PY: 195,896) employees in the Continental Group. The year-on-year

decrease in personnel expenses resulted in particular from lower provisions for restructuring measures. Social security contributions of the main German companies of the Continental Group (employer contributions) amounted to €262.1 million in the reporting year (PY: €317.8 million).

11. Income from Investments

€ millions	2021	2020
Income from equity-accounted investees	54.8	-69.5
Other income from investments	0.4	0.6
Income from investments	55.2	-68.9

Income from equity-accounted investees includes the shares of income from these participations in the amount of €23.6 million (PY: €20.2 million). It also includes income of €32.5 million from the reversal of the provision for capital commitments to OSRAM

CONTINENTAL GmbH, Munich, Germany. The prior-year figure mainly included an expense of €45.0 million from the creation of this provision and an expense of €37.5 million due to an allowance recognized on the carrying amount of an associate.

12. Financial Result

€ millions	2021	2020
Interest and similar income	102.7	30.7
Expected income from long-term employee benefits and from pension funds ¹	–	60.0
Interest income	102.7	90.7
Interest and similar expenses	-116.9	-128.0
Interest expenses from lease liabilities	-25.1	-26.0
Interest effects from non-current liabilities	5.6	2.1
Interest expense from long-term employee benefits ¹	–	-112.3
Interest effects from long-term employee benefits and from pension funds ¹	-44.0	–
Interest expense	-180.4	-264.2
Effects from currency translation	-128.1	-86.0
Effects from changes in the fair value of derivative instruments	-52.2	64.6
Other valuation effects	121.7	7.0
Effects from changes in the fair value of derivative instruments, and other valuation effects	69.5	71.6
Financial result	-136.3	-187.9

1 As of fiscal 2021, expected income from long-term employee benefits and from pension funds and interest expense from long-term employee benefits are reported net under interest effects from long-term employee benefits and from pension funds.

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 under interest effects from long-term employee benefits and from pension funds. 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 under interest effects from long-term employee benefits and from pension 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. Interest effects from long-term employee benefits and from pension funds resulted in expense of €44.0 million in the reporting year. These interest effects did 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. 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.

13. Income Tax Expense

The domestic and foreign income tax expense of the Continental Group is as follows:

€ millions	2021	2020
Current taxes (domestic)	-148.5	-147.7
Current taxes (foreign)	-411.6	-465.2
Deferred taxes (domestic)	146.3	438.2
Deferred taxes (foreign)	54.3	225.0
Income tax expense	-359.5	50.3

The following table shows the reconciliation of the expected tax expense to the reported tax expense:

€ millions	2021	2020
Earnings before tax	1,709.5	-615.9
Non-tax-deductible impairment of goodwill ¹	—	456.3
Earnings before tax and impairment of goodwill	1,709.5	-159.6
Expected tax expense at the domestic tax rate	-524.8	49.0
Incentives and tax holidays	172.0	180.5
Foreign tax rate differences	164.0	144.2
Non-deductible expenses and non-imputable withholding taxes	-150.4	-165.5
Non-recognition of deferred tax assets unlikely to be realized	-109.5	-121.7
Taxes for previous years	47.2	-47.2
Local income tax with different tax base	-25.2	-42.7
Realization of previously non-recognized deferred taxes	16.8	5.9
Effects from changes in enacted tax rate	8.5	-10.3
Initial recognition of deferred tax assets likely to be realized	—	58.3
Other ²	41.9	-0.2
Income tax expense	-359.5	50.3
Effective tax rate in %	21.0	31.5

¹ Earnings before tax in the previous year were not adjusted for the total goodwill impairment in the amount of €654.6 million. A portion totaling €198.3 million resulted in the reversal of deferred tax liabilities and therefore must be excluded from the reconciliation.

² Mainly includes the tax-free effects from the spin-off of Vitesco Technologies (€21.4 million) and from the sale of shares (€22.2 million).

The average domestic tax rate in 2021 was 30.7% (PY: 30.7%). This took into account a corporate tax rate of 15.0% (PY: 15.0%), a solidarity surcharge of 5.5% (PY: 5.5%) and a trade tax rate of 14.8% (PY: 14.9%).

The reduction in the tax expense from foreign tax rate differences primarily reflects the volume of activities in Eastern Europe and Asia.

As in the previous year, foreign tax rate differences as well as incentives and tax holidays had positive effects in the year under review.

The tax rate was negatively impacted by non-cash allowances on deferred tax assets totaling €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. Please see Note 21.

The tax effects from government incentives and tax holidays decreased in comparison to the previous year. In addition to the ongoing utilization of incentives in Europe, Asia and the USA as in the



previous year, the utilization of government incentives in Brazil and Mexico had a further positive impact in the reporting year. In the year under review, local income taxes of €25.2 million (PY: €42.7 million) were incurred with a different tax base. This was attributable primarily to the alternative minimum tax in the USA.

The effects from the change in enacted tax rate relate to the re-measurement of deferred tax assets and liabilities due to changes in the law already taking effect with regard to future applicable tax rates.

The following table shows the total income tax expense, also including the items reported under reserves recognized directly in equity:

€ millions	December 31, 2021	December 31, 2020
Income tax expense (acc. to consolidated statement of income)	-359.5	50.3
Tax income on other comprehensive income	-184.2	41.7
Remeasurement of defined benefit plans	-186.0	43.4
Investment in equity-accounted investees	0.0	0.0
Currency translation	1.8	-1.7
Total income tax expense	-543.7	92.0

14. Grants in Connection with the COVID-19 Pandemic

Government grants paid to the Continental Group as a result of the COVID-19 pandemic totaled €10.3 million (PY: €95.6 million) in the year under review and were recognized in the income statement.

These primarily include reimbursements of social security contributions in the amount of €4.5 million (PY: €56.6 million), the majority of which relate to short-time work income.

Notes to the Consolidated Statement of Financial Position

15. Goodwill and Other Intangible Assets

€ millions	Goodwill	Capitalized development expenses	Other intangible assets	Advances to suppliers	Total other intangible assets
As at January 1, 2020					
Cost	10,004.8	631.1	3,139.9	44.5	3,815.5
Accumulated amortization	-4,891.3	-295.6	-1,808.1	-20.0	-2,123.7
Book value	5,113.5	335.5	1,331.8	24.5	1,691.8
Net change in 2020					
Book value	5,113.5	335.5	1,331.8	24.5	1,691.8
Exchange-rate changes	-94.8	-4.3	-42.7	-0.3	-47.3
Additions	—	130.4	87.3	26.2	243.9
Additions from the first-time consolidation of subsidiaries	-2.5	—	0.4	—	0.4
Transfers	—	-4.2	13.2	-8.2	0.8
Disposals	—	0.0	-0.6	-0.6	-1.2
Amortization	—	-131.8	-323.2	—	-455.0
Impairment ¹	-654.6	—	-86.5	—	-86.5
Book value	4,361.6	325.6²	979.7	41.6	1,346.9
As at December 31, 2020					
Cost	9,860.1	717.7	3,130.3	41.6	3,889.6
Accumulated amortization	-5,498.5	-392.1	-2,150.6	—	-2,542.7
Book value	4,361.6	325.6	979.7	41.6	1,346.9
Net change in 2021					
Book value	4,361.6	325.6	979.7	41.6	1,346.9
Exchange-rate changes	77.9	2.0	47.5	0.3	49.8
Additions	—	49.8	32.7	38.4	120.9
Additions from the first-time consolidation of subsidiaries	64.0	—	46.4	—	46.4
Amounts disposed of through disposal of subsidiaries	-791.7	-165.8	-8.2	-6.4	-180.4
Reclassification to/from assets held for sale	—	—	-25.0	—	-25.0
Transfers	—	28.5	-7.1	-21.6	-0.2
Disposals	—	0.0	-0.4	-0.3	-0.7
Amortization	—	-47.4	-219.5	—	-266.9
Impairment	—	—	-3.1	0.0	-3.1
Book value	3,711.8	192.7	843.0	52.0	1,087.7
As at December 31, 2021					
Cost	7,866.5	541.8	3,068.1	52.0	3,661.9
Accumulated amortization	-4,154.7	-349.1	-2,225.1	0.0	-2,574.2
Book value	3,711.8	192.7	843.0	52.0	1,087.7

¹ Expenses from derecognitions of brand values are likewise included.

² Excluding development expenses for internally generated software.

The addition to goodwill in 2021 totaling €64.0 million resulted mainly from the termination of OSRAM CONTINENTAL GmbH, Munich, Germany. Please see Note 5. In the previous year, the final purchase price allocation for the acquisition of a company in 2019 resulted in a decrease of goodwill of €2.5 million.

The disposal of goodwill due to changes in the scope of consolidation in the amount of €791.7 million and the disposals from other intangible assets due to changes in the scope of consolidation in the amount of €180.4 million resulted mainly from the spin-off of Vitesco Technologies. Please see Note 6.



The carrying amount of goodwill relates principally to the acquisitions of Siemens VDO (2007), Continental Teves (1998), the automotive electronics business from Motorola (2006), Elektrobit Automotive (2015) and Veyance Technologies (2015).

Please see Note 9 for information on impairment.

The table below shows the goodwill of each cash-generating unit (CGU), in line with the applicable organizational structure in the respective fiscal year:

€ millions	Goodwill	
	Dec. 31, 2021	Dec. 31, 2020
Vehicle Dynamics	808.0	802.8
Hydraulic Brake Systems	143.1	140.2
Passive Safety and Sensorics	592.1	586.6
Advanced Driver Assistance Systems	365.2	363.2
Continental Engineering Services	17.7	16.9
Autonomous Mobility and Safety	1,926.1	1,909.7
Commercial Vehicles and Services	783.2	710.6
Vehicle Networking and Information	783.2	710.6
Original Equipment ¹	2.0	2.0
Replacement EMEA (Europe, the Middle East and Africa) ²	172.6	139.6
Replacement APAC (Asia and Pacific region) ³	212.0	195.1
Replacement The Americas (North, Central and South America) ⁴	15.2	15.5
Specialty Tires ⁵	19.5	53.5
Tires	421.3	405.7
		22.1
Surface Solutions	116.7	116.3
Special Technologies and Solutions	1.9	1.9
Conveying Solutions	115.7	106.8
Mobile Fluid Systems	50.0	48.7
Industrial Fluid Solutions	152.9	141.4
Power Transmission Group	47.3	44.1
Advanced Dynamics Solutions	96.7	69.1
ContiTech	581.2	550.4
		472.1
		313.1
		785.2
Continental Group	3,711.8	4,361.6

1 Since January 2021: Original Equipment.

2 Since January 2021: Replacement EMEA (Europe, the Middle East and Africa).

3 Since January 2021: Replacement APAC (Asia and Pacific region).

4 Since January 2021: Replacement The Americas (North, Central and South America). As part of the reorganization of the Tires segment, goodwill of €15.5 million from Replacement The Americas (North, Central and South America) PLT was allocated to Specialty Tires.

5 Since January 2021: As part of the reorganization of the Tires segment, Commercial Vehicle Tires was integrated into Original Equipment, Replacement EMEA (Europe, the Middle East and Africa), Replacement APAC (Asia and Pacific region), Replacement The Americas (North, Central and South America) and Specialty Tires. In doing so, goodwill of €24.2 million from Commercial Vehicle Tires was allocated to Replacement EMEA (Europe, the Middle East and Africa), €12.5 million to Replacement APAC (Asia and Pacific region), €14.1 million to Replacement The Americas (North, Central and South America) and €2.7 million to Specialty Tires.

6 Since January 2021: Advanced Dynamics Solutions.

The additions to purchased intangible assets from changes in the scope of consolidation were attributable primarily to customer relationships and know-how. Other additions related mainly to software in the amount of €30.5 million (PY: €76.6 million).

Under IAS 38, *Intangible Assets*, €49.8 million (PY: €130.4 million) of the total development costs incurred in 2021 qualified for recognition as an asset.

Amortization of other intangible assets amounted to €266.9 million (PY: €455.0 million). Of this, €213.5 million (PY: €364.0 million) is included in the consolidated statement of income under the cost of sales and €53.4 million (PY: €91.0 million) under administrative expenses.

The other intangible assets include carrying amounts adjusted for translation-related exchange-rate effects and not subject to amortization in the amount of €41.0 million (PY: €112.2 million). They relate in particular to the Elektrobitt brand name (Human Machine

Interface CGU) in the amount of €30.4 million (PY: €30.4 million), the Phoenix brand name (Industrial Fluid Solutions, Conveying Solutions and Advanced Dynamics Solutions CGUs) in the amount of €4.2 million (PY: €4.2 million) and the Matador brand name (Replacement EMEA [Europe, the Middle East and Africa] and Original Equipment CGUs) in the amount of €3.2 million (PY: €3.2 million). The purchased intangible assets also include the carrying amounts of software amounting to €89.4 million (PY: €123.2 million), which are amortized on a straight-line basis as scheduled.

16. Property, Plant and Equipment

The additions to property, plant and equipment due to changes in the scope of consolidation in the amount of €4.7 million resulted mainly from the termination of OSRAM CONTINENTAL GmbH, Munich, Germany. Please see Note 5.

The disposals of plant, property and equipment due to changes in the scope of consolidation in the amount of €2,313.7 million resulted mainly from the spin-off of Vitesco Technologies. Please see Note 6.

In the Autonomous Mobility and Safety segment, production capacity was expanded at German locations as well as in North America, Asia and 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.

In the Vehicle Networking and Information segment, investments were made in the expansion of production capacity in Europe as well as in Asia and North America. Investments focused primarily on the expansion of production capacity for the Human Machine Interface and Connected Car Networking business units. Important additions related to the expansion of production capacity for operation and display solutions. An investment was also made to expand the location in Novi Sad, Serbia.

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

In the ContiTech segment, investments focused on the expansion of production capacity in selected growth markets for the Mobile Fluid Systems, 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.

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

Please see Note 9 for information on unscheduled impairments and reversal of impairment losses.

Government investment grants of €86.7 million (PY: €23.7 million) were deducted directly from cost.

As in the previous year, no borrowing costs were capitalized when applying IAS 23, *Borrowing Costs*.

Please see Note 27 for information on reclassifications during the period to assets held for sale.

There are restrictions on title and property, plant and equipment pledged as security for liabilities in the amount of €49.9 million (PY: €46.0 million).

Please see Note 17 for information on the right-of-use assets that are recognized under property, plant and equipment in accordance with IFRS 16, *Leases*.



€ millions	Land, land rights and buildings ¹	Technical equipment and machinery	Other equipment, factory and office equipment	Advances to suppliers and assets under construction	Total
As at January 1, 2020					
Cost	5,481.2	20,792.0	3,224.1	2,361.6	31,858.9
Accumulated depreciation	-2,294.1	-13,899.4	-2,384.8	-32.2	-18,610.5
Book value	3,187.1	6,892.6	839.3	2,329.4	13,248.4
Net change in 2020					
Book value	3,187.1	6,892.6	839.3	2,329.4	13,248.4
Exchange-rate changes	-160.4	-317.0	-30.5	-94.6	-602.5
Additions	103.4	564.0	144.1	1,070.4	1,881.9
Additions from the first-time consolidation of subsidiaries	7.1	—	0.1	—	7.2
Amounts disposed of through disposal of subsidiaries	-1.9	-1.5	-0.1	0.0	-3.5
Reclassification to/from assets held for sale	-2.3	-5.4	0.0	—	-7.7
Transfers	325.3	1,101.2	150.8	-1,578.9	-1.6
Disposals	-8.3	-35.6	-4.9	-3.0	-51.8
Depreciation	-218.8	-1,569.3	-281.6	—	-2,069.7
Impairment ²	-11.4	-106.3	-6.9	-2.6	-127.2
Book value	3,219.8	6,522.7	810.3	1,720.7	12,273.5
As at December 31, 2020					
Cost	5,637.0	21,077.2	3,344.0	1,752.4	31,810.6
Accumulated depreciation	-2,417.2	-14,554.5	-2,533.7	-31.7	-19,537.1
Book value	3,219.8	6,522.7	810.3	1,720.7	12,273.5
Net change in 2021					
Book value	3,219.8	6,522.7	810.3	1,720.7	12,273.5
Exchange-rate changes	98.3	215.6	18.5	55.1	387.5
Additions	37.6	461.2	143.7	1,114.2	1,756.7
Additions from the first-time consolidation of subsidiaries	1.1	0.2	3.2	0.2	4.7
Amounts disposed of through disposal of subsidiaries	-355.6	-1,554.1	-121.3	-282.7	-2,313.7
Reclassification to/from assets held for sale	-6.2	-10.0	-0.5	-1.6	-18.3
Transfers	146.1	810.0	92.7	-1,049.7	-0.9
Disposals	-12.1	-44.2	-3.8	-4.0	-64.1
Depreciation	-196.2	-1,306.1	-238.8	—	-1,741.1
Impairment ²	-3.6	-60.0	-6.5	2.3	-67.8
Book value	2,929.2	5,035.3	697.5	1,554.5	10,216.5
As at December 31, 2021					
Cost	5,273.8	18,062.8	2,923.5	1,580.8	27,840.9
Accumulated depreciation	-2,344.6	-13,027.5	-2,226.0	-26.3	-17,624.4
Book value	2,929.2	5,035.3	697.5	1,554.5	10,216.5

¹ Investment property is shown separately in Note 18.

² Impairment also includes necessary reversal of impairment losses.



17. Leases

In addition to the comments in Note 2, the disclosure requirements arising from IFRS 16, *Revenue from Contracts with Customers*, are grouped together in this note.

Continental Group as lessee

Right-of-use assets

The right-of-use assets recognized from leases relate primarily to the leasing of land and buildings at various locations worldwide. To a small extent, right-of-use assets are recognized for technical equipment and machinery as well as other equipment, factory and office equipment.

Additions within the right-of-use assets amounted to €326.6 million for the reporting year (PY: €289.7 million). These resulted mainly from additions to land and buildings in the amount of €275.7 million (PY: €239.2 million) and from additions to other equipment, factory and office equipment in the amount of €47.9 million (PY: €48.8 million).

The additions to right-of-use assets due to changes in the scope of consolidation in the amount of €1.8 million (PY: €0.0 million) resulted mainly from the termination of OSRAM CONTINENTAL GmbH, Munich, Germany. Please see Note 5.

The disposals of right-of-use assets due to changes in the scope of consolidation in the amount of €173.0 million (PY: €0.0 million) resulted mainly from the spin-off of Vitesco Technologies. Please see Note 6.

The right-of-use assets reported as at December 31, 2021, in the amount of €1,195.1 million (PY: €1,487.1 million) correspond to 10.5% (PY: 10.8%) of all property, plant and equipment of the Continental Group. The weighted average lease term is approximately five years (PY: approx. five years) for right-of-use assets for land and buildings, approximately four years (PY: approx. three years) for right-of-use assets for technical equipment and machinery, and approximately three years (PY: approx. three years) for right-of-use assets for other equipment, factory and office equipment.



The development of right-of-use assets in the reporting year was as follows:

€ millions	Right of use for land and buildings	Right of use for technical equipment and machinery	Right of use for other equipment, factory and office equipment	Total
Book value as at January 1, 2020	1,591.8	7.9	84.6	1,684.3
Net change in 2020				
Book value	1,591.8	7.9	84.6	1,684.3
Exchange-rate changes	-52.1	-0.2	-3.6	-55.9
Additions	239.2	1.7	48.8	289.7
Transfers	0.1	0.3	-0.4	0.0
Disposals	-68.3	-0.1	-4.0	-72.4
Amortization	-299.3	-3.8	-47.0	-350.1
Impairment ¹	-8.5	—	—	-8.5
Book value	1,402.9	5.8	78.4	1,487.1
As at December 31, 2020				
Cost	1,965.3	12.2	144.1	2,121.6
Accumulated amortization	-562.4	-6.4	-65.7	-634.5
Book value	1,402.9	5.8	78.4	1,487.1
Net change in 2021				
Book value	1,402.9	5.8	78.4	1,487.1
Exchange-rate changes	41.0	0.2	1.7	42.9
Additions	275.7	3.0	47.9	326.6
Additions from the first-time consolidation of subsidiaries	1.8	—	—	1.8
Amounts disposed of through disposal of subsidiaries	-159.5	-1.9	-11.6	-173.0
Reclassification to/from assets held for sale	—	—	-0.1	-0.1
Transfers	-0.5	-0.1	0.2	-0.4
Disposals	-149.4	0.0	-4.5	-153.9
Amortization	-281.1	-2.6	-42.1	-325.8
Impairment ¹	-10.1	—	—	-10.1
Book value	1,120.8	4.4	69.9	1,195.1
As at December 31, 2021				
Cost	1,866.9	10.7	143.6	2,021.2
Accumulated amortization	-746.1	-6.3	-73.7	-826.1
Book value	1,120.8	4.4	69.9	1,195.1

¹ Impairment also includes necessary reversal of impairment losses.

Lease liabilities

As at the end of the reporting period, lease liabilities amounted to €1,274.1 million (PY: €1,543.0 million). Future cash outflows resulting from leases are shown in the following table:

€ millions	2021	2020
Less than one year	308.6	344.1
One to two years	257.6	286.2
Two to three years	198.1	231.2
Three to four years	159.1	176.9
Four to five years	123.8	147.3
More than five years	305.4	463.5
Total undiscounted lease liabilities	1,352.6	1,649.2
Lease liabilities as at December 31	1,274.1	1,543.0
Current	288.2	319.0
Non-current	985.9	1,224.0

In the reporting year, the following amounts were recognized in the income statement:

€ millions	2021		2020	
	Continuing operations	Continuing and discontinued operations	Continuing operations	Continuing and discontinued operations
Interest expenses on lease liabilities	25.1	27.1	26.0	28.5
Expenses relating to short-term leases	20.4	24.5	37.7	41.6
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	3.0	4.8	6.0	8.4
Expenses from variable lease payments not included in the measurement of lease liabilities	308.6	308.6	1.4	1.5
Income from subleasing right-of-use assets	3.5	3.5	0.6	0.6

In the reporting year, the following amounts were recognized in the statement of cash flows:

€ millions	2021		2020	
	Continuing operations	Continuing and discontinued operations	Continuing operations	Continuing and discontinued operations
Cash outflow for leases	676.3	703.7	391.5	420.3

In addition to cash outflows for the interest and principal portion of recognized lease liabilities, the cash outflow for leases also includes variable lease payments and lease payments for unrecognized leases for low-value assets as well as for short-term leases.

Potential future cash outflows

The leases recognized as at December 31, 2021, include options that were not considered reasonably certain as at the reporting date and are not included in the measurement of lease liabilities. These options may result in potential future cash outflows over the coming fiscal years.

The leases in some cases include variable lease payments as well as extension, termination and purchase options. As a rule, the Continental Group endeavors to include extension and termination options in new leases in order to ensure operational flexibility. For the initial measurement of lease liabilities, such options are recognized once it is reasonably certain that they will be exercised. If a significant event or a significant change in circumstances occurs that is within Continental's control, this will be taken into account accordingly in the remeasurement of lease liabilities. As at the end of the reporting period, potential future lease payments of €621.2 million (PY: €680.2 million) from such options were not included in the



measurement of lease liabilities. Potential future cash outflows of €1,803.6 million (PY: €1.9 million) arising from variable lease payments were likewise not included in the measurement of lease liabilities as at the end of the reporting period. The high year-on-year increase results mainly from the first-time relevance of contract manufacturing due to the spin-off of Vitesco Technologies, which is described in greater detail below.

The future scope of obligations arising from leases to which Continental is committed but that had not yet commenced as at the balance sheet date amounted to €77.7 million (PY: €160.1 million).

The Continental Group estimates the potential cash outflow from residual value guarantees, which were not included in the measurement of the lease liability as at the reporting date, at €0.4 million (PY: €0.4 million).

Contract manufacturing

In 2018, the Continental Group concluded a framework agreement with Vitesco Technologies on contract manufacturing. In cases where Vitesco Technologies manufactures products on behalf of the Continental Group in a contract manufacturing plant, the agreement in certain cases includes an embedded lease whereby Conti-

ental acts as lessee of the production equipment and bears the investment risk. Due to variable lease payments from Continental to Vitesco Technologies, which are made according to customer calls for delivery, no right-of-use assets or corresponding lease liabilities are recognized. Since the spin-off of Vitesco Technologies, the expenses for variable lease payments due to contract manufacturing have amounted to €306.6 million. In connection with contract manufacturing, the Continental Group expects future cash outflows from variable lease payments of €1,802.1 million for the remaining lease terms.

Continental Group as lessor

The Continental Group acts as lessor in some business relationships. These constitute operating leases as well as finance leases. Whereas for operating leases the Continental Group retains the material risks and rewards incidental to ownership, for finance leases these are transferred to the lessee.

Operating leases

Lease income from operating leases in which the Continental Group acts as lessor amounted to €1.7 million (PY: €0.9 million); for continuing and discontinued operations it totaled €1.8 million (PY: €0.9 million). These related primarily to the (sub)leasing of land and buildings.

Future cash inflows resulting from operating leases as at the end of the reporting period are shown in the following table:

€ millions	2021	2020
Less than one year	1.4	0.6
One to two years	0.9	0.5
Two to three years	0.5	0.5
Three to four years	0.3	0.0
Four to five years	0.3	—
More than five years	0.2	—
Total undiscounted lease payments	3.6	1.6

Contract manufacturing

Insofar as the Continental Group manufactures products on behalf of Vitesco Technologies as part of contract manufacturing, the agreement in certain cases includes an embedded lease whereby Continental acts as lessor. Such leases are classified as operating leases. The Continental Group receives variable lease payments depending on customer calls for delivery. Since the spin-off of Vitesco

Technologies, the income from variable lease payments due to contract manufacturing has amounted to €273.1 million.

Finance leases

The Continental Group acts exclusively as a sublessor of leased land and buildings. As these subleases extend beyond the total remaining term of the head lease, they are classified as finance leases.



Future cash inflows resulting from finance leases and financial income not yet realized as at the end of the reporting period are shown in the following table:

€ millions	2021	2020
Less than one year	3.1	—
One to two years	3.2	—
Two to three years	3.2	—
Three to four years	3.3	—
Four to five years	3.4	—
More than five years	4.0	—
Total undiscounted receivables from lease payments	20.2	—
Financial income not yet realized	0.8	—
Net investments in leases	19.4	—

18. Investment Property

€ millions	2021	2020
Cost as at January 1	21.2	20.7
Accumulated depreciation as at January 1	-9.0	-9.0
Net change		
Book value as at January 1	12.2	11.7
Exchange-rate changes	0.2	-0.3
Additions	0.2	0.3
Reclassifications	-0.2	0.8
Depreciation	-0.4	-0.3
Book value as at December 31	12.0	12.2
Cost as at December 31	21.4	21.2
Accumulated depreciation as at December 31	-9.4	-9.0

The fair value – determined using the gross rental method on the basis of company-internal calculations (Level 3 of the fair value hierarchy) – of land and buildings accounted for as investment property as at December 31, 2021, amounted to €31.8 million

(PY: €16.2 million). Rental income in 2021 amounted to €2.7 million (PY: €2.9 million), while associated maintenance costs of €1.3 million (PY: €1.3 million) were incurred.

19. Investments in Equity-Accounted Investees

€ millions	2021	2020
As at January 1	351.3	397.7
Additions	25.3	19.5
Disposals	-31.5	-9.2
Changes in the consolidation method, and transfers	-15.3	-
Share of earnings	23.9	21.2
Impairment	-13.8	-44.7
Dividends received	-30.6	-30.7
Changes in other comprehensive income	-6.7	-0.8
Exchange-rate changes	3.3	-1.7
As at December 31	305.9	351.3

Investments in equity-accounted investees include carrying amounts of joint ventures in the amount of €204.3 million (PY: €215.5 million) and of associates in the amount of €101.6 million (PY: €135.8 million).

A material joint venture of the Tires segment in the Original Equipment business unit is MC Projects B.V., Maastricht, Netherlands, plus its subsidiaries. The company, which is jointly controlled by Continental Global Holding Netherlands B.V., Maastricht, Netherlands, and Compagnie Financière Michelin SCmA, Granges-Paccot, Switzerland, each holding 50% of the voting rights, mainly supplies tire-wheel assemblies to automotive manufacturers. Michelin contributed the rights to the Uniroyal brand for Europe to the joint venture. MC Projects B.V. licenses these rights to Continental.

A material joint venture of the Autonomous Mobility and Safety segment is Shanghai Automotive Brake Systems Co., Ltd., Shanghai, China. Continental AG, Hanover, holds 49% of the voting rights in Shanghai Automotive Brake Systems Co., Ltd., Shanghai, China, which is jointly controlled with Huayu Automotive Systems Co., Ltd., Shanghai, China. The main business purpose of the company is the production of hydraulic braking systems for the Chinese market; it is assigned to the Hydraulic Brake Systems and Vehicle Dynamics business units.

The figures taken from the last two available sets of IFRS-compliant financial statements (2020 and 2019) for the material joint ventures above are as follows. Amounts are stated at 100%. Furthermore, the share of net assets has been reconciled to the respective carrying amount of the investment. All investments are accounted for using the equity method.



€ millions	MC Projects B.V.		Shanghai Automotive Brake Systems Co., Ltd.	
	2020	2019	2020	2019
Dividends received	0.0	5.0	14.0	20.5
Current assets	140.1	146.8	223.2	258.2
thereof cash and cash equivalents	40.0	36.6	59.5	61.1
Non-current assets	153.1	164.6	101.0	110.3
Total assets	293.2	311.4	324.2	368.5
Current liabilities	95.7	110.4	142.4	176.8
thereof other short-term financial liabilities	0.0	0.0	–	–
Non-current liabilities	46.8	53.0	7.2	10.5
thereof long-term financial liabilities	1.3	1.3	–	–
Total liabilities	142.5	163.4	149.6	187.3
Sales	130.0	165.5	362.3	418.4
Interest income	0.1	0.2	1.1	0.6
Interest expense	0.6	0.5	–	–
Depreciation and amortization	18.2	17.5	17.9	16.9
Earnings from continued operations	2.9	16.2	27.4	34.0
Other comprehensive income	-0.2	-6.0	–	–
Income tax expense	-2.8	-5.7	3.3	4.1
Earnings after tax	2.7	10.2	27.4	34.0
Net assets	150.7	148.0	174.6	181.2
Share of net assets	75.3	74.0	85.5	88.8
Goodwill	–	–	10.6	10.6
Exchange-rate changes	–	–	3.5	-1.4
Change in other comprehensive income for the prior year	0.1	–	–	–
Share of earnings for prior years	-1.4	3.9	–	–
Carrying amount	74.0	77.9	99.6	98.0



IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, Germany, was a former material associate. Continental Automotive GmbH, Hanover, Germany, and Vitesco Technologies GmbH, Hanover, Germany, each hold 10% of the shares and voting rights. With effect from the spin-off of Vitesco Technologies, 10% of the shares and voting rights of Vitesco Technologies GmbH, Hanover, Germany, in IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, Germany, were disposed of. Continental Automotive GmbH, Hanover, Germany, continues to hold 10% of the shares and voting rights. These shares were reclassified to other investments, so the following detailed information is now presented for the last time. The company,

together with its subsidiaries, mainly provides development services for the automotive industry and is assigned to the Contract Manufacturing segment.

The figures taken from the last two available sets of IFRS-compliant financial statements (2019 and 2020) for IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, Germany, are as follows. Amounts are stated at 100%. Furthermore, the share of net assets has been reconciled to the respective carrying amount of the investment, which is accounted for using the equity method.

€ millions	IAV GmbH Ingenieurgesellschaft Auto und Verkehr	
	2020	2019
Dividends received	0.0	0.0
Current assets	276.5	343.9
Non-current assets	319.3	334.4
Total assets	595.8	678.3
Current liabilities	196.7	280.1
Non-current liabilities	147.9	147.4
Total liabilities	344.6	427.5
Sales	895.8	1,001.7
Earnings from continuing operations	1.8	36.1
Other comprehensive income	-1.5	-0.1
Earnings after tax	0.4	35.9
Net assets	251.2	250.9
Share of net assets	50.2	50.2
Goodwill	12.7	12.7
Change in other comprehensive income for the prior year	3.3	3.3
Other adjustments	1.5	-0.1
Accumulated impairment ¹	-37.5	–
Carrying amount	30.2	66.1

¹ The carrying amount for the associate IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, Germany, was impaired by €37.5 million as at November 30, 2020, due to changes in expectations with regard to future business development.

The figures taken from the last two available sets of financial statements (2020 and 2019) for the joint ventures and associates that

are not material to the Continental Group are summarized as follows. Amounts are stated in line with the proportion of ownership interest.



€ millions	Associates		Joint ventures	
	2020	2019	2020	2019
Earnings from continuing operations	13.5	23.8	-4.8	-7.9
Earnings after tax	13.5	23.8	-4.8	-7.9

20. Other Investments

€ millions	December 31, 2021	December 31, 2020
Investments in unconsolidated affiliated companies	9.9	14.2
Other participations	159.5	109.2
Other investments	169.4	123.4

Other investments are accounted for at fair value. Changes are recognized in other comprehensive income.

With regard to year-on-year changes in the carrying amount, €10.8 million (PY: -€33.5 million) resulted from reclassifications, €28.5 million (PY: -) from additions, €0.8 million (PY: €31.8 million) from disposals, €5.3 million (PY: -€7.0 million) from changes in fair value and €2.2 million (PY: -€1.9 million) from exchange-rate effects.

The reclassifications are mainly due to the reclassification of IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, Germany, from investments in equity-accounted investees to other participations in the amount of €15.1 million. The additions to other investments mainly relate to four additions to other participations.

Dividends received from other investments amounted to €0.5 million in the reporting year (PY: €0.6 million).

There is currently no intention to sell any of the other investments.



21. Deferred Taxes

Deferred taxes developed as follows:

€ millions	Dec. 31, 2021					Dec. 31, 2020	
	Deferred tax assets	Deferred tax liabilities	Net	Recognized in profit or loss	Changes in the scope of consolidation	Recognized in other comprehensive income	Net
Other intangible assets and goodwill	466.6	-576.2	-109.6	61.5	180.2	-15.5	-335.8
Property, plant and equipment	175.9	-404.0	-228.1	82.0	19.8	-13.6	-316.3
Inventories	282.3	-77.7	204.6	14.2	-21.9	5.3	207.0
Other assets	316.1	-270.5	45.6	51.5	-1.5	1.8	-6.2
Employee benefits less defined benefit assets	1,075.6	-27.2	1,048.4	-91.8	-195.0	-166.9	1,502.1
Provisions for other risks and obligations	259.3	-12.3	247.0	-76.5	-107.4	16.0	414.9
Indebtedness and other financial liabilities	429.3	-61.2	368.1	-92.6	-0.8	6.5	455.0
Other differences	280.8	-171.5	109.3	115.8	-33.2	6.7	20.0
Allowable tax credits	68.0	—	68.0	17.3	-0.1	-11.0	61.8
Tax losses carried forward and limitation of interest deduction	674.6	—	674.6	79.5	-28.3	43.1	580.3
Deferred taxes (before offsetting)	4,028.5	-1,600.6	2,427.9	160.9	-188.2	-127.6	2,582.8
Offsetting (IAS 12.74)	-1,499.0	1,499.0	—	—	—	—	—
Net deferred taxes	2,529.5	-101.6	2,427.9				2,582.8

€ millions	Dec. 31, 2020					Dec. 31, 2019	
	Deferred tax assets	Deferred tax liabilities	Net	Recognized in profit or loss	Changes in the scope of consolidation	Recognized in other comprehensive income	Net
Other intangible assets and goodwill	533.5	-869.3	-335.8	42.8	-1.0	-8.2	-369.4
Property, plant and equipment	196.1	-512.4	-316.3	-20.6	-1.7	8.9	-302.9
Inventories	306.4	-99.4	207.0	15.2	0.4	-4.8	196.2
Other assets	319.7	-325.9	-6.2	-24.5	—	1.1	17.2
Employee benefits less defined benefit assets	1,516.4	-14.3	1,502.1	182.9	—	31.4	1,297.8
Provisions for other risks and obligations	423.9	-9.0	414.9	223.0	—	-9.2	201.1
Indebtedness and other financial liabilities	517.9	-62.9	455.0	15.3	—	-8.7	448.4
Other differences	254.4	-234.4	20.0	75.5	—	-6.7	-48.8
Allowable tax credits	61.8	—	61.8	26.2	—	-14.9	50.5
Tax losses carried forward and limitation of interest deduction	580.3	—	580.3	230.0	—	-38.6	388.9
Deferred taxes (before offsetting)	4,710.4	-2,127.6	2,582.8	765.8	-2.3	-49.7	1,869.0
Offsetting (IAS 12.74)	-1,959.0	1,959.0	—	—	—	—	—
Net deferred taxes	2,751.4	-168.6	2,582.8				1,869.0

Deferred taxes are measured in accordance with IAS 12, *Income Taxes*, at the tax rate applicable for the periods in which they are expected to be realized. Since 2008, there has been a limit on the

deductible interest that can be carried forward in Germany; the amount deductible under tax law is limited to 30% of taxable income before depreciation, amortization and interest.

The development of deferred taxes in the year under review was influenced in particular by the spin-off of Vitesco Technologies.

Deferred tax assets were down €221.9 million at €2,529.5 million (PY: €2,751.4 million). This was primarily attributable to a €440.8 million decrease in employee benefits and a €164.6 million decrease in deferred taxes on other provisions.

Deferred tax liabilities declined by €67.0 million year-on-year to €101.6 million (PY: €168.6 million). This was influenced primarily

by a decline in deferred tax liabilities on goodwill and other intangible assets due to the spin-off of Vitesco Technologies.

As at December 31, 2021, the corporate tax losses, in Germany and abroad, carried forward amounted to €4,703.4 million (PY: €4,950.2 million). The majority of the Continental Group's tax losses carried forward relate to foreign subsidiaries and are largely unlimited in terms of the time period for which they can be carried forward.

Deferred tax assets were not recognized in relation to the following items because it is currently not deemed sufficiently likely that they will be utilized:

€ millions	December 31, 2021	December 31, 2020 ¹
Temporary differences	274.4	417.9
Tax losses carried forward and limitation of interest deduction	2,327.4	3,207.1
Allowable tax credits	333.2	310.6
Total of all items for which no deferred tax assets were recognized	2,935.0	3,935.6

¹ In contrast to the 2020 annual report, the prior-year figures are presented as gross figures. Applying the presentation method of the previous year, the following figures would result for 2021: €61.7 million (PY: €110.0 million) for temporary differences, €469.6 million (PY: €603.4 million) for tax losses carried forward and limitation of interest deduction, and €77.3 million (PY: €71.9 million) for allowable tax credits.

Of the deferred tax assets deemed unusable, tax losses and interest carried forward of €1,585.6 million (PY: €2,526.8 million) can be used indefinitely, €650.0 million (PY: €658.4 million) expire within the next 10 years and €91.8 million (PY: €21.9 million) expire in more than 10 years. Of the deferred tax assets on allowable tax credits deemed unusable, €282.3 million (PY: €298.9 million) can be used indefinitely and €50.9 million (PY: €48.6 million) expire within the next 10 years. Deferred tax assets arising from temporary differences can be used indefinitely.

As at December 31, 2021, some Continental Group companies and tax groups that reported a loss in the current or previous year recognized total deferred tax assets of €1,946.9 million (PY: €1,732.2

million), which arose from current losses, tax losses carried forward and a surplus of deferred tax assets. Given that future taxable income is expected, it is sufficiently probable that these deferred tax assets can be realized.

The temporary differences from retained earnings of foreign companies amounted to a total of €1,023.0 million (PY: €1,070.1 million). Deferred tax liabilities were not taken into account, since remittance to the parent company is not planned in the short or medium term.

The measurement differences from assets held for sale and related liabilities are included in the "Other assets" and "Other differences" items.

22. Other Financial Assets

€ millions	December 31, 2021		December 31, 2020	
	Short-term	Long-term	Short-term	Long-term
Amounts receivable from related parties	0.9	—	2.3	—
Loans to third parties	—	92.8	—	64.0
Amounts receivable from employees	18.1	—	19.7	—
Other amounts receivable	99.4	136.8	124.8	97.0
Other financial assets	118.4	229.6	146.8	161.0

Amounts receivable from related parties related primarily to loans to associates.

Loans to third parties related to dealer loans and loans to customers, among others.



Amounts receivable from employees related mainly to preliminary payments for hourly wages and for other advances. In particular,

Please see Note 34 for information on the default risks in relation to other financial assets.

other amounts receivable include investment subsidies for research and development expenses not yet utilized and amounts receivable from suppliers. The carrying amounts of the other financial assets are essentially their fair values.

23. Other Assets

€ millions	December 31, 2021		December 31, 2020	
	Short-term	Long-term	Short-term	Long-term
Trade accounts receivable from the sale of customer tools	126.4	—	201.3	—
Tax refund claims (incl. VAT and other taxes)	406.9	—	613.3	—
Prepaid expenses	198.7	—	197.5	—
Other	334.1	113.7	340.4	24.2
Other assets	1,066.1	113.7	1,352.5	24.2

The tax refund claims primarily resulted from VAT receivables from the purchase of production materials.

Among other things, the "Other" item includes other deferred or advanced costs as well as assets from related parties.

The trade accounts receivable from the sale of customer tools related to costs that have not yet been invoiced. The year-on-year decrease of €74.9 million resulted mainly from the spin-off of Vitesco Technologies.

Impairment totaling €12.5 million (PY: €13.7 million) was recognized for the probable default risk on other assets. Income of €1.2 million (PY: expenses €3.1 million) arose in the reporting period.

In particular, prepaid expenses include rent and maintenance services paid for in advance and license fees.

24. Inventories

€ millions	December 31, 2021	December 31, 2020
Raw materials and supplies	1,953.0	1,369.5
Work in progress	722.3	827.2
Finished goods and merchandise	2,318.4	2,041.5
Inventories	4,993.7	4,238.2

Write-downs recognized on inventories decreased by €103.0 million to €448.2 million (PY: €551.2 million).

25. Trade Accounts Receivable

€ millions	December 31, 2021	December 31, 2020
Trade accounts receivable	7,238.7	7,512.6
Allowances for doubtful accounts	-149.2	-159.4
Trade accounts receivable	7,089.5	7,353.2

The carrying amounts of the trade accounts receivable, net of allowances for doubtful accounts, are their fair values. Please see Note 34 for information on the default risks in relation to trade accounts receivable.

The Continental Group uses several programs for the sale of receivables. When the risks and rewards of receivables, in particular credit and default risks, have mostly not been transferred, the receivables are still recognized as assets in the statement of financial position. Under the existing sale-of-receivables programs, the contractual rights to the receipt of payment inflows have been assigned to the

corresponding contractual parties. The transferred receivables have short remaining terms. As a rule, therefore, the carrying amounts as at the reporting date in the amount of €474.7 million (PY: €537.4 million) are approximately equivalent to their fair value. The respective liabilities with a carrying amount of €286.8 million (PY: €296.0 million) represent the liquidation proceeds from the sale of the receivables. As in the previous year, this was approximately equivalent to their fair value. The committed financing volume under these sale-of-receivables programs amounts to €400.0 million (PY: €400.0 million).

26. Cash and Cash Equivalents

Cash and cash equivalents include all liquid funds and demand deposits. Cash equivalents are short-term, highly liquid financial investments that can be readily converted into known cash amounts and are subject to an insignificant risk of changes in value. As at the reporting date, cash and cash equivalents amounted to

€2,269.1 million (PY: €2,938.7 million). Of that, €1,998.2 million (PY: €2,639.8 million) was unrestricted.

For information on the interest-rate risk and the sensitivity analysis for financial assets and liabilities, please see Note 34.

27. Assets Held for Sale

€ millions	December 31, 2021	December 31, 2020
Individual assets held for sale	7.9	22.8
Assets of a disposal group	—	—
Assets held for sale	7.9	22.8

Assets held for sale of €7.9 million (PY: €22.8 million) include in particular a plant building in Yangsan, Korea, in the amount of €6.4 million.



28. Equity

€	December 31, 2021	December 31, 2020
Issued capital		
Subscribed capital	512,015,316.48	512,015,316.48
Less the notional value of treasury shares	-7.68	—
Issued capital	512,015,308.80	512,015,316.48

In fiscal 2021, three treasury shares were transferred to Continental AG without consideration. These have a notional value of €2.56 per share.

The issued capital of Continental AG decreased year-on-year by €7.68. At the end of the reporting period it amounted to €512,015,308.80 and was composed of 200,005,980 no-par-value shares (PY: 200,005,983) with a notional value of €2.56 per share.

Under the German Stock Corporation Act (*Aktien-gesetz – AktG*), the dividends distributable to the shareholders are based solely on Continental AG's retained earnings as at December 31, 2021, of

€2,591.6 million (PY: €6,038.9 million), as reported in the annual financial statements prepared in accordance with the German Commercial Code. 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.

Non-controlling interests

The compiled financial information of fully consolidated subsidiaries with material non-controlling interests corresponds to the values prior to the implementation of consolidation measures.

Non-controlling interests

€ millions	Continental Automotive Corporation		Continental Automotive Corporation (Lianyungang) Co., Ltd.		ContiTech (Shandong) Engineered Rubber Products Co., Ltd.	
	2021	2020	2021	2020	2021	2020
Capital share of non-controlling interests in %	35.0	35.0	35.0	35.0	40.0	40.0
Current assets	482.7	539.3	273.0	332.7	194.0	149.1
Non-current assets	78.6	81.8	79.4	76.7	131.4	120.2
Total assets	561.3	621.1	352.5	409.4	325.4	269.3
Current liabilities	165.5	217.5	142.7	236.9	104.3	86.3
Non-current liabilities	9.3	6.7	0.1	0.2	5.9	5.9
Total liabilities	174.8	224.2	142.8	237.1	110.2	92.2
Net assets	386.5	396.9	209.6	172.3	215.3	177.1
Attributable to non-controlling interests	135.3	138.9	73.4	60.3	86.1	70.8
Sales	739.7	783.8	317.5	328.5	191.8	173.4
Earnings after tax	32.0	38.4	28.2	28.2	16.4	16.4
Attributable to non-controlling interests	11.2	13.4	9.9	9.9	6.6	6.5
Dividends to minority shareholders	10.7	38.7	4.5	4.0	—	—
Cash flow before financing activities (free cash flow)	34.9	55.5	24.6	12.2	25.2	16.7



29. Capital Management

The aim of the Continental Group is to maintain a strong capital base in order to preserve the trust of the capital market, customers and employees and to ensure the sustainable development of the company. To assess the achievement of these goals, the Continental Group uses the equity ratio (defined as equity reported in the statement of financial position, including non-controlling interests, divided by total assets) and the gearing ratio as key figures. The gearing ratio is calculated as net indebtedness (corresponding to the amount of interest-bearing financial liabilities, the fair values of derivative instruments, cash and cash equivalents, and other interest-bearing investments) divided by equity (as disclosed in the

statement of financial position, including non-controlling interests). In general, the gearing ratio should be below 40% in the coming years and not exceed 60% in the long term. 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%. The overall strategy of the Continental Group remained unchanged from the previous year. The Continental Group is not subject to any externally imposed capital requirements, and its main loan agreements do not currently contain any financial covenants.

The above key figures and parameters as at the reporting date were as follows:

€ millions	December 31, 2021	December 31, 2020
Total equity	12,643.2	12,639.1
Total assets	35,840.8	39,638.0
Equity ratio in %	35.3	31.9
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
Gearing ratio in %	29.8	32.7

30. Employee Benefits

The following table outlines the employee benefits:

€ millions	December 31, 2021		December 31, 2020	
	Short-term	Long-term	Short-term	Long-term
Pension provisions (unfunded obligations and net liabilities from obligations and related funds)	–	4,286.8	–	5,528.8
Provisions for other post-employment benefits	–	168.7	–	205.7
Provisions for similar obligations	1.4	49.1	4.3	59.1
Other employee benefits	–	225.3	–	303.8
Liabilities for workers' compensation	29.4	13.1	34.7	12.5
Liabilities for payroll and personnel-related costs	808.4	–	756.3	–
Termination benefits	71.6	–	60.1	–
Liabilities for social security	164.3	–	182.6	–
Liabilities for vacation	168.4	–	198.5	–
Employee benefits	1,243.5	4,743.0	1,236.5	6,109.9
Defined benefit assets (difference between pension obligations and related funds)		101.6		82.7

Long-term employee benefits

Pension plans

In addition to statutory pension insurance, the majority of employees are also entitled to defined benefit or defined contribution plans after the end of their employment.

Our pension strategy is focusing on switching from defined benefit to defined contribution plans in order to offer both employees and the company a sustainable and readily understandable pension system.

Many defined benefit plans have been closed for new employees or future service and replaced by defined contribution plans.

In countries in which defined contribution plans are not possible for legal or economic reasons, defined benefit plans have been optimized or changed to minimize the associated risks of longevity, inflation and salary increases.

Following the spin-off of Vitesco Technologies, the pension plans for the affected employees of the former Powertrain segment were separated and will be continued independently by Vitesco Technologies in the future.

Defined benefit plans

Defined benefit plans include pension plans, termination indemnities regardless of the reason for the end of employment and other post-employment benefits. As a result of the significant increase in the number of employees in recent years and the high level of acquisition activity, pension obligations essentially relate to active employees. The defined benefit pension plans cover 139,411 beneficiaries, including 90,874 active employees, 23,475 former employees with vested benefits, and 25,062 retirees and surviving

dependents. The pension obligations are concentrated in four countries: Germany, the USA, the United Kingdom and Canada, which account for more than 90% of total pension obligations.

The weighted average term of the defined benefit pension obligations is around 19 years. This term is based on the present value of the obligations.

Germany

In Germany, Continental provides pension benefits through the cash balance plan, prior commitments and deferred compensation.

The retirement plan regulation applicable to active members is based primarily on the cash balance plan and thus on benefit modules. When the insured event occurs, the retirement plan assets are paid out as a lump-sum benefit, in installments or as a pension, depending on the amount of the retirement plan assets. There are no material minimum guarantees in relation to a particular amount of retirement benefits.

Pension plans transferred to or assumed by Continental in the context of acquisitions (Siemens VDO, Temic, Teves, Phoenix) were included in the cash balance plans. For the main German companies, the cash balance plan is partly covered by funds in contractual trust arrangements (CTAs). In Germany, there are no legal or regulatory minimum funding requirements.

The separation of the pension plans for employees of the former Powertrain segment also resulted in a separation of the associated CTAs.

The CTAs are legally independent from the company and manage the plan assets as trustees in accordance with the respective CTAs.

Some prior commitments were granted through two legally independent pension contribution funds. Pensionskasse für Angestellte der Continental Aktiengesellschaft VVaG and Pensionskasse von 1925 der Phoenix AG VVaG have been closed since March 1, 1984, and July 1, 1983, respectively. The pension contribution funds are smaller associations within the meaning of Section 53 of the German Insurance Supervision Act (*Versicherungsaufsichtsgesetz - VAG*) and are subject to the supervision of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). The investment regulations are in accordance with the legal requirements and risk structure of the obligations. The pension contribution funds have tariffs with an interest rate of 2.6%. Under the German Company Pensions Law (*Betriebsrentengesetz - BetrAVG*), Continental is ultimately liable for the implementation path of the pension contribution fund. In accordance with IAS 19, *Employee Benefits*, the pension obligations covered by the pension contribution fund are therefore defined benefit pension plans. The pension contribution funds met their minimum net funding requirement as at December 31, 2021. However, given that only the plan members are entitled to the assets and amounts generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

Continental also supports private contribution through deferred compensation schemes.

Deferred compensation is essentially offered through a fully funded multi-employer plan (Höchster Pensionskasse VVaG) for contributions up to 4% of the assessment ceiling in social security. The pension contribution fund ensures guaranteed minimum interest for which Continental is ultimately liable under the German Company Pensions Law. The company is not liable for guarantees to employees of other companies. As Höchster Pensionskasse VVaG is a combined defined benefit plan for several companies and Continental has no right to the information required for accounting for this defined benefit plan, this plan is recognized as a defined contribution plan.

Entitled employees can use the cash balance plan for deferred compensation contributions above the 4% assessment ceiling. This share is funded by insurance annuity contracts.

USA

Owing to its acquisition history, Continental has various defined benefit plans in the USA, which were closed to new entrants and frozen to accretion of further benefits in a period from April 1, 2005, to December 31, 2011. In 2017, acquisitions also included an open defined benefit plan for unionized employees.

The closed defined benefit plans are commitments on the basis of the average final salary and cash balance commitments. The defined benefit plans for unionized and non-unionized employees are based on a pension multiplier per year of service.

Closed defined benefit plans were replaced by defined contribution plans. Defined contribution plans apply to the majority of active employees in the USA.

The plan assets of the defined benefit plans are managed in a master trust. Investment supervision was delegated to the Pension Committee, a body appointed within the Continental Group. The legal and regulatory framework for the plans is based on the US Employee Retirement Income Security Act (ERISA).

The valuation of the financing level is required on the basis of this law. The interest rate used for this calculation is the average rate over a period of 25 years and therefore currently higher than the interest rate used to discount obligations under IAS 19. The statutory valuation therefore gives rise to a lower obligation than that in line with IAS 19. There is a regulatory requirement to ensure minimum funding of 80% in the defined benefit plans to prevent benefit curtailments.

United Kingdom

Continental maintains four defined benefit plans as a result of its history of acquisitions in the United Kingdom. All plans are commitments on the basis of the average or final salary. The four plans were closed to new employees in the period between April 1, 2002, and November 30, 2004. Continental offers defined contribution plans for all employees who have joined the company since that time.

As at April 5, 2016, the Continental Group Pension and Life Assurance Scheme was frozen to accretion of further benefits. It was replaced by a defined contribution plan as at April 6, 2016.

As at July 31, 2017, the Mannesmann UK Pension Scheme was frozen to accretion of further benefits. It was replaced by a defined contribution plan as at August 1, 2017.

Our pension strategy in the UK focuses on reducing risks and includes the option of partially or completely funding by purchasing annuities.

The funding conditions are defined by the UK Pensions Regulator and the corresponding laws and regulations. The defined benefit plans are managed by trust companies. The boards of trustees of these companies have an obligation solely to the good of the beneficiaries on the basis of the trust agreement and the law.

The necessary funding is determined every three years through technical valuations in line with local provisions. The obligations are measured using a discount rate based on government bonds and other conservatively selected actuarial assumptions. Compared to IAS 19, which derives the discount rate from senior corporate bonds, this usually results in a higher obligation. Three of the four defined benefit plans had a funding deficit on the basis of the most recent technical valuation. The trustees and the company have agreed on a recovery plan that provides for additional temporary annual payments. The valuation process must be completed within 15 months of the valuation date.

The most recent technical valuations of the four defined benefit pension plans took place with their valuation dates between December 2017 and March 2019 and led to the following result:



› Continental Teves UK Employee Benefit Scheme (assessment as at December 31, 2017): As part of the assessment, an agreement on a minimum annual endowment of GBP 1.4 million over a period of five years was resolved. This amount is payable until the next review is performed in the technical assessment.

In 2021, another extraordinary allocation was made to the Continental Teves UK Employee Benefit Scheme of GBP 10 million.

› Continental Group Pension and Life Assurance Scheme (assessment as at April 5, 2018): An agreement was concluded with an insurer in 2019 for a complete buy-out through the acquisition of annuities. The necessary data clarifications and preparatory work progressed in 2021 but have not yet been finalized. Finalization is expected in 2022.

› Mannesmann UK Pension Scheme (assessment as at March 31, 2019): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 75,000 for the period from April 1, 2019, to September 30, 2019; a minimum monthly endowment of GBP 100,000 for the period from October 1, 2019, to March 31, 2020; a minimum monthly endowment of GBP 150,000 for the period from April 1, 2020, to March 31, 2021; a minimum monthly endowment of GBP 175,000 for the period from April 1, 2021, to March 31, 2023; and a minimum monthly endowment of GBP 200,000 for the period from April 1, 2023, to August 31, 2026.

› Phoenix Dunlop Oil & Marine Pension Scheme (assessment as at December 31, 2018): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 2.2 million and an annual adjustment of 3.5% over a period of four years. Thereafter, there will be an annual payment of GBP 1.4 million and an annual adjustment of 3.5% over a period of another three years.

Canada

Continental maintains various defined benefit plans as a result of its history of acquisitions. The pension plans are based mainly on a pension multiplier per year of service.

Fluctuations in the amount of the pension obligation resulting from exchange-rate effects are subject to the same risks as overall business development. These fluctuations relate mainly to the currencies of the USA, Canada and the UK and have no material impact on Continental. For information on the effects of interest-rate risks and longevity risk on the pension obligations, please refer to the sensitivities described later on in this section.

The pension obligations for Germany, the USA, Canada, the UK and other countries, as well as the amounts for Continental as a whole, are shown in the following tables.



The reconciliation of the changes in the defined benefit obligations from the beginning to the end of the year is as follows:

€ millions	2021						2020					
	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
Defined benefit obligations as at January 1	6,570.2	1,139.0	125.6	426.1	386.9	8,647.8	5,781.7	1,151.6	124.8	415.3	401.7	7,875.1
Exchange-rate differences	—	89.1	7.7	29.1	5.3	131.2	—	-106.4	-8.5	-21.8	-12.6	-149.3
Current service cost	287.3	5.0	1.9	2.2	25.2	321.6	276.2	3.9	1.7	2.2	28.1	312.1
Service cost from plan amendments	—	—	—	—	30.1	30.1	—	—	—	0.7	1.2	1.9
Curtailments/settlements	—	—	—	—	-2.4	-2.4	—	—	—	—	-0.4	-0.4
Interest on defined benefit obligations	51.3	27.3	2.6	6.1	8.8	96.1	69.0	36.3	3.5	7.7	9.1	125.6
Actuarial gains/losses from changes in demographic assumptions	—	3.5	—	-1.9	0.2	1.8	—	-8.1	—	6.0	-6.1	-8.2
Actuarial gains/losses from changes in financial assumptions	-591.9	-51.4	-8.5	-16.2	-18.3	-686.3	543.3	119.3	9.1	43.0	-10.5	704.2
Actuarial gains/losses from experience adjustments	-1.5	0.6	-1.3	-5.0	-3.8	-11.0	5.9	5.8	-0.2	-2.4	-0.6	8.5
Net changes in the scope of consolidation	-837.5	-80.0	-80.1	—	-61.8	-1,059.4	—	—	—	—	0.0	0.0
Employee contributions	—	—	0.3	0.1	-0.6	-0.2	—	—	0.3	0.1	-0.6	-0.2
Other changes	0.7	—	—	—	-0.3	0.4	—	—	-0.1	—	-0.4	-0.5
Benefit payments	-109.8	-61.5	-5.0	-16.8	-28.0	-221.1	-105.9	-63.4	-5.0	-24.7	-22.0	-221.0
Defined benefit obligations as at December 31	5,368.8	1,071.6	43.2	423.7	341.3	7,248.6	6,570.2	1,139.0	125.6	426.1	386.9	8,647.8

The reconciliation of the changes in the fund assets from the beginning to the end of the year is as follows:

€ millions	2021						2020					
	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
Fair value of fund assets as at January 1	1,368.2	1,157.5	105.9	408.8	162.8	3,203.2	1,288.5	1,077.5	104.7	398.5	163.7	3,032.9
Exchange-rate differences	—	91.5	6.6	28.9	0.8	127.8	—	-106.4	-7.1	-21.0	-6.7	-141.2
Interest income from pension funds	13.6	27.8	2.2	5.9	4.0	53.5	29.7	34.3	3.0	7.5	4.2	78.7
Actuarial gains/losses from fund assets	33.1	-35.4	4.3	-5.0	1.5	-1.5	21.6	118.8	7.7	40.4	3.0	191.5
Employer contributions	50.0	4.0	2.7	19.3	13.3	89.3	50.7	98.3	2.7	8.0	11.0	170.7
Employee contributions	—	—	0.3	0.1	0.9	1.3	—	—	0.3	0.1	0.2	0.6
Net changes in the scope of consolidation	-109.6	-70.2	-77.5	—	-24.1	-281.4	—	—	—	—	—	—
Other changes	—	-1.7	-0.4	—	-0.1	-2.2	—	-1.6	-0.4	—	-0.2	-2.2
Benefit payments	-24.3	-61.5	-5.0	-16.8	-18.1	-125.7	-22.3	-63.4	-5.0	-24.7	-12.4	-127.8
Fair value of fund assets as at December 31	1,331.0	1,112.0	39.1	441.2	141.0	3,064.3	1,368.2	1,157.5	105.9	408.8	162.8	3,203.2

The carrying amount consisting of the defined benefit assets and the pension provisions decreased by €1,260.9 million compared with the previous year. This was primarily due to the spin-off of Vitesco Technologies.

The defined benefit assets increased by €18.9 million year-on-year. This was due chiefly to an additional allocation to the pension plans in the United Kingdom.

€7,135.8 million (PY: €8,498.3 million) of the defined benefit obligations as at December 31, 2021, related to plans that are fully or partially funded, and €112.8 million (PY: €149.5 million) related to plans that are unfunded.

The €1,399.2 million decrease in the defined benefit obligations as compared to December 31, 2020, resulted in particular from the spin-off of Vitesco Technologies.



The fund assets in Germany include the CTA assets amounting to €996.6 million (PY: €1,016.4 million), pension contribution fund assets of €211.8 million (PY: €223.9 million), insurance annuity contracts amounting to €122.3 million (PY: €127.6 million) and further plan assets of €0.3 million (PY: €0.3 million).

In the year under review, fund assets decreased by €138.9 million to €3,064.3 million. This was primarily due to the spin-off of Vitesco Technologies.

Actuarial gains and losses on fund assets in Germany resulted from actuarial gains of €33.1 million (PY: €21.0 million) from the CTAs.

In the Continental Group, there are pension contribution funds for previously defined contributions in Germany that have been closed to new entrants since July 1, 1983, and March 1, 1984, respectively. As at December 31, 2021, the minimum net funding requirement was exceeded. Continental AG has no requirement to make additional contributions. The pension fund assets had a fair value of €211.8 million as at December 31, 2021 (PY: €223.9 million). The pension contribution funds have tariffs with an interest rate of 2.6%. Under the German Company Pensions Law, Continental AG is ultimately liable for the implementation path of the pension contribution fund. It therefore constitutes a defined benefit pension plan that must be reported in line with the development of pension provisions. However, given that only the plan members are entitled to the assets and income generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

The following table shows the reconciliation of the funded status to the amounts contained in the statement of financial position:

€ millions	December 31, 2021						December 31, 2020					
	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
Funded status¹	-4,037.8	40.4	-4.1	17.5	-200.3	-4,184.3	-5,202.0	18.5	-19.7	-17.3	-224.1	-5,444.6
Asset ceiling	—	—	—	—	-0.9	-0.9	—	—	-1.4	—	-0.1	-1.5
Carrying amount	-4,037.8	40.4	-4.1	17.5	-201.2	-4,185.2	-5,202.0	18.5	-21.1	-17.3	-224.2	-5,446.1

¹ Difference between fund assets and defined benefit obligations.

The carrying amount comprises the following items of the statement of financial position:

€ millions	December 31, 2021						December 31, 2020					
	Germany	USA	Canada	UK	Other	Total	Germany	USA	Canada	UK	Other	Total
Defined benefit assets	—	69.6	—	22.9	9.1	101.6	—	74.8	1.5	—	6.4	82.7
Pension provisions	-4,037.8	-29.2	-4.1	-5.4	-210.3	-4,286.8	-5,202.0	-56.3	-22.6	-17.3	-230.6	-5,528.8
Carrying amount	-4,037.8	40.4	-4.1	17.5	-201.2	-4,185.2	-5,202.0	18.5	-21.1	-17.3	-224.2	-5,446.1

The assumptions used to measure the pension obligations – in particular, the discount factors for determining the interest on expected pension obligations and the expected return on fund assets, as well

as the long-term salary growth rates and the long-term pension trend – are specified for each country.

In the principal pension plans, the following weighted-average valuation factors as at December 31 of the year have been used:

%	2021					2020				
	Germany ¹	USA	Canada	UK	Other	Germany ¹	USA	Canada	UK	Other
Discount rate	1.25	2.80	3.20	1.90	3.40	0.81	2.40	2.47	1.40	2.43
Long-term salary growth rate	3.00	0.00	3.00	1.36	3.18	3.00	0.00	1.06	1.32	2.36

¹ Not including the pension contribution funds.



Another parameter for measuring the pension obligation is the long-term pension trend. The following weighted average long-term pension trend was used as at December 31, 2021, for the key countries: Germany 1.75% (PY: 1.75%), Canada 0.0% (PY: 1.6%)

and the United Kingdom 3.5% (PY: 3.12%). For the USA, the long-term pension trend does not constitute a significant measurement parameter.

Net pension cost can be summarized as follows:

€ millions	2021							2020						
	Ger-many	USA	Can-ada	UK	Other	Continuing operations	Continuing and discontinued operations	Ger-many	USA	Can-ada	UK	Other	Continuing operations	Continuing and discontinued operations
Current service cost	247.1	5.0	1.9	2.2	21.9	278.1	321.6	224.9	3.9	1.7	2.2	22.2	254.9	312.1
Service cost from plan amendments	—	—	—	—	30.1	30.1	30.1	—	—	—	0.7	1.2	1.9	1.9
Curtailments/settlements	—	—	—	—	-1.8	-1.8	-2.4	—	—	—	—	-0.2	-0.2	-0.4
Interest on defined benefit obligations	46.2	26.7	1.2	6.1	7.5	87.7	96.1	60.4	35.2	1.2	7.7	7.5	112.0	125.6
Expected return on the pension funds	-12.8	-27.2	-0.9	-5.9	-3.3	-50.1	-53.5	-29.7	-33.2	-0.9	-7.4	-3.2	-74.4	-78.6
Effect of change of asset ceiling	—	—	—	—	0.0	0.0	0.0	—	—	—	—	0.0	0.0	0.0
Other pension income and expenses	—	1.5	0.2	—	-0.2	1.5	2.0	—	1.3	0.2	—	-1.3	0.2	0.7
Net pension cost	280.5	6.0	2.4	2.4	54.2	345.5	393.9	255.6	7.2	2.2	3.2	26.2	294.4	361.3

A change of plan was introduced in Mexico in the reporting year for consideration of previous years of service. This led to a service cost from plan amendments of €29.7 million in other countries.

The table below shows the changes in actuarial gains and losses that are reported directly in equity:

€ millions	2021							2020						
	Ger-many	USA	Can-ada	UK	Other	Continuing operations	Continuing and discontinued operations	Ger-many	USA	Can-ada	UK	Other	Continuing operations	Continuing and discontinued operations
Actuarial gains/losses from defined benefit obligations	527.2	46.4	-5.8	23.1	-21.5	569.4	640.9	-468.2	-114.9	-2.8	46.6	14.3	-618.2	-704.5
Actuarial gains/losses from fund assets	29.9	36.9	-1.5	-5.0	-0.8	-14.3	-6.1	21.6	115.7	2.5	40.4	1.4	181.6	191.5
Actuarial gains/losses from asset ceiling	—	—	—	—	0.7	0.7	-0.2	—	—	—	—	0.5	0.5	0.1
Actuarial gains/losses	557.1	9.5	-7.3	18.1	-21.6	555.8	634.6	-446.6	0.8	-0.3	-6.2	16.2	-436.1	-512.9

Actuarial gains and losses arise from increases or decreases in the present value of the defined benefit obligation due to changes in the actuarial assumptions made. The decrease in the discount factor in all countries in the 2021 reporting period as compared to 2020 resulted in actuarial losses in all countries. The actuarial losses in the previous fiscal year likewise resulted from a decrease in interest rates compared to the prior year.

If the other assumptions remained constant, the changes in individual key actuarial assumptions that could reasonably have been possible at the reporting date would have impacted the defined benefit obligation by the following amounts. Although the analysis does not take account of the complete allocation of the cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.



If the other assumptions are maintained, a 0.5-percentage-point increase or decrease in the discount rate used to discount pension obligations would have had the following impact on the pension obligations as at the end of the reporting period:

€ millions	December 31, 2021					December 31, 2020				
	Germany ¹	USA	Canada	UK	Other	Germany ¹	USA	Canada	UK	Other
0.5% increase										
Effects on service and interest cost	-11.6	-2.4	-0.3	1.1	-0.1	-20.4	-2.4	0.0	0.6	-0.1
Effects on benefit obligations	-501.8	-57.1	-3.6	-35.5	-16.8	-668.5	-64.7	-8.7	-36.8	-19.8
0.5% decrease										
Effects on service and interest cost	13.2	2.0	0.3	-1.2	0.1	23.6	2.0	0.1	-1.7	0.1
Effects on benefit obligations	587.4	62.9	4.0	39.8	18.4	789.0	71.5	9.8	41.3	21.8

¹ Not including the pension contribution funds.

A 0.5-percentage-point increase or decrease in the long-term salary growth rate would have had the following impact on the pension obligations as at the end of the reporting period:

€ millions	December 31, 2021				December 31, 2020			
	Germany	USA ¹	Canada	UK	Germany	USA ¹	Canada	UK
0.5% increase								
Effects on benefit obligations	3.7	—	0.7	2.5	5.9	—	0.9	2.4
0.5% decrease								
Effects on benefit obligations	-3.9	—	-0.6	-2.5	-8.7	—	-0.8	-2.3

¹ Any change in the long-term salary growth rate would have no effect on the value of the benefit obligations.

A 0.5-percentage-point increase or decrease in the long-term pension trend would have had the following impact on the pension obligations as at the end of the reporting period:

€ millions	December 31, 2021				December 31, 2020			
	Germany	USA ¹	Canada	UK	Germany	USA ¹	Canada	UK
0.5% increase								
Effects on benefit obligations	176.0	—	—	25.1	221.6	—	4.2	24.6
0.5% decrease								
Effects on benefit obligations	-159.5	—	—	-24.9	-200.1	—	-3.8	-23.8

¹ Any change in the long-term pension trend would have no effect on the value of the benefit obligations.

Changes in the discount rate and the salary and pension trends do not have a linear effect on the defined benefit obligations (DBO) owing to the financial models used (particularly due to the compounding of interest rates). For this reason, the net periodic pension cost derived from the pension obligations does not change by the same amount as a result of an increase or decrease in the actuarial assumptions.

In addition to the aforementioned sensitivities, the impact of a one-year-longer life expectancy on the value of benefit obligations was computed for the key countries. A one-year increase in life expectancy would lead to a €270.6 million (PY: €335.9 million) increase in the value of the benefit obligations, and that figure would be broken down as follows: Germany €216.4 million (PY: €278.2 million), USA €35.1 million (PY: €37.3 million), United Kingdom €18.3 mil-

lion (PY: €16.9 million) and Canada €0.8 million (PY: €3.5 million). In Germany, increased payments in the form of pensions rather than capital were assumed in the actuarial valuation, which has the effect of increasing the benefit obligations. For the calculation of pension obligations for domestic plans, life expectancy is based on the 2018 G mortality tables by Prof. Klaus Heubeck. For foreign pension plans, comparable criteria are used for the respective country.

Plan assets

The structure of the Continental Group's plan assets is reviewed by the investment committees on an ongoing basis taking into account the forecast pension obligations. In doing so, the investment committees regularly review the investment decisions taken, the underlying expected returns of the individual asset classes reflecting empirical values and the selection of the external fund managers.

The portfolio structures of the pension funds at the measurement date for the fiscal years 2021 and 2020 are as follows:

%	2021					2020				
	Germany ¹	USA	Canada	UK	Other	Germany ¹	USA	Canada	UK	Other
Equity instruments	6	3	59	14	14	6	6	49	10	12
Debt securities	51	94	40	31	68	54	92	38	32	74
Real estate	12	—	—	1	2	12	—	—	1	1
Absolute return ²	18	—	—	6	—	17	—	—	10	—
Cash, cash equivalents and other	13	3	1	10	16	11	2	13	5	13
Annuities ³	—	—	—	38	—	—	—	—	42	—
Total	100	100	100	100	100	100	100	100	100	100

¹ The portfolio structure of the fund assets in Germany excludes the pension contribution funds whose assets are invested mainly in fixed-income securities and shares.

² This refers to investment products that aim to achieve a positive return regardless of market fluctuations.

³ Annuities are insurance contracts that guarantee pension payments.



The following table shows the cash contributions made by the company to the pension funds for 2021 and 2020 as well as the expected contributions for 2022 for continuing operations:

€ millions	2022 (expected)	2021	2020
Germany	41.4	50.0	50.7
USA	5.2	4.0	97.9
Canada	1.7	2.3	1.9
UK	6.0	19.3	8.0
Other	6.1	13.1	10.1
Total¹	60.4	88.7	168.6

¹ Contributions made by continuing and discontinued operations in the reporting period totaled €89.3 million (PY: €170.7 million).

The following overview contains the pension benefit payments made in the reporting year and the previous year, as well as the undiscounted, expected pension benefit payments for the next 10 years:

€ millions	Germany	USA	Canada	UK	Other	Total ¹
Benefits paid						
2020	104.5	61.2	1.2	24.7	18.9	210.5
2021	108.0	60.2	2.4	16.8	24.2	211.6
Benefit payments as expected						
2022	143.3	63.5	1.5	11.6	19.7	239.6
2023	130.0	63.6	2.3	12.4	18.4	226.7
2024	139.8	63.8	2.0	12.8	21.9	240.3
2025	145.1	63.9	2.4	13.6	25.4	250.4
2026	153.5	63.7	2.2	14.8	27.1	261.3
Total of years 2027 to 2031	842.4	309.7	13.9	86.2	159.2	1,411.4

¹ Benefits paid by continuing and discontinued operations in the reporting period totaled €222.1 million (PY: €221.0 million).

The pension payments from 2020 onward relate to lump-sum amounts in connection with fixed service cost benefit plans, as well as annual pension benefits. Furthermore, the earliest eligible date for retirement has been assumed when determining future pension

payments. The actual retirement date could occur later. Therefore, the actual payments in future years for present plan members could be lower than the amounts assumed.

For the current and four preceding reporting periods, the amounts of the defined benefit obligations, fund assets, funded status, as well as the remeasurement of plan liabilities and plan assets are as follows:

€ millions	2021	2020	2019	2018	2017
Defined benefit obligations	7,248.6	8,647.8	7,875.1	6,595.3	6,379.7
Fund assets	3,064.3	3,203.2	3,032.7	2,728.5	2,549.1
Funded status	-4,184.3	-5,444.6	-4,843.9	-3,866.8	-3,830.6
Remeasurement of plan liabilities	695.5	704.5	997.0	-2.4	-39.1
Remeasurement of plan assets	-1.5	191.5	209.0	-104.5	77.2



Other post-employment benefits

Certain subsidiaries – primarily in the USA and Canada – grant eligible employees healthcare and life insurance on retirement if they have fulfilled certain conditions relating to age and years of service. The amount and entitlement can be altered. Certain retirement benefits, in particular for pensions and healthcare costs, are provided in the USA for hourly paid workers at unionized tire plants

under the terms of collective pay agreements. No separate fund assets have been set up for these obligations.

The weighted average term of the defined benefit pension obligation is around 12 years. This term is based on the present value of the obligation.

The reconciliation of the changes in the defined benefit obligations and the financing status from the beginning to the end of the year is as follows:

€ millions	2021	2020
Defined benefit obligations as at January 1	205.7	215.9
Exchange-rate differences	12.8	-18.5
Current service cost	1.2	1.3
Curtailments/settlements	0.0	-1.9
Interest on healthcare and life insurance benefit obligations	4.9	6.6
Actuarial gains/losses from changes in demographic assumptions	-1.3	-0.6
Actuarial gains/losses from changes in financial assumptions	-8.0	18.4
Actuarial gains/losses from experience adjustments	-3.1	-1.7
Changes in the scope of consolidation	-30.7	—
Benefit payments	-12.8	-13.8
Defined benefit obligations/net amount recognized as at December 31	168.7	205.7

The assumptions used for the discount rate and cost increases to calculate the healthcare and life insurance benefits vary according to conditions in the USA and Canada. The following weighted average valuation factors as at December 31 of the year have been used:

%	2021	2020
Discount rate	2.92	2.48
Rate of increase in healthcare and life insurance benefits in the following year	0.48	0.82
Long-term rate of increase in healthcare and life insurance benefits	0.36	0.68

The net cost of healthcare and life insurance benefit obligations can be broken down as follows:

€ millions	2021		2020	
	Continuing operations	Continuing and discontinued operations	Continuing operations	Continuing and discontinued operations
Current service cost	1.1	1.2	1.1	1.3
Service cost from plan amendments	—	—	-1.8	-1.8
Curtailments/settlements	0.0	0.0	-0.1	-0.1
Interest on healthcare and life insurance benefit obligations	4.4	4.9	5.6	6.6
Net cost	5.5	6.1	4.8	6.0

If the other assumptions remained constant, the changes in individual key actuarial assumptions that could reasonably have been possible at the reporting date would have impacted the defined benefit obligation by the following amounts. Although the analysis

does not take account of the complete allocation of the cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.



The following table shows the effects of a 0.5% increase or decrease in the cost trend for healthcare and life insurance obligations:

€ millions	2021	2020
0.5% increase		
Effects on service and interest cost	0.0	0.1
Effects on benefit obligations	1.0	2.1
0.5% decrease		
Effects on service and interest cost	0.0	-1.0
Effects on benefit obligations	-0.9	-1.9

A 0.5-percentage-point increase or decrease in the discount rate specified above for calculating the net cost of healthcare and life insurance benefit obligations would have had the following effect on net cost:

€ millions	2021	2020
0.5% increase		
Effects on service and interest cost	0.4	0.6
Effects on benefit obligations	-8.2	-10.8
0.5% decrease		
Effects on service and interest cost	-0.4	-0.5
Effects on benefit obligations	9.1	12.1

The following table shows the payments made for other post-employment benefits in the reporting year and the previous year, as well as the undiscounted, expected benefit payments for the next 10 years:

€ millions	
Benefits paid¹	
2020	12.7
2021	11.9
Benefit payments as expected	
2022	13.3
2023	13.3
2024	13.4
2025	13.4
2026	13.3
Total of years 2027 to 2031	47.3

¹ Benefits paid by continuing and discontinued operations in the reporting period totaled €12.8 million (PY: €13.8 million).

The amounts for the defined benefit obligations, funded status, and remeasurement of plan liabilities for the current and four preceding reporting periods are as follows:

€ millions	2021	2020	2019	2018	2017
Defined benefit obligations	169.5	205.7	215.9	194.9	209.3
Funded status	-169.5	-205.7	-215.9	-194.9	-209.3
Remeasurement of plan liabilities	12.4	16.1	13.2	-15.6	6.3

Obligations similar to pensions

Some companies of the Continental Group have made commitments to employees for a fixed percentage of the employees' compensation. These entitlements are paid out when the employment relationship is terminated. In the year under review, expenses from these obligations amounted to €8.0 million (PY: €1.7 million).

Defined contribution pension plans

The Continental Group offers its employees pension plans in the form of defined contribution plans, particularly in the USA, the UK, Japan and China. Not including social security contributions, expenses from defined contribution pension plans amounted to €76.4 million (PY: €84.6 million) in the fiscal year.

Other employee benefits

Other employee benefits include provisions for partial early retirement programs and anniversary and other long-service benefits. The provisions for partial early retirement are calculated using a discount rate of 0.0% (PY: 0.0%). Provisions for anniversary and other long-service benefits were calculated using a discount rate of 0.95% (PY: 0.45%). In accordance with the option under IAS 19, *Employee Benefits*, the interest component is reported in the financial result.

Variable remuneration elements

Liabilities for payroll and personnel-related costs also include variable components based on performance. The variable components that are based on performance comprise a short-term remuneration component (performance bonus without equity deferral) as well as long-term remuneration components (long-term incentive and equity deferral of the performance bonus). Liabilities for payroll and personnel-related costs also include the amounts of variable remuneration converted into virtual shares of Continental AG for members of the Executive Board (performance bonus, deferral) in accordance with the remuneration system valid until 2019 (hereinafter "2019 remuneration system").

The LTI plans for the years starting from 2014 and the deferral of the performance bonus from the 2019 remuneration system are classified as cash-settled share-based payments; hence they are recognized at fair value in accordance with IFRS 2, *Share-based Payment*. The equity deferral of the performance bonus of the remuneration system applicable from 2020 is classified as an equity-settled share-based payment; hence it is recognized at fair value in accordance with IFRS 2, *Share-based Payment*.

Long-term incentive plans (LTI plans)

Expenses of €6.4 million (PY: €33.5 million) from the addition of provisions for the TIP bonus, the 2020 LTI plan and the 2021 LTI plan were recognized in the respective function costs.

› **2014 to 2019 LTI plan:** From 2014 to 2019, senior executives of the Continental Group and members of the Executive Board were granted an LTI bonus. This bonus was intended to allow for participation in the long-term, sustainable increase in the Continental Group's value and profitability. The LTI bonus depended on job grade and degree of target achievement and was issued in annual tranches.

› The term of the 2016/19 tranche, which was resolved on March 18, 2016, by the Supervisory Board for the members of the Executive Board and on April 21, 2016, by the Executive Board for senior executives, begins retroactively as at January 1, 2016, and is four years. After the expiry of the 2016/19 LTI tranche in December 2019, the bonus was not paid out in 2020, as the fair value of the tranche as at the payment date was €0.0 million.

› The term of the 2017/20 tranche, which was resolved on January 27, 2017, by the Supervisory Board for the members of the Executive Board and on June 2, 2017, by the Executive Board for senior executives, begins retroactively as at January 1, 2017, and is four years. After the expiry of the 2017/20 LTI tranche in December 2020, the bonus was not paid out in 2021, as the fair value of the tranche as at the payment date was €0.0 million.

› The term of the 2018/21 tranche, which was resolved on March 13, 2018, by the Supervisory Board for the members of the Executive Board and on May 28, 2018, by the Executive Board for senior executives, begins retroactively as at January 1, 2018, and is four years.

› The term of the 2019/22 tranche, which was resolved on March 14, 2019, by the Supervisory Board for the members of the Executive Board and on May 24, 2019, by the Executive Board for senior executives, begins retroactively as at January 1, 2019, and is four years.

For each beneficiary of an LTI tranche, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives) of Continental AG specified the amount of a target bonus in euros to be paid out upon 100% target achievement. The actual LTI bonus paid out on expiry of the LTI tranche depends on the degree of target achievement. The LTI bonus can range between 0% (no payment) and 200% (maximum payment).

The degree of achievement of two target criteria is decisive for the payment and amount of the LTI bonus. The first target criterion is the equally weighted average of the Continental Value Contribution (CVC) of the Continental Group over a period of four fiscal years, starting from the fiscal year in which the LTI tranche is issued. The equally weighted average is calculated by adding together 25% of the CVC of the four fiscal years of the term of the LTI tranche. The second target criterion is the total shareholder return (TSR) on Continental shares as at the end of the term in relation to the beginning of the LTI tranche. The share price used in calculating the TSR is the arithmetic mean of closing prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the three months from October to December before the issue and expiry of the LTI tranche. In addition, all dividends paid during the term of the LTI tranche are taken into account for the TSR.

The scale for determining the degree of target achievement is defined by the Supervisory Board or the Executive Board when the respective LTI tranche is issued. These key data are identical for the members of the Executive Board and senior executives. The degree of target achievement for the first target criterion can lie between 0% and 200%. Target achievement is calculated on a straight-line basis between 0% and the maximum amount. There is no cap for the second target criterion. The ultimate degree of target achievement used to calculate the LTI bonus to be paid out is determined by multiplying the two target criteria. The LTI bonus to be paid out is determined by multiplying the degree of target achievement by the target bonus. The total maximum achievable LTI bonus is 200% of the target bonus.

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

› **2019 Transformation Incentive Plan (TIP):** In 2019, the Continental Group offered its senior executives the possibility of participating in the long-term, sustainable increase in the Continental Group's value by paying a TIP bonus in addition to the fixed salary and the annual variable remuneration. The term of the TIP, which the Executive Board adopted for senior executives on September 2, 2019, extends from October 1, 2019, to December 31, 2021.

The Executive Board of Continental AG specifies the amount of the target bonus (TIP bonus) in euros for each beneficiary of a TIP bonus (senior executives). The TIP bonus is calculated based on a certain number of virtual shares of Continental AG (basic holding), which can increase through two bonus packages, multiplied by the payment share price. The payment share price is the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the last month prior to the Annual Shareholders' Meeting that follows the end of the term. The TIP bonus, which can total at most 200% of the initial share price, is paid to the respective beneficiary as a gross lump sum at the end of the second complete calendar month following the Annual Shareholders' Meeting that follows the end of the term. Since the basic holding can be increased through two bonus packages, the degree of achievement of two target criteria is decisive for the amount of the TIP bonus. The target criterion of the first bonus package is the results of the OUR BASICS Live corporate survey in 2021. If at least 70% (equally weighted average) of all participants respond positively to the Sustainable Engagement Index, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The target criterion of the second bonus package is met if, at the end of the term, the total shareholder return (TSR) on Continental shares equals or exceeds the performance of the STOXX Europe 600 Automobiles & Parts Index. In this case, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The TSR on Continental shares corresponds to the sum of the share price performance as at the

end of the term and all dividends distributed during the term relative to the share price at the beginning of the term. The share price used in calculating the TSR is the arithmetic mean of the closing prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days (i) in the first month of the term ("initial share price") and (ii) in the last month of the term ("final share price").

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares and the price of the STOXX Europe 600 Automobiles & Parts Gross Return Index. The Monte Carlo simulation takes into account the average value accumulation of the Continental share prices for the final share price and the payment share price, the TSR dividends, the performance compared with the benchmark index and the restriction for the payment amount.

› **2020 and 2021 LTI plan:** From 2020, a new LTI plan was granted to the Executive Board, senior executives and executives that aims to promote long-term commitment to the company and its sustainable growth. Therefore, the long-term TSR of Continental shares, compared with an index consisting of European companies that are active in the automotive and tire industry and comparable with Continental AG (STOXX Europe 600 Automobiles & Parts (SXAGR); hereinafter "benchmark index"), is a key performance criterion for the LTI. The second performance criterion is a sustainability score that is multiplied by the degree of target achievement in order to calculate the LTI to be paid. The amount of the LTI to be paid is based on the performance of the Continental share price over the term of the LTI.

› The term of the 2020 LTI plan, which was resolved on March 17, 2020, by the Supervisory Board for the members of the Executive Board, and on March 2, 2020, by the Executive Board for senior executives and executives, begins retroactively as at January 1, 2020, and is four years for the Executive Board and three years for senior executives and executives.

› The term of the 2021 LTI plan, which was resolved on December 15, 2020, by the Supervisory Board for the members of the Executive Board, and on March 22, 2021, by the Executive Board for senior executives and executives, begins retroactively as at January 1, 2021, and is four years for the Executive Board and three years for senior executives and executives.

› For each beneficiary of the 2020 and 2021 LTI plan, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives and executives) agrees an allotment value in euros for the LTI. At the start of the first fiscal year of the term of the LTI plan, this allotment value is converted into a basic holding of virtual shares. The allotment value is divided by the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the term of the respective LTI plan (issue price). The basic holding is multiplied by a performance index (PI) in order to determine the final holding of virtual shares. The performance index corresponds

to the product from the relative total shareholder return (TSR) on Continental shares and a sustainability score. The relative TSR is calculated from the relative performance of the Continental TSR in comparison with the TSR on the STOXX Europe 600 Automobiles & Parts (SXAGR). The Continental TSR corresponds to the sum of the average Continental share price in the last month of the term (final share price) and all dividends distributed during the term relative to the average share price in the first month of the term (initial share price). The SXAGR TSR is determined using the same method.

- › The Executive Board of Continental AG has resolved to adjust the share-based remuneration elements of senior executives and executives to compensate for the effects of the spin-off of Vitesco Technologies on the share price of Continental AG. The virtual shares of Continental AG granted as part of the LTI have been adjusted by a factor of 1.12. The same applies to the total shareholder return (TSR) of Continental AG applied in the LTI. The adjustment factor has been applied to the final share price and to the dividends paid after the spin-off.

Performance criteria and goals of the sustainability score are targets for CO₂ emissions, recycling quotas and the review of good working conditions for employees in the Continental Group (e.g. based on sick leave, accident rates and employee satisfaction).

The payment amount of the 2020 and 2021 LTI plan can total at most 200% of the defined initial share price (executives and senior executives) or issue price (Executive Board). The issue price is the average price of the two months before the start of the term.

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

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares and the price of the STOXX Europe 600 Automobiles & Parts (benchmark index). The Monte Carlo simulation takes into account the average value accumulation of the Continental share prices and the benchmark index for the final share price and the payment share price, the TSR dividends, the performance compared with the benchmark index and the restriction for the payment amount.

The following TSR parameters were used as at the measurement date of December 31, 2021:

- › Constant zero rates as at the measurement date of December 31, 2021:
 - 2018 LTI plan: -0.77% as at the expected payment date;
 - 2019 LTI plan: -0.76% as at the due date and -0.72% as at the expected payment date;
 - 2019 TIP bonus: -0.76% as at the end of payment share price period and -0.77% as at the payment date;
 - 2020 LTI plan (senior executives and executives): -0.74% as at the due date and -0.73% as at the end of the payment share price period;
 - 2020 LTI plan (Executive Board): -0.68% as at the due date and -0.67% as at the end of the payment share price period;
 - 2021 LTI plan (senior executives and executives): -0.68% as at the due date and -0.67% as at the end of the payment share price period;
 - 2021 LTI plan (Executive Board): -0.61% as at the due date and -0.59% as at the end of the payment share price period.
- › Continental share price at year end of €93.11.
- › Interest rate based on the yield curve for government bonds.
- › Dividend payments as the arithmetic mean based on publicly available estimates for 2022 until 2024; the dividend of Continental AG amounted to €0.00 per share in 2021, and Continental AG distributed a dividend of €3.00 per share in 2020.
- › Historical volatilities on the basis of daily Xetra closing rates for Continental shares and the benchmark index based on the respective remaining term for LTI tranches, the 2019 TIP bonus and the 2020 and 2021 LTI plan. The volatility for the 2019 LTI plan is 30.35% and for the 2019 TIP bonus 32.94% as at the payment date. For the 2020 LTI plan it is 32.11% for senior executives and executives and 41.56% for the Executive Board. The historical benchmark index volatilities for the 2020 LTI plan are 23.72% for senior executives and executives and 33.74% for the Executive Board. The volatility for the 2021 LTI plan is 41.56% for senior executives and executives and 38.79% for the Executive Board. The historical benchmark index volatilities for the 2020 LTI plan are 33.74% for senior executives and executives and 30.92% for the Executive Board.
- › Historical correlations on the basis of daily Xetra closing rates for the benchmark index based on the respective remaining term of the components of the 2019 TIP bonus and the 2020 and 2021 LTI plan. The volatility for the 2020 LTI plan is 0.7761 for senior executives and executives and 0.8524 for the Executive Board. For the 2021 LTI plan it is 0.8524 for senior executives and executives and 0.8515 for the Executive Board.

› The fair values of the tranches developed as follows: The amount of the provision as at the measurement date of December 31, 2021, results from the respective vesting level:

- 2018 LTI plan: €0.0 million (PY: €0.0 million), the vesting level is 100%;
- 2019 LTI plan: €0.0 million (PY: €0.0 million), the vesting level is 75%;
- 2019 TIP bonus: €14.2 million (PY: €24.2 million), the vesting level is 100%;
- 2020 LTI plan (senior executives and executives): €26.9 million (PY: €62.8 million), the vesting level is 67%;
- 2020 LTI plan (Executive Board): €1.0 million (PY: €5.7 million), the vesting level is 50%;
- 2021 LTI plan (senior executives and executives): €27.9 million, the vesting level is 33%;
- 2021 LTI plan (Executive Board): €1.3 million, the vesting level is 25%.

In total, no expenses or income for the 2017 to 2019 LTI plans were recorded in the reporting year. Expenses of €0.8 million (PY: €11.1 million) were incurred for the 2019 TIP bonus in 2021. For the 2020 LTI plan, reduced liabilities for payroll and personnel-related costs resulted in income of €3.0 million for senior executives and executives (PY: expenses of €20.9 million), and €1.0 million for the Executive Board (PY: expenses of €1.4 million). Expenses of €9.3 million were incurred for the 2021 LTI plan for senior executives and executives, and €0.3 million for the 2021 LTI plan for the Executive Board.

Performance bonus (deferral) under the 2019 remuneration system

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

The CVC target was weighted at 60% and the ROCE target at 40% in the calculation of the performance bonus. In any event, the performance bonus was capped at 150% of the target bonus.

The performance bonus achieved in a fiscal year was divided into a lump sum, which was paid out as an annual bonus (immediate payment), and a deferred payment (deferral). The immediate payment amounted to 60% and the deferral 40%. The deferral was converted into virtual shares of Continental AG. Following a holding period of three years after the end of the fiscal year for which the respective performance bonus was determined, the value of these virtual

shares was paid out together with the value of the dividends that were distributed for the fiscal years of the holding period. The conversion of the deferral into virtual shares and payment of their value after the holding period were based on the average share price for the three-month period immediately preceding the Annual Shareholders' Meeting in the year of conversion or payment. The possible increase in the value of the deferral was capped at 250% of the initial value. Future payments of the value of deferrals will still be made under the 2019 remuneration system, provided the three-year holding period for the virtual shares has expired.

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

Income of €1.0 million (PY: €0.1 million) from the reversal of provisions from virtual shares was recognized in the respective function costs.

The following parameters were used as at the measurement date of December 31, 2021:

- › Constant zero rates as at the measurement date of December 31, 2021:
 - 2018 tranche: -0.76% as at the due date and as at the expected payment date;
 - 2019 tranche: -0.74% as at the due date and as at the expected payment date.
- › Interest rate based on the yield curve for government bonds.
- › Dividend payments as the arithmetic mean based on publicly available estimates for 2022; the dividend of Continental AG amounted to €0.00 per share in 2021, and Continental AG distributed a dividend of €3.00 per share in 2020.
- › Historical volatilities on the basis of daily Xetra closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility for the 2018 tranche is 32.94% and for the 2019 tranche 32.11%.

As at December 31, 2021, commitments with a fair value of €0.9 million are attributable to Executive Board members active at the end of the reporting period; this is equivalent to 9,393 virtual shares (PY: €4.9 million; 37,882 virtual shares).

Performance bonus (deferral) under the remuneration system from 2020

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

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

- › Earnings before interest and tax (hereinafter "EBIT"), adjusted for goodwill impairment as well as gains and/or losses from the disposal of parts of the company.
- › Return on capital employed (hereinafter "ROCE") as the ratio of EBIT (adjusted, as mentioned above) to average operating assets for the fiscal year.
- › Cash flow before financing activities (hereinafter "free cash flow"), adjusted for cash inflows and outflows from the disposal or acquisition of companies and business operations.

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

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

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

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

After the end of the fiscal year, the target achievement for each financial performance criterion is calculated on the basis of the audited consolidated financial statements of Continental AG, and the sum total of these financial performance criteria is multiplied by the STI target amount in accordance with the weighting described above. By multiplying this result by the PCF, the gross value of the STI amount to be paid (hereinafter "gross payout amount") is determined.

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

Each member of the Executive Board is obligated to hold the shares legally and economically for a period of at least three years from the day of acquisition.

Expenses of €14.1 million (PY: €1.3 million) were incurred for the 2021 STI in 2021.

The number of shares converted by the Executive Board from the deferral of the 2020 STI came to 2,126 in 2021.

Short-term employee benefits

Liabilities for payroll and personnel-related costs

The Continental value sharing bonus is a program that allows Continental employees to share in net income. The amount of profits shared is calculated on the basis of key internal figures. As in the previous year, no provision was recognized for the reporting period.

31. Provisions for Other Risks and Obligations

€ millions	December 31, 2021		December 31, 2020	
	Short-term	Long-term	Short-term	Long-term
Restructuring provisions	175.0	453.4	433.0	918.0
Litigation and environmental risks	149.1	213.5	132.2	197.9
Warranties	505.1	10.2	767.2	29.9
Other provisions	301.5	110.6	393.0	96.8
Provisions for other risks and obligations	1,130.7	787.7	1,725.4	1,242.6

The provisions for other risks developed as follows:

€ millions	Restructuring provisions	Litigation and environmental risks	Warranties	Other provisions
As at January 1, 2021	1,351.0	330.1	797.1	489.8
Additions	26.2	123.7	541.2	308.2
Utilizations	-256.8	-62.5	-252.4	-139.1
Reclassifications	0.0	0.0	0.0	0.0
Changes in the scope of consolidation	-335.2	-9.2	-343.8	-94.5
Reclassification to/from liabilities held for sale	0.0	0.0	-0.1	0.0
Reversals	-161.8	-37.0	-244.5	-159.2
Interest	0.0	0.2	0.0	-6.9
Exchange-rate changes	5.0	17.3	17.8	13.8
As at December 31, 2021	628.4	362.6	515.3	412.1

All segments recorded additions to restructuring provisions as a result of the Transformation 2019–2029 structural program and corresponding costs. These relate primarily to the ContiTech and Vehicle Networking and Information segments.

The utilization of restructuring provisions relates to the implementation of restructuring measures adopted in previous years as well as those incorporated for the first time in 2021. Contrary to the original estimates of the effects from restructuring plans, agreements were reached over the course of the restructuring measures that resulted in reversals.

The additions to the provisions for litigation and environmental risks relate in particular to product liability risks from tire activities in the USA and risks in connection with disputes over industrial property rights. Please see Note 38.

The utilizations relate mainly to the aforementioned product liability risks from tire activities and risks in connection with disputes over industrial property rights.

The changes in provisions for warranties include utilization of €252.4 million (PY: €394.1 million) and reversals of €244.5 million (PY: €105.9 million), which are offset by additions of €541.2 million (PY: €588.7 million). The changes result mainly from specific individual cases within the Autonomous Mobility and Safety and Vehicle Networking and Information segments.

The other provisions also include provisions for risks from operations, such as those in connection with compensation from customer and supplier claims that are not warranties. They also include provisions for dismantling and tire-recycling obligations, and provisions for possible interest payments and penalties on income tax liabilities.

To cover risks and costs arising from the proceedings conducted by the public prosecutor's offices in Hanover and Frankfurt am Main in connection with illegal defeat devices in diesel engines, a provision amounting to a high eight-figure sum has been set aside. Please see Note 38.

The changes in the scope of consolidation result mainly from the spin-off of Vitesco Technologies.



32. Income Tax Liabilities

Income tax liabilities developed as follows:

€ millions	2021	2020
As at January 1	790.1	938.6
Additions	544.1	521.4
Utilizations and advance payments for the current fiscal year	-506.5	-608.1
Reversals	-46.7	-40.8
Changes in the scope of consolidation	-117.9	0.0
Exchange-rate changes	9.8	-21.0
As at December 31	672.9	790.1

When reconciling the income tax liabilities with the income taxes receivables must be included in addition to the utilizations and paid in the statement of cash flows, the cash changes in income tax current advance payments shown here.

33. Indebtedness and Additional Notes to the Statement of Cash Flows

€ millions	December 31, 2021			December 31, 2020		
	Total	Short-term	Long-term	Total	Short-term	Long-term
Bonds	3,307.3	—	3,307.3	3,501.7	200.0	3,301.7
Bank loans and overdrafts ¹	1,199.7	870.7	329.0	1,559.8	964.3	595.5
Derivative instruments	21.3	20.0	1.3	15.5	15.5	—
Lease liabilities	1,274.1	288.2	985.9	1,543.0	319.0	1,224.0
Liabilities from sale-of-receivables programs	286.8	286.8	—	296.0	296.0	—
Other indebtedness ²	171.3	151.6	19.7	418.4	395.2	23.2
Indebtedness	6,260.5	1,617.3	4,643.2	7,334.4	2,190.0	5,144.4

1 Thereof €5.3 million (PY: €11.3 million) secured by land charges, mortgages and similar securities.

2 Other indebtedness included a carrying amount of €17.1 million (PY: €263.4 million) from commercial paper issuances.

Continental's key bond issues

€ millions Issuer/type	Amount of issue Dec. 31, 2021	Carrying amount Dec. 31, 2021	Stock market value Dec. 31, 2021	Amount of issue Dec. 31, 2020	Carrying amount Dec. 31, 2020	Stock market value Dec. 31, 2020	Coupon p.a.	Issue/maturity and fixed interest until	Issue price
CAG ¹ euro bond	500.0	499.0	501.0	500.0	498.4	500.5	0.000%	2019/09.2023	99.804%
CGF ² euro bond	750.0	746.8	779.6	750.0	745.1	793.5	2.125%	2020/11.2023	99.559%
CGF ² euro bond	625.0	622.0	641.4	625.0	621.0	647.4	1.125%	2020/09.2024	99.589%
CAG ¹ euro bond	600.0	598.3	603.8	600.0	597.8	605.1	0.375%	2019/06.2025	99.802%
CAG ¹ euro bond	750.0	741.2	822.2	750.0	739.4	837.6	2.500%	2020/08.2026	98.791%
Total	3,225.0	3,207.3	3,348.0	3,225.0	3,201.7	3,384.1			

1 CAG, Continental Aktiengesellschaft, Hanover.

2 CGF, Conti-Gummi Finance B.V., Maastricht, Netherlands.

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.

The carrying amount of the bonds also includes a private placement issued by Continental AG in October 2019. The private placement has a nominal volume of €100.0 million, a term of five years and a fixed interest rate of 0.231% p.a.

Credit lines and available financing from banks

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. On December 31, 2021, there were credit lines and available financing from banks in the amount of €6,103.7 million (PY: €9,370.1 million). A nominal amount of €4,880.3 million of this had not been utilized as at the end of the reporting period (PY: €7,780.8 million). The syndicated loan of the Continental Group described below accounted for €4,000.0 million of this (PY: €7,000.0 million). Besides this, the major portion of the credit lines and available financing from banks related, as in the previous year, to predominantly floating-rate short-term borrowings.

The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4,000.0 million and has an original term of five years. The margin will also depend on the Continental Group's sustainability performance. If the Continental Group achieves the performance improvements in sustainability as set out in detail in the loan agreement, this will reduce the interest rate; non-achievement will result in interest rate increases. The loan agreement contains no obligation to comply with financial covenants. Utilizations may be undertaken both in euros and US dollars on the basis of variable interest rates. Depending on the currency, interest is accrued at either the EURIBOR rate or the corresponding USD Libor rate, plus a margin in each case. With regard to interest benchmark reform, an amendment to the agreement with the bank consortium is planned for 2022. As in the previous year, this revolving loan had not been utilized as at December 31, 2021. 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 €3,000.0 million concluded in May 2020 with a term of 364 days expired in May 2021 and was not utilized.

In the year under review, the Continental Group utilized its commercial paper programs, its sale-of-receivables programs and its various bank lines to meet short-term credit requirements.

Please see Note 34 for the maturity structure of indebtedness.

Additional notes to the statement of cash flows

The following table showing the (net) change in short-term and long-term indebtedness provides additional information on the consolidated statement of cash flows:

€ millions	Dec. 31, 2021	Cash		Non-cash			Other	Dec. 31, 2020
			Exchange-rate changes	Reclassifications	Changes in fair value	Changes in the scope of consolidation		
Change in derivative instruments and interest-bearing investments	225.9	-70.7	8.1	—	-21.9	-24.1	78.0	256.5
Change in short-term indebtedness	-1,617.3	1,169.8	-26.3	-561.8	-20.7	20.9	-9.2	-2,190.0
Change in long-term indebtedness	-4,643.2	-16.6	-33.2	561.8	-1.3	134.0	-143.5	-5,144.4



€ millions	Dec. 31, 2020	Cash		Non-cash			Other	Dec. 31, 2019
			Exchange-rate changes	Reclassifications	Changes in fair value	Changes in the scope of consolidation		
Change in derivative instruments and interest-bearing investments	256.5	35.0	-12.2	—	72.6	—	-44.4	205.5
Change in short-term indebtedness	-2,190.0	2,522.7	60.3	-500.5	-15.6	—	-13.1	-4,243.8
Change in long-term indebtedness	-5,144.4	-2,160.7	46.9	500.5	—	—	-155.9	-3,375.2



34. Financial Instruments

The tables below show the carrying amounts and fair values of financial assets and liabilities, whereby non-current and current items are presented together. In addition, the relevant measure-

ment categories are shown according to IFRS 9, *Financial Instruments*, and the levels of the fair value hierarchy relevant for calculating fair value according to IFRS 13, *Fair Value Measurement*.

€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at Dec. 31, 2021	Fair value as at Dec. 31, 2021	thereof Level 1	thereof Level 2	thereof Level 3
Other investments ¹	FVOCIwR	159.5	159.5	—	—	159.5
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	25.1	25.1	—	25.1	—
Debt instruments	FVPL	81.2	81.2	81.2	—	—
Debt instruments	at cost	119.6	119.6	—	—	—
Trade accounts receivable without lease receivables						
Trade accounts receivable	at cost	6,795.9	6,795.9	—	—	—
Bank drafts	FVOCIwR	282.6	282.6	—	282.6	—
Trade accounts receivable	FVPL	7.7	7.7	—	7.7	—
Other financial assets without lease receivables						
Other financial assets	FVPL	114.2	114.2	—	114.2	—
Other financial assets	at cost	216.7	216.7	—	—	—
Cash and cash equivalents						
Cash and cash equivalents	at cost	1,672.1	1,672.1	—	—	—
Cash and cash equivalents	FVPL	597.0	597.0	597.0	—	—
Financial assets without lease receivables		10,071.6	10,071.6	678.2	429.6	159.5
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	21.3	21.3	—	21.3	—
Other indebtedness	at cost	4,965.1	5,113.0	3,348.0	477.8	—
Trade accounts payable	at cost	5,865.4	5,865.4	—	—	—
Other financial liabilities	at cost	1,275.3	1,275.3	—	—	—
Financial liabilities without lease liabilities		12,127.1	12,275.0	3,348.0	499.1	—
Aggregated according to categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		282.6				
Financial assets (FVOCIwR)		159.5				
Financial assets (FVPL)		825.2				
Financial assets (at cost)		8,804.3				
Financial liabilities (FVPL)		21.3				
Financial liabilities (at cost)		12,105.8				

¹ Excluding investments in unconsolidated affiliated companies.



€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at Dec. 31, 2020	Fair value as at Dec. 31, 2020	thereof Level 1	thereof Level 2	thereof Level 3
Other investments ¹	FVOCIwR	109.2	109.2	—	—	109.2
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	70.1	70.1	—	70.1	—
Debt instruments	FVPL	79.6	79.6	68.4	11.2	—
Debt instruments	at cost	106.9	106.9	—	—	—
Trade accounts receivable						
Trade accounts receivable	at cost	6,946.6	6,946.6	—	—	—
Bank drafts	FVOCIwR	399.8	399.8	—	399.8	—
Trade accounts receivable	FVPL	6.8	6.8	—	6.8	—
Other financial assets						
Other financial assets	FVPL	63.9	63.9	—	63.9	—
Other financial assets	FVOCIwR	33.5	33.5	—	—	33.5
Other financial assets	at cost	210.4	210.4	—	—	—
Cash and cash equivalents						
Cash and cash equivalents	at cost	2,591.8	2,591.8	—	—	—
Cash and cash equivalents	FVPL	346.9	346.9	346.9	—	—
Financial assets		10,965.5	10,965.5	415.3	551.8	142.7
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	15.5	15.5	—	15.5	—
Other indebtedness	at cost	5,775.9	5,976.9	3,384.1	945.8	—
Trade accounts payable	at cost	5,933.1	5,933.1	—	—	—
Other financial liabilities	at cost	1,294.5	1,294.5	—	—	—
Financial liabilities without lease liabilities		13,019.0	13,220.0	3,384.1	961.3	—
Aggregated according to categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		399.8				
Financial assets (FVOCIwR)		142.7				
Financial assets (FVPL)		567.3				
Financial assets (at cost)		9,855.7				
Financial liabilities (FVPL)		15.5				
Financial liabilities (at cost)		13,003.5				

¹ Excluding investments in unconsolidated affiliated companies.

Abbreviations

- › at cost: measured at amortized cost
 - › FVOCIwR: fair value through other comprehensive income with reclassification
 - › FVOCIwR: fair value through other comprehensive income without reclassification
 - › FVPL: fair value through profit and loss
- Levels of the fair value hierarchy according to IFRS 13, *Fair Value Measurement*:

Levels of the fair value hierarchy according to IFRS 13, *Fair Value Measurement*

- › Level 1: quoted prices in active markets for identical instruments
- › Level 2: quoted prices in active markets for similar instruments or measurement methods for which all major input factors are based on observable market data
- › Level 3: measurement methods for which the major input factors are not based on observable market data



Financial instruments allocated to the FVOCIwR measurement category are classified as such because they are held over a long term for strategic purposes.

For financial instruments accounted for at FVOCIwR for which there are no quoted prices in active markets for identical instruments (Level 1) or for similar instruments, or for which there are no applicable measurement methods in which all major input factors are based on observable market data (Level 2), the fair value must be calculated using a measurement method for which the major input factors are not based on observable market data (Level 3). If external valuation reports or information from other financing rounds is available, these are used. If such information is not available, the measurement is performed according to the measurement method that is deemed appropriate and realizable in each case: for example, according to the discounted cash flow method or by valuation according to multiples using ratios based on purchase prices for comparable transactions. Measurement at amortized cost is only considered the best estimate of the fair value of financial assets if the most recent information available for fair value measurement is insufficient. Financial instruments accounted for at FVOCIwR are centrally monitored with regard to any changes to the key non-observable input factors and continuously checked for changes in value.

In July 2021, as part of several transactions, Continental sold a minority stake that had been acquired as a purely financial investment and which was recognized under other financial assets.

The cumulative sales price before deduction of costs was €125.4 million. In the previous year, this participation had a carrying value of €33.5 million, which meant that a gain of €91.9 million not recognized in profit or loss was reported in equity.

Please see Note 20 for information on the changes in carrying amounts of other investments. For reasons of materiality, there is no need for a sensitivity analysis.

The accounting and measurement methods applied are described in Note 2 of the notes to the consolidated financial statements.

Trade accounts receivable and payable, other receivables with a financing character, other financial assets and liabilities measured at cost, and cash and cash equivalents generally have short remaining maturities. As a result, the carrying amounts as at the end of the reporting period are, as a rule, approximately their fair values and are not shown in the fair value hierarchy in the table. The fair values of other indebtedness and other financial liabilities were determined by discounting all future cash flows at the applicable interest rates for the corresponding residual maturities, taking into account a company-specific credit spread, provided their carrying amounts as at the reporting date are not approximately equivalent to their fair values.

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

€ millions	Other investments	Other financial assets	Total
As at January 1, 2020	182.9	–	182.9
Gains recognized in other comprehensive income	–7.0	–	–7.0
Reclassification	–33.5	33.5	–
Changes in the scope of consolidation	–31.8	–	–31.8
Exchange-rate effects	–1.4	–	–1.4
As at December 31, 2020	109.2	33.5	142.7
Gains recognized in other comprehensive income	5.3	–	5.3
Transfers to Level 1	–	–33.5	–33.5
Additions	28.3	–	28.3
Reclassification	15.1	–	15.1
Changes in the scope of consolidation	–0.7	–	–0.7
Exchange-rate effects	2.3	–	2.3
As at December 31, 2021	159.5	–	159.5

The Continental Group recognizes possible reclassifications between the different levels of the fair value hierarchy as at the end of the reporting period in which a change occurred. In the previous year, the fair value of other financial assets in the amount of €33.5 million was determined based on non-observable market data

(Level 3). As a reliable quoted market price became available for these instruments as of the 2021 half-year financial statements, they were measured using the market price and assigned to Level 1 until they were sold.

The following income and expenses from financial instruments were recognized in the consolidated statement of income:

€ millions	Net gains and losses from interest		Other net gains and losses		Total net gains and losses	
	2021	2020	2021	2020	2021	2020
Financial assets (at cost)	35.2	22.8	88.4	-5.9	123.6	16.9
Financial assets and liabilities (FVPL)	0.2	2.2	-23.1	135.7	-22.9	137.9
Financial assets (FVOCI)	—	—	0.5	0.6	0.5	0.6
Financial liabilities (at cost)	-100.7	-107.7	-57.0	-31.8	-157.7	-139.5
Discontinued operations	0.5	1.9	3.9	-12.4	4.4	-10.5

Interest income and expense from financial instruments is reported in the financial result (Note 12).

Dividend income from financial assets measured at fair value through other comprehensive income is explained under Income from Investments (Note 11).

Collateral

As at December 31, 2021, a total of €521.2 million (PY: €579.5 million) of financial assets had been pledged as collateral. In the year under review, as in the previous year, collateral mainly consisted of trade accounts receivable assigned as collateral for liabilities from sale-of-receivables programs. The remainder related to pledged cash or other financial assets.

Risk management of financial instruments

Due to its international business activities and the resulting financing requirements, the Continental Group is exposed to default risks, risks from changes in exchange rates and variable interest rates, and liquidity risk. The management of these risks is described in the following sections.

In addition, hedging instruments are used in the Continental Group. Their use is covered by corporate-wide policies, adherence to which is regularly reviewed by internal auditors. Internal settlement risks are minimized through the clear segregation of functional areas.

Further information about the risks presented below and about risk management can be found in the report on risks and opportunities in the consolidated management report.

1. Default risks

Default risks from trade accounts receivable, contract assets or other financial assets include the risk that receivables will be collected late or not at all if a customer or another contractual party does not fulfill its contractual obligations. The total of the positive carrying amounts is equivalent to the maximum default risk of the Continental Group from financial assets. Default risk is influenced mainly by characteristics of the customers and the sector and is therefore analyzed and monitored by central and local credit managers. The responsibilities of the credit management function also include pooled receivables risk management. Contractual partners' creditworthiness and payment history are analyzed on a regular basis.

Default risk for non-derivative financial receivables is also limited by ensuring that agreements are entered into with partners with proven creditworthiness only or that collateral is provided or, in individual cases, trade credit insurance is agreed. The Continental Group held an immaterial amount of collateral as at December 31, 2021. There are no trade accounts receivable or contract assets for which an impairment loss was not recognized due to collateral held.

However, default risk cannot be excluded with absolute certainty, and any remaining risk is addressed by recognizing expected credit losses for identified individual risks and on the basis of experience, taking account of any relevant future components. Financial assets that are neither past due nor impaired accordingly have a prime credit rating. Default risks are calculated on the basis of corporate-wide standards. The methods for calculating valuation allowances are described in the notes to the consolidated financial statements under General Information and Accounting Principles (Note 2).

Trade accounts receivable and contract assets

If the creditworthiness of receivables is impaired, corresponding expenses are recognized in an allowance account.

Lifetime expected credit losses are largely calculated using estimates and assessments based on the creditworthiness of the respective customer, current economic developments and the analysis of historical losses on receivables. The creditworthiness of a customer is assessed on the basis of its payment history and its ability to make payments. It is regularly reviewed whether there is a need to take account of any risks in connection with different customer groups, sectors or countries. No such allocation of default risk was required in 2021.

Continental calculates the default rates for lifetime expected credit losses based on a three-year average, taking account of the historical defaults allocated to the different periods past due, and generally also taking account of a forward-looking component. Trade accounts receivable and contract assets whose creditworthiness is already impaired are not taken into account when calculating lifetime expected credit losses. There were no significant effects on expected credit losses from the modification of cash flows.

The table below shows the gross carrying amounts as at December 31, 2021, for trade accounts receivable and contract assets whose creditworthiness was not impaired¹:

€ millions	December 31, 2021	December 31, 2020
not overdue	6,611.7	6,863.6
0-29 days	245.1	290.6
30-59 days	108.7	98.2
60-89 days	48.1	34.7
90-119 days	34.2	22.2
120 days or more	92.1	93.7
As at December 31	7,139.9	7,403.0

¹ The difference of €192.8 million (December 31, 2020: €228.7 million) from the tables in Notes 7 and 25 results from the gross carrying amounts of trade accounts receivable and contract assets whose creditworthiness was impaired.

In the year under review, lifetime expected credit losses and valuation allowances for trade accounts receivable and contract assets whose creditworthiness was impaired developed as follows:

€ millions	2021	2020
As at January 1	159.4	128.5
Additions	71.4	116.3
Utilizations	-19.4	-18.2
Reversals	-53.2	-53.7
Amounts disposed of through disposal of subsidiaries	-15.3	0.0
Exchange-rate changes	6.3	-13.5
As at December 31	149.2	159.4

As at December 31, 2021, valuation allowances for trade accounts receivable whose creditworthiness was impaired amounted to €132.6 million (PY: €142.3 million).

Of the impaired receivables written down in the reporting period, €1.3 million (PY: €1.0 million) is still subject to enforcement measures.

Other financial assets

Valuation allowances equivalent to the gross carrying amount totaling €2.9 million (PY: €2.9 million) were recognized for other financial assets whose creditworthiness was impaired. Other 12-month and lifetime expected credit losses on other financial assets are not of significance.

Cash and cash equivalents, derivative instruments and interest-bearing investments

In order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, the Continental Group generally uses banks that it has classified as core banks on the basis of defined criteria. As a general rule, these banks should have at least one investment-grade credit rating from one of

the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the core banks – and of other banks and other business partners with which investments are made, loans are granted or derivative instruments are traded in derogation from the core bank principle for operational or regulatory reasons – is continuously monitored by tracking not only their credit ratings but also particularly the premiums for insuring against credit risks (credit default swap, CDS), provided such information is available. In addition, the Continental Group sets investment limits for each bank and trading limits for derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. The existing valuation allowances as at December 31, 2020, for loans to associated companies with impaired creditworthiness of €94.0 million and provisions for loan commitments of €11.2 million were fully reversed or derecognized in the reporting year due to a debt waiver of €16.8 million. Please see Note 43. Furthermore, as in the previous year, the expected credit losses from cash and cash equivalents and other interest-bearing investments measured at amortized cost as well as investments with impaired creditworthiness are not significant.

2. Currency management

The international nature of the Continental Group's business activities results in deliveries and payments in various currencies. Currency-exchange fluctuations involve the risk of losses because assets denominated in currencies with a falling exchange rate lose value, while liabilities denominated in currencies with a rising exchange rate become more expensive. For hedging, it is allowed to use only derivative instruments that have been defined in corporate-wide policies and can be reported and measured in the treasury management system. It is generally not permitted to use financial instruments that do not meet these criteria.

Operational foreign-currency risk

In operational currency management, actual and expected foreign-currency cash flows are combined as operational foreign-exchange exposures in the form of net cash flows for each transaction currency on a rolling 12-month basis. These cash flows arise mainly from receipts and payments from external and intra-corporate transactions by the Continental Group's subsidiaries worldwide. A natural hedge approach for reducing currency risks has been pursued for several years, meaning that the difference between receipts and payments in any currency is kept as low as possible. Exchange-rate developments are also monitored, analyzed and forecast. Based on the operational foreign-exchange exposure and constantly updated exchange-rate forecasts, the interest-rate and currency committee, which convenes weekly, agrees on the hedging measures to be implemented in individual cases by concluding derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months. Their amount must not exceed 30% of the 12-month exposure per currency without Executive Board permission. In addition, further risk limits for open derivative positions are set, which considerably reduce the risks from hedging activities. Hedge accounting was not used in the reporting year or in the previous year for hedges concluded in this way. As in the previous year, there were no derivative instruments for hedging against operational foreign-currency risks as at December 31, 2021.

As at December 31, 2021, the net exposure from financial instruments that are denominated in a currency other than the functional currency of the respective subsidiary and are not allocated to net indebtedness existed in the major currencies of the euro in the amount of €314.0 million (PY: -€168.8 million) and the US dollar in the amount of -€482.3 million (PY: -€500.3 million). The main local currencies accounting for the aforementioned euro-foreign currency transactions are the US dollar at €717.3 million, the Chinese renminbi at -€277.2 million and the Mexican peso at -€58.3 million (PY: the Chinese renminbi at -€160.1 million, the Czech koruna at €126.8 million and the Mexican peso at -€68.7 million). The main local currencies accounting for the US dollar-foreign currency transactions are the Chinese renminbi at -€177.3 million, the Czech koruna at -€106.0 million and the Mexican peso at €93.1 million (PY: the Chinese renminbi at -€198.7 million, the Czech koruna at -€107.0 million and the Romanian leu at -€99.7 million). Of these amounts, the positive values constitute net receivables and the negative values net liabilities.

Financial foreign-currency risks

In addition to operational foreign-currency risk, currency risks also result from the Continental Group's external and internal net indebtedness that is denominated in a currency other than the functional currency of the respective subsidiary. The quantity of these instruments is regularly summarized in the form of a financial foreign-currency exposure for each transaction currency. As at December 31, 2021, the net exposure in the major currencies amounted to -€45.6 million (PY: €158.7 million) for the euro and €1,148.2 million (PY: €1,336.9 million) for the US dollar. The main local currencies accounting for the aforementioned euro-foreign currency transactions are the Czech koruna at €744.2 million, the Romanian leu at -€278.0 million and the Hungarian forint at -€222.2 million (PY: the Czech koruna at €412.8 million, the Brazilian real at -€183.3 million and the Romanian leu at -€174.4 million). The main local currencies accounting for the US dollar-foreign currency transactions are the euro at €848.8 million, the Mexican peso at €291.7 million and the Canadian dollar at -€106.7 million (PY: the euro at €870.4 million, the Mexican peso at €324.3 million and the Philippine peso at €96.4 million). These currency risks are generally hedged against through the use of derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. In the case of highly effective, longer-term and significant hedges, Continental usually applies hedge accounting. The hedged transactions are not divided into their risk components. Hedge accounting was not used in the reporting year or in the previous year for hedges concluded in this way.

Hedging against financial foreign-currency risks without using hedge accounting

As at December 31, 2021, there are derivative instruments for hedging against financial foreign-currency risks from intra-corporate receivables and liabilities. Hedge accounting is not used for these instruments, hence their assignment to the measurement category FVPL. Corresponding currency forwards and currency swaps are reported as at December 31, 2021 in the statement of financial position under the item "Short-term derivative instruments and interest-bearing investments" in the amount of €5.3 million (PY: €15.9 million), under the item "Long-term indebtedness" in the amount of €1.3 million (PY: -) and under the item "Short-term indebtedness" in the amount of €20.0 million (PY: €15.5 million). Their nominal volume comes to €1,407.4 million as at December 31, 2021 (PY: €1,648.4 million). In addition, as at December 31, 2021, there are cross-currency interest-rate swaps with a total nominal volume of €500.0 million (PY: €500.0 million), which are reported under "Long-term derivative instruments and interest-bearing investments" in the amount of €19.8 million (PY: €54.2 million).

Hedging against financial foreign-currency risks (net investment hedges)

Until August 2017, the Continental Group hedged its net investments in foreign operations. Based on the decision that currency effects from net investments in a foreign operation and from designated hedges that are accumulated in the currency translation reserve in equity are to be reclassified to the income statement only if the foreign operation is sold or liquidated, €20.2 million (PY: €20.2 million) from the hedged transactions remains in the currency translation reserve in equity.



Translation-related foreign-currency risks

A large number of the subsidiaries are located outside the euro currency zone. As Continental AG's reporting currency in the consolidated financial statements is the euro, the financial statements of these companies are translated into euros. With regard to managing the risks of translation-related currency effects, it is assumed that investments in foreign companies are entered into for the long term and that earnings are reinvested. Translation-related effects that arise when the value of net asset items translated into euros changes as a result of exchange-rate fluctuations are recognized directly in equity in the consolidated financial statements and are generally not hedged.

Sensitivity analysis

IFRS 7, *Financial Instruments: Disclosures*, requires a presentation of the effects of hypothetical changes in exchange rates on income

and equity using a sensitivity analysis. In the Continental Group, the changes in the exchange rates are related to all financial instruments outstanding as at the end of the reporting period, including the effects of hedges. Forecast transactions and translation-related foreign-currency risks are not included in the sensitivity analysis. For those financial instruments with transaction currencies that differ from the functional currencies, a 10% appreciation or depreciation of the respective functional currency of the subsidiaries in relation to the identified different transaction currencies is assumed to determine the sensitivities. Hedging transactions are valued on the basis of a 10% percent change in the underlying forward or spot rates from the perspective of the local currency of the hedging Continental Group company.

The following table shows, before income tax expense, the overall effect as measured using this approach, as well as the individual effects resulting from the euro and the US dollar, as the major transaction currencies, on net income. As in the previous year, there is no effect on equity according to this approach.

€ millions	Local currency +10%		Local currency -10%	
	2021	2020	2021	2020
Total	42.8	79.6	-42.7	-79.6
thereof EUR	-38.9	3.9	38.9	-3.9
thereof USD	19.4	6.3	-19.4	-6.3

3. Interest-rate management

Variable interest agreements and, in principle, short-term financial instruments result in a risk of rising interest rates for interest-bearing financial liabilities and falling interest rates for interest-bearing financial investments. These interest-rate risks are valued and assessed as part of our interest-rate management activities, partly on the basis of continuous monitoring of current and anticipated long-term and short-term interest-rate developments, and are managed by means of derivative interest-rate hedging instruments as needed. The Continental Group's interest-bearing net indebtedness is the subject of these activities based on the reporting date. Interest-rate

hedges serve exclusively to manage identified interest-rate risks. Once a year, a range is determined for the targeted share of fixed-interest indebtedness in relation to total gross indebtedness. As in the previous year, there were no derivative instruments for hedging against interest-rate risks as at December 31, 2021. The Continental Group is not exposed to a risk of fluctuation in the fair value of long-term financial liabilities due to market changes in fixed interest rates, as the lenders do not have the right to demand early repayment in the event of changing rates and these liabilities are recognized at amortized cost.

Interest-rate risk

The profile of interest-bearing financial instruments allocated to net indebtedness, taking into account the effect of the Continental Group's derivative instruments, is as follows:

€ millions	2021	2020
Fixed-interest instruments		
Financial assets	80.4	68.9
Financial liabilities	5,125.2	5,556.4
Floating-rate instruments		
Financial assets	2,389.5	3,056.3
Financial liabilities	1,114.0	1,762.5

Fair value sensitivity analysis

In accordance with IFRS 7, effects of financial instruments on income and equity resulting from interest-rate changes must be presented using a sensitivity analysis. The main effects resulted from the changes in the US dollar and euro interest rates. There were no changes in equity in 2021, as in the previous year. The effects on the financial result are presented below; tax effects were not taken into account in the analysis:

- › An increase in US dollar interest rates of 100 basis points in 2021 would have led to a change in the financial result of €9.2 million (PY: €13.3 million).
- › A decrease in US dollar interest rates of 100 basis points would have led to a change in the financial result of -€9.4 million (PY: -€13.8 million).
- › An increase in euro interest rates of 100 basis points in 2021 would have led to a change in the financial result of -€9.9 million (PY: -€15.4 million).

- › A decrease in euro interest rates of 100 basis points would have led to a change in the financial result of €10.2 million (PY: €16.0 million).

Cash flow sensitivity analysis

The following table shows the effects an increase or a decrease in interest rates of 100 basis points would have had on the financial result. The effects would essentially result from floating-rate financial instruments. In the scenario in which there is a decrease in the pertinent interest rates, the effects were calculated for individual groups of financial instruments taking account of their contractual arrangement (particularly the interest-rate floors agreed) and based on assumptions with regard to changes in the applicable interest rates for these financial instruments depending on changes in market interest rates. With regard to these assumptions, we consider it realistic, as in the previous year, that only contractually agreed interest-rate floors would limit a decrease in the relevant interest rates. As in the previous year, this analysis is based on the assumption that all other variables, and in particular exchange rates, remain unchanged.

€ millions	Interest-rate increase +100 basis points		Interest-rate decline -100 basis points	
	2021	2020	2021	2020
Total	13.4	14.4	-14.0	-16.9
thereof EUR	-1.5	-3.5	0.9	0.9
thereof CNY	5.4	6.0	-5.4	-6.0
thereof USD	3.9	4.4	-3.9	-4.4
thereof BRL	1.2	1.1	-1.2	-1.1
thereof INR	0.8	1.1	-0.8	-1.1
thereof JPY	0.5	0.6	-0.5	-0.6

Presentation of the effects of interest benchmark reform

Interest benchmark reform has not yet led to any contractual adjustments of material long-term external financial instruments in the Continental Group, as the relevant contracts reference in particular the previously reformed EURIBOR or the continuing USD Libor. In the coming reporting year, contractual adjustments are planned for long-term external financial instruments referencing the USD Libor. These are not expected to have any material impact on accounting. Further contractual adjustments to material long-term external financial instruments due to interest benchmark reform are not anticipated in the future.

Currently, the Continental Group does not recognize any derivative instruments with variable interest rates.

In the measurement of derivative instruments, in particular in discounting, no effects arise at Continental as at December 31, 2021, as the IBOR interest curves relevant to the corporation, mainly for the euro and US dollar currencies, currently remain available and are liquid enough and therefore continue to be used for measurement. Similarly, discounting is performed for further Level 2 measurements of long-term financial instruments in particular, which are presented in the table at the beginning of this note. It is likely that discounting in subsequent years will switch to interest curves based on risk-free rates (RFRs). The expected transition effect of switching discounting to interest curves based on RFRs is estimated to be immaterial.

As no hedge accounting is currently applied within the Continental Group, there are no effects on hedge accounting. There have been no changes to the interest risk management strategy induced as a result of interest benchmark reform.

4. Liquidity risks

Cost-effective, adequate financing is necessary for the subsidiaries' operating business. A liquidity forecast is therefore prepared by central cash management on a regular basis.

Various marketable financial instruments are used to meet the financial requirements. These comprise overnight money, term borrowing, the issue of commercial paper, sale-of-receivables programs, the syndicated loan with a committed nominal amount of €4.0 billion (PY: €4.0 billion), other bilateral loans, and in the prior year the additional syndicated loan with a committed volume of €3.0 billion that ran from May 2020 until May 2021. Furthermore, approximately 53% (PY: 48%) of gross indebtedness is financed on the capital market in the form of long-term bonds. Capital expenditure by subsidiaries is primarily financed through equity and loans from banks or subsidiaries. There are also cash-pooling arrangements with subsidiaries to the extent they are possible and justifiable in the relevant legal and tax situation. If events lead to unexpected financing requirements, the Continental Group can draw upon existing liquidity and fixed credit lines from banks. For detailed information on the existing utilized and unutilized loan commitments, please refer to Note 33.

The financial liabilities without lease liabilities of €12,127.1 million (PY: €13,019.0 million) result in the following undiscounted cash outflows over the next five years and thereafter:

Dec. 31, 2021/€ millions	2022	2023	2024	2025	2026	thereafter	Total
Other indebtedness incl. interest payments	1,348.2	1,327.0	1,011.4	637.2	782.9	35.0	5,141.7
Derivative instruments	24.1	0.2	—	3.3	—	—	27.6
Trade accounts payable	5,865.4	—	—	—	—	—	5,865.4
Other financial liabilities	1,265.0	1.8	3.8	4.7	—	—	1,275.3

Dec. 31, 2020/€ millions	2021	2022	2023	2024	2025	thereafter	Total
Other indebtedness incl. interest payments	1,894.0	332.4	1,314.2	1,008.5	637.2	816.1	6,002.4
Derivative instruments	15.5	—	—	—	—	—	15.5
Trade accounts payable	5,933.1	—	—	—	—	—	5,933.1
Other financial liabilities	1,287.9	6.6	—	—	—	—	1,294.5

In the analysis, foreign-currency amounts were translated into euros using the current closing rate as at the end of the reporting period. For floating-rate non-derivative financial instruments, the future interest payment flows are generally forecast using the most recently contractually fixed interest rates. Forward interest rates are generally used to determine floating-rate payments for derivative instruments. The analysis only includes cash outflows from finan-

cial liabilities. The net payments are reported for derivative instruments that are liabilities as at the end of the reporting period. Cash inflows from financial assets were not included.

The cash outflows in the maturity analysis are not expected to occur at significantly different reference dates or in significantly different amounts.



Global netting agreements and similar agreements

Continental AG concludes business in the form of derivative instruments on the basis of the German Master Agreement on Financial Derivatives Transactions (Deutscher Rahmenvertrag für Finanztermingeschäfte). Fundamentally, there is the option to combine the amounts owed by each counterparty under such agreements on the same day in respect of all outstanding transactions in the same currency into a single net amount to be paid by one party to another.

The German Master Agreement on Financial Derivatives Transactions does not meet the criteria for offsetting in the statement of financial position. This is due to the fact that Continental AG has no

legal right to the netting of the amounts recognized at the current time. According to the regulations of the German Master Agreement, the right to netting can be enforced only when future events occur, such as the insolvency of or default by a contractual party. In such cases, all outstanding transactions under the agreement are ended, the fair value is calculated as at this time, and just a single net amount is paid to settle all transactions.

At some Brazilian and South Korean subsidiaries, there are local framework agreements on the basis of which these companies have concluded derivative instruments. These agreements also do not meet the criteria for offsetting in the statement of financial position.

The following table shows the carrying amounts of the reported stand-alone derivative instruments, their offsetting in the statement of financial position, and any potential arising from the specified agreements subject to the occurrence of certain future events:

€ millions	December 31, 2021			December 31, 2020		
	Carrying amounts ¹	Respective financial instruments not netted	Net amount	Carrying amounts ¹	Respective financial instruments not netted	Net amount
Financial assets	25.1	8.0	17.1	70.1	11.1	59.0
Financial liabilities	21.3	8.0	13.3	15.5	11.1	4.4

¹ There were no amounts to be offset in accordance with IAS 32.42 as at the reporting date and as at the same date in the previous year.

35. Other Financial Liabilities

€ millions	December 31, 2021		December 31, 2020	
	Short-term	Long-term	Short-term	Long-term
Liabilities to related parties	—	0.5	45.0	0.5
Liabilities for selling expenses	1,244.8	—	1,209.6	—
Purchase prices payable on company acquisitions	3.1	—	3.0	—
Miscellaneous financial liabilities	17.1	9.8	30.3	6.2
Other financial liabilities	1,265.0	10.3	1,287.9	6.7

The provision for capital commitments to an associate recognized in current liabilities to related parties was utilized in the amount of €12.5 million in the reporting year. The remaining provision of €32.5 million was reversed as at September 30, 2021.

Liabilities for selling expenses relate in particular to obligations from bonus agreements with customers and deferred price reductions granted.

The decrease in short-term miscellaneous financial liabilities mainly results from the distribution of an outstanding dividend of a Japanese subsidiary in the previous year.



36. Trade Accounts Payable

Trade accounts payable amounted to €5,865.4 million (PY: €5,933.1 million) as at the end of the fiscal year. The liabilities are measured at amortized cost. The full amount is due within one

year. For information on liquidity risk, currency risk and the sensitivity analysis for trade accounts payable, please see Note 34.

37. Other Liabilities

€ millions	December 31, 2021		December 31, 2020	
	Short-term	Long-term	Short-term	Long-term
Liabilities for VAT and other taxes	332.5	—	289.8	—
Deferred income	17.1	32.7	17.5	38.3
Miscellaneous liabilities ¹	458.6	3.3	494.5	25.6
Other liabilities	808.2	36.0	801.8	63.9

¹ Miscellaneous liabilities also include other liabilities to related parties. Please see Note 43.

Miscellaneous liabilities mainly include excess payments by customers and other liabilities to related parties.

Other Disclosures

38. Litigation and Compensation Claims

Continental AG and its subsidiaries are involved in lawsuits, regulatory investigations and proceedings worldwide. Such lawsuits, investigations and proceedings could also be initiated or claims asserted in other ways in the future.

Product liability

In particular, Continental is constantly subject to product liability and other claims in which the company is accused of the alleged infringement of its duty of care, violations against warranty obligations or defects of material or workmanship. Claims from alleged breaches of contract resulting from product recalls or government proceedings are also asserted. Among other cases, claimants in the USA file lawsuits for property damage, personal injury and death caused by alleged defects in our products. Claims for material and non-material damages, and in some cases punitive damages, are asserted. The outcome of individual proceedings, which are generally decided by a jury in a court of first instance, cannot be predicted with certainty. No assurance can be given that Continental will not incur substantial expenses as a result of the final judgments or settlements in some of these cases, or that these amounts will not exceed any provisions set up for these claims. Some subsidiaries in the USA are exposed to relatively limited claims for damages from purported health injuries allegedly caused by products containing asbestos. The total costs for dealing with all such claims and proceedings have amounted to less than €50 million per year since 2006.

Disputes over industrial property rights

Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers.

Regulatory proceedings

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

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth, 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 €23.8 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 2015. In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US \$5.0 million (around €4.4 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 into this matter by other antitrust authorities and claims for damages by further alleged victims remains unaffected by the fines imposed.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany; and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Continental has set aside provisions that cover this fine. Customers have since approached Continental to claim for damages, in some cases for specific amounts. In addition, two class action lawsuits have been filed in Canada against Continental AG and several of its subsidiaries. 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 use of illegal defeat devices in VW diesel engines as well as in connection with the 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 segment 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.

39. Contingent Liabilities and Other Financial Obligations

€ millions	December 31, 2021	December 31, 2020
Liabilities on guarantees	12.6	19.2
Liabilities on warranties	67.0	53.6
Risks from taxation and customs	37.4	39.9
Other financial obligations	16.0	16.1
Other contingent liabilities	11.7	5.2
Contingent liabilities and other financial obligations	144.7	134.0

As in previous years, contingent liabilities related to guarantees for the liabilities of affiliated companies and third parties not included in consolidation and to contractual warranties. To the best of our knowledge, the underlying obligations will be fulfilled in all cases. Utilization is not anticipated.

The other financial obligations relate in part to the acquisition of companies now owned by the Continental Group.

The Continental Group could be subject to obligations relating to environmental issues under governmental laws and regulations, or as a result of various claims and proceedings that are pending or that might be made or initiated against it. Estimates of future expenses in this area are naturally subject to many uncertainties,

such as the enactment of new laws and regulations, the development and application of new technologies and the identification of contaminated land or buildings for which the Continental Group is legally liable.

In connection with the spin-off of Vitesco Technologies, individual customers of Vitesco Technologies were granted contract performance guarantees valid until December 31, 2024. To the best of our knowledge, the companies concerned will be able to fulfill the underlying obligations in all cases. Utilization is not anticipated.

Open purchase commitments for property, plant and equipment amounted to €672.7 million (PY: €569.9 million).

40. Earnings per Share

Basic earnings per share rose in 2021 to €7.28 (PY: -€4.81), the same amount as diluted earnings per share. In both the period under review and the previous year, there were no dilutive effects such as interest savings on convertible bonds or warrant-linked

bonds (after taxes). There were also no dilutive effects from stock option plans or the assumed exercise of convertible bonds. Basic earnings per share from continuing operations amounted to €6.49 (PY: -€3.02).

€ millions/millions of shares	2021	2020
Net income attributable to the shareholders of the parent	1,455.0	-961.9
Weighted average number of shares issued	200.0	200.0
Basic earnings per share in €	7.28	-4.81

41. Events After the End of the Reporting Period

There were no significant events after December 31, 2021.



42. Auditor's Fees

For fiscal 2021, a global fee of €11.2 million (PY: €17.2 million) was agreed for the audit of the consolidated financial statements, the interim financial statements and the separate financial statements of the subsidiaries. The figures for the previous year constitute the fees charged by KPMG AG Wirtschaftsprüfungsgesellschaft. Adjusted to the current audit scope, i.e. without the companies no

longer included in the scope of consolidation due to the spin-off of Vitesco Technologies, the fees for the previous year amounted to €13.9 million.

The following fees were recognized in profit or loss for the auditor elected by the Annual Shareholders' Meeting.

The following fees relate only to services directly connected with Continental AG and its German subsidiaries:

€ millions	2021	2020 ¹
Audit of financial statements	4.3	6.5
Other assurance services	0.0	2.8
Tax advisory services	0.2	0.3
Other services provided to the parent company or its subsidiaries	0.5	0.0
Total	5.0	9.6

¹ All figures for the previous year constitute the fees charged by KPMG AG Wirtschaftsprüfungsgesellschaft. Financial statements account for €0.6 million, while other assurance services for companies no longer included in the scope of consolidation owing to the spin-off of Vitesco Technologies account for €0.4 million.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and its registered branches are deemed the auditor.

43. Transactions with Related Parties

Remuneration of the Executive Board and the Supervisory Board

The remuneration of the Continental Group's key management personnel that must be disclosed in accordance with IAS 24, *Related Party Disclosures*, comprises the remuneration of the active members of the Executive Board and the Supervisory Board.

The remuneration of the active members of the Executive Board in the respective years was as follows:

€ thousands	2021	2020
Short-term benefits	15,936	8,723
Service cost relating to post-employment benefits	7,901	7,593
Termination benefits	15,960	516
Share-based payment	2,004	6,171
Total	41,801	23,003

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.

Additional benefits include (i) provision of a company car, which can also be for personal use, (ii) reimbursement of travel expenses, as well as relocation costs and expenses for running a second household, where this is required for work reasons, (iii) a regular health check, (iv) directors' and officers' (D&O) liability insurance

with deductible in accordance with Section 93 (2) Sentence 3 *AktG*, (v) accident insurance, (vi) the employers' liability insurance association contribution including, where necessary, income tax incurred as a result, as well as (vii) health insurance and long-term care insurance contributions based on Section 257 of Book V of the German Social Code (*SGB V*) and Section 61 of Book XI of the German Social Code (*SGB XI*).

In accordance with their future benefit rights, each member of the Executive Board is granted post-employment benefits that are paid starting at the age of 63, but not before they leave the service of Continental AG (hereinafter "insured event"). From January 1, 2014, the company pension for the members of the Executive Board was



changed to a defined contribution commitment. A capital component is credited to the Executive Board member's pension account each year. In addition, a fixed contribution, agreed by the Supervisory Board in the Executive Board member's employment contract, is multiplied by an age factor that represents an appropriate return. For members of the Executive Board who were already in office prior to January 1, 2014, the future benefit rights accrued until December 31, 2013, have been converted into a starting component in the capital account. When the insured event occurs, the benefits are paid out as a lump sum, in installments or – as is normally the case due to the expected amount of the benefits – as a pension. Post-employment benefits must be adjusted after commencement of such benefit payments by 1% p.a. in accordance with Section 16 (3) No. 1 of the German Company Pensions Law (*Betriebsrentengesetz – BetrAVG*).

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

The Supervisory Board may take the function and area of responsibility of the individual members of the Executive Board into account accordingly when determining the amount of the total target-based remuneration. As part of this, shares of the individual remuneration component for the total target-based remuneration are indicated below in percentage ranges. The precise proportions therefore vary depending on the functional differentiation as well as a possible change within the framework of the yearly remuneration review.

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

For a more detailed description of the remuneration system's variable components based on performance as well as the obligations due, please see Note 30.

Provisions for defined benefit obligations of current members of the Executive Board amount to €57.5 million (PY: €55.4 million).

Provisions for severance payments and other salaries amount to €6.7 million (PY: –).

The total remuneration granted to the Executive Board of Continental AG in 2021 in accordance with Section 314 (1) No. 6 *HGB* amounted to €28.5 million (PY: €15.8 million). That total remuneration also included, in addition to short-term benefits of €15.9 million (PY: €8.7 million), a newly granted long-term incentive plan totaling €7.0 million (PY: €6.6 million) and the equity deferral of the performance bonus of €5.6 million (PY: €0.5 million).

The fair value of the 2021 LTI plan as at the grant date, assuming full vesting, was €6.3 million.

Moreover, former members of the Executive Board and their surviving dependents received payments totaling €8.8 million (PY: €7.1 million). Provisions for pension obligations for former members of the Executive Board and their surviving dependents amounted to €190.8 million (PY: €170.4 million).

Remuneration paid to the members of Continental AG's Supervisory Board, including meeting fees, totaled €5.1 million in the past fiscal year (PY: €4.8 million).

As in 2020, no advances or loans were granted to members of Continental AG's Executive Board or Supervisory Board in 2021.

The table below shows the transactions with related parties other than subsidiaries, for continuing and discontinued operations:

€ millions	Income		Expenses		Accounts receivable		Accounts payable	
	2021	2020	2021	2020	2021	2020	2021	2020
Non-consolidated companies								
Ordinary business activities	17.1	18.7	5.6	4.8	5.2	5.8	3.0	2.7
Others	0.4	0.7	0.0	0.0	4.8	5.1	1.3	2.1
Equity-accounted investees								
Ordinary business activities	127.8	163.8	79.3	65.0	51.0	107.4	112.4	211.9
Financing	92.0	5.0	0.4	0.3	53.6	48.5	111.3	108.3
Others	32.5	0.0	—	45.0	—	0.1	—	—
Schaeffler Group								
Ordinary business activities	71.7	90.7	66.2	90.6	11.6	19.5	13.4	20.1
Vitesco Technologies								
Ordinary business activities	346.8	—	336.7	—	781.6	—	125.7	—
Others	28.1	—	5.2	—	11.7	—	0.6	—
Other related parties								
Ordinary business activities	—	—	—	0.0	—	—	—	—
Total	716.4	278.9	493.4	205.7	919.5	186.4	367.7	345.1

Transactions with related parties other than subsidiaries were conducted on an arm's-length basis. Ordinary business activities comprise the purchase or sale of goods and other assets as well as rendered or received services.

Income from financing activities with related parties mainly resulted from 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, totaling €106.2 million. This was offset by the derecognition of loans totaling €16.8 million due to a debt waiver.

Income from other transactions with related parties mainly resulted from the reversal of a provision for capital commitments to former associate OSRAM CONTINENTAL GmbH, Munich, Germany, in the amount of €32.5 million.

The expenses and income from ordinary business activities with Vitesco Technologies mainly resulted from variable lease payments in accordance with IFRS 16, *Leases*, due to contract manufacturing. Please see Note 17 for further information.

Notices in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)

From the start of the fiscal year to the time of the preparation of the financial statements, we received the following notifications in accordance with Section 33 (1) WpHG on holdings in Continental AG and published them in accordance with Section 40 (1) WpHG. In the event of the same party reaching, exceeding or falling below the threshold stated in this provision on multiple occasions, only the most recent notification is shown. Notifications from earlier fiscal years about the existence of voting rights shares of at least 3% are still disclosed as at the end of the reporting period. The provisions for notifications from fiscal years prior to 2018 relate to the version of the WpHG valid until January 2, 2018.

BlackRock, Inc., Wilmington, Delaware, USA, notified us that its share of voting rights in Continental AG on February 10, 2022, amounted to 3.12%.

› 2.99% of these voting rights (5,984,582 voting rights with the security identification number DE0005439004) are attributed to the company in accordance with Section 34 WpHG.

› 0.01% of these voting rights (11,803 voting rights with the security identification number US2107712000) are attributed to the company in accordance with Section 34 WpHG.

› 0.05% of these voting rights (103,243 voting rights) are attributed to the company as instruments in accordance with Section 38 (1) No. 1 WpHG (Lent Securities).

› 0.07% of these voting rights (139,523 voting rights) are attributed to the company as instruments in accordance with Section 38 (1) No. 2 WpHG (Contract for Difference).

Harris Associates L.P., Wilmington, Delaware, USA, notified us that Harris Associates Investment Trust holds an investment in Continental AG amounting to 3% or more of the voting rights, and that its share of voting rights in Continental AG on May 4, 2021, amounted to 5.01%. This corresponds to 10,030,136 voting rights attributed to the company in accordance with Section 34 WpHG.

Harris Associates Investment Trust, Boston, Massachusetts, USA, notified us that its share of voting rights in Continental AG on April 19, 2021, amounted to 3.000042253736%. This corresponds to 6,000,264 voting rights in accordance with Section 33 WpHG.



By way of a letter dated January 4, 2016, we received notification that:

- › the share of voting rights in Continental AG held by Schaeffler Familienholding Eins GmbH, Herzogenaurach, Germany, fell below the threshold of 3% of voting rights on December 31, 2015, due to restructuring within the corporation and amounted to 0.00% at this time.
- › the share of voting rights in Continental AG held by Schaeffler Familienholding Zwei GmbH, Herzogenaurach, Germany, fell below the threshold of 3% of voting rights on December 31, 2015, due to restructuring within the corporation and amounted to 0.00% at this time.
- › the share of voting rights in Continental AG held by IHO Verwaltungs GmbH (still operating as Schaeffler Verwaltung Zwei GmbH as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, amounted to 35.99%.
- › the share of voting rights in Continental AG held by IHO Beteiligungs GmbH (still operating as Schaeffler Verwaltungs GmbH as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, amounted to 10.01%. Another 35.99% of the voting rights in Continental AG are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- › 46.00% of the voting rights in Continental AG are attributed to IHO Holding GmbH & Co. KG (still operating as Schaeffler Holding GmbH & Co. KG as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- › 46.00% of the voting rights in Continental AG are attributed to IHO Management GmbH (still operating as Schaeffler Management GmbH as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- › 46.00% of the voting rights in Continental AG are attributed to INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

› 46.00% of the voting rights in Continental AG are attributed to Schaeffler Holding LP, Dallas, Texas, USA, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

› 46.00% of the voting rights in Continental AG are attributed to Mrs. Maria-Elisabeth Schaeffler-Thumann on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

› 46.00% of the voting rights in Continental AG are attributed to Mr. Georg F. W. Schaeffler on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

As a result of the withdrawal of Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, from Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, Germany, on December 31, 2015, the investment held by Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, Germany, in Continental AG accrued to IHO Verwaltungs GmbH (still operating as Schaeffler Verwaltung Zwei GmbH as at December 31, 2015), Herzogenaurach, Germany. The investment held by Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, as well as the investment by its co-owner; by Schaeffler Familienholding Eins GmbH, Herzogenaurach, Germany; and by Schaeffler Familienholding Zwei GmbH, Herzogenaurach, Germany, in Continental AG accordingly ceased to exist. As a result of a subsequent further accrual and termination without liquidation of Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, this company's notification obligation in accordance with the *WpHG* ceased to apply on January 1, 2016.

In 2021 and until February 22, 2022, inclusively, the members of the Executive Board held shares representing a total interest of less than 1% of the share capital of the company. Shares representing 46.00% of the voting share capital of the company were attributable to the members of the Supervisory Board Mrs. Maria-Elisabeth Schaeffler-Thumann and Mr. Georg F.W. Schaeffler. In 2021 and until February 22, 2022, inclusively, the other members of the Supervisory Board held shares representing a total interest of less than 1% of the share capital of the company.



44. List of Shareholdings of the Continental Group

Further information on equity investments can be found in the list of the Continental Group's shareholdings in accordance with Section 313 of the German Commercial Code (*Handelsgesetzbuch - HGB*), which is published as part of the consolidated financial statements in the German Federal Gazette (*Bundesanzeiger*). The consolidated financial statements with the list of the Continental Group's shareholdings are also made available for inspection by the shareholders in the business premises at the company's headquarters from the date on which the Annual Shareholders' Meeting is con-

vened, and from that point in time are available together with the additional documents and information in accordance with Section 124a of the German Stock Corporation Act (*Aktiengesetz - AktG*) online at www.continental-ir.com.

Statutory exemption provisions applying to German companies

The following German companies and partnerships utilized the exemption provisions of Section 264 (3) *HGB* and Section 264b *HGB*:

Company	Registered office
ADC Automotive Distance Control Systems GmbH	Lindau
A-Z Formen- und Maschinenbau GmbH	Runding-Langwitz
balance GmbH, Handel und Beratungsservice im Gesundheitswesen	Hanover
Benecke-Kaliko AG	Hanover
CAS München GmbH	Hanover
CAS-One Holdinggesellschaft mbH	Hanover
Conseo GmbH	Hamburg
Conti Temic microelectronic GmbH	Nuremberg
Conti Versicherungsdienst Versicherungsvermittlungsges. mbH	Hanover
Continental Advanced Antenna GmbH	Hildesheim
Continental Aftermarket & Services GmbH	Schwalbach am Taunus
Continental Automotive GmbH	Hanover
Continental Automotive Grundstücksges. mbH	Frankfurt am Main
Continental Autonomous Mobility Germany GmbH	Ingolstadt
Continental Caoutchouc-Export-GmbH	Hanover
Continental Engineering Services & Products GmbH	Ingolstadt
Continental Engineering Services GmbH	Frankfurt am Main
Continental Finance GmbH	Hanover
Continental Fuel Storage Systems GmbH	Hanover
Continental Reifen Deutschland GmbH	Hanover
Continental Safety Engineering International GmbH	Alzenau
Continental Teves AG & Co. oHG	Frankfurt am Main
Continental Trading GmbH	Schwalbach am Taunus
Continental Trebbin GmbH & Co. KG Sondermaschinenbau	Ingolstadt
Continental Trebbin Verwaltungs- und Beteiligungs-GmbH	Ingolstadt
ContiTech AG	Hanover
ContiTech Antriebssysteme GmbH	Hanover
ContiTech Elastomer-Beschichtungen GmbH	Hanover
ContiTech Kühner Beteiligungsgesellschaft mbH	Hanover
ContiTech Kühner GmbH & Cie. KG	Oppenweiler
ContiTech Luftfedersysteme GmbH	Hanover
ContiTech MGW GmbH	Hannoversch Münden
ContiTech Schlauch GmbH	Hanover
ContiTech Techno-Chemie GmbH	Karben
ContiTech Transportbandsysteme GmbH	Hanover
ContiTech Vibration Control GmbH	Hanover
ContiTech-Universe Verwaltungs-GmbH	Hanover



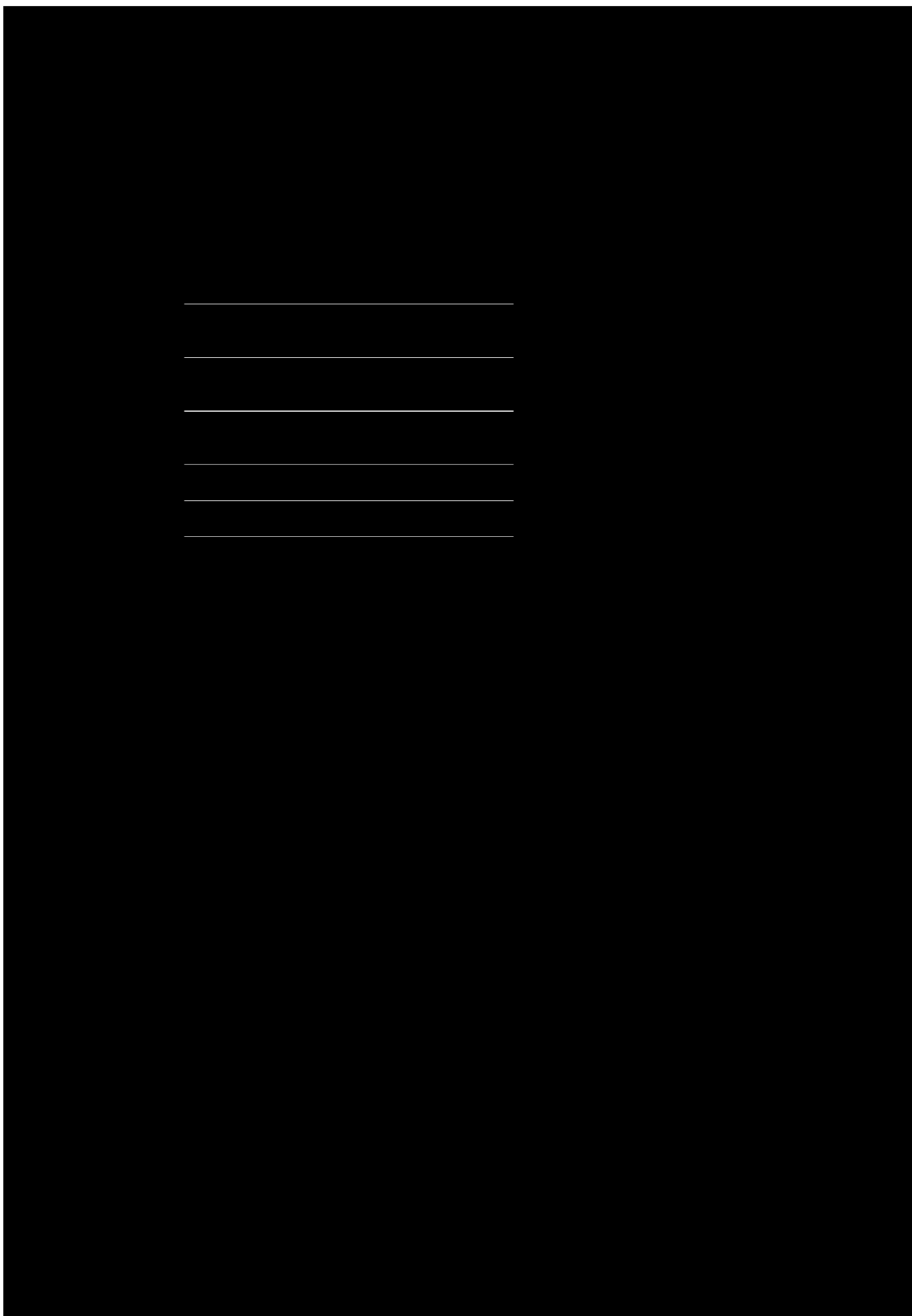
Company	Registered office
co-pace GmbH	Hanover
Eddelbüttel + Schneider GmbH	Hamburg
Elektrobit Automotive GmbH	Erlangen
Formpolster GmbH	Hanover
Hornschuch Group GmbH	Weißbach
Hornschuch-Markt GmbH	Weißbach
Hornschuch Stolzenau GmbH	Weißbach
inotec Innovative Technologie GmbH	Köhren-Sahlis
kek-Kaschierungen GmbH	Herbolzheim
Konrad Hornschuch AG	Weißbach
MISA-Beteiligungs GmbH	Hanover
MISA GmbH & Co. KG	Hanover
OTA Grundstücks- und Beteiligungsverwaltung GmbH	Frankfurt am Main
Phoenix Beteiligungsgesellschaft mbH	Hamburg
Phoenix Compounding Technology GmbH	Hamburg
Phoenix Conveyor Belt Systems GmbH	Hamburg
Phoenix Service GmbH & Co. KG	Hamburg
Phoenix Vermögensverwaltungsgesellschaft mbH	Hamburg
Präzisionstechnik Geithain GmbH	Geithain
REG Reifen-Entsorgungsgesellschaft mbH	Hanover
Senior Experts Services GmbH	Hanover
STEINEBRONN BETEILIGUNGS-GMBH	Oppenweiler
TON Tyres Over Night Trading GmbH	Schondra-Schildeck
UMG Beteiligungsgesellschaft mbH	Hanover
Union-Mittelland-Gummi-GmbH & Co. Grundbesitz KG	Hanover
Vergölst GmbH	Bad Nauheim

45. German Corporate Governance Code/Declaration in Accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz - AktG*)

The declaration required in accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz - AktG*) was issued by the Executive Board and Supervisory Board in October 2021 and February 2022, and is available to our shareholders online at www.continental.com in the Company section under Corporate Governance.

46. Report on Subsequent Events

As at February 22, 2022, there were no events or developments that could have materially affected the measurement and presentation of individual asset and liability items as at December 31, 2021.





Responsibility Statement by the Company's Legal Representatives

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

Hanover, February 22, 2022

Continental AG
The Executive Board

On March 7, 2022, the Executive Board of Continental AG amended the management report due to current geopolitical developments, in particular the war in Ukraine.

Hanover, March 7, 2022

Continental AG
The Executive Board



Members of the Executive Board and Their Directorships

List of the positions held by the Executive Board members on statutory supervisory boards and on comparable controlling bodies of companies in Germany and abroad in accordance with Section 285 No. 10 of the German Commercial Code (*Handelsgesetzbuch – HGB*):

Nikolai Setzer

Chairman

Chairman of the Automotive Board

Group Communications and Public Affairs

Group Quality, Continental Business System and Environment

Group Strategy

co-pace (start-up organization)

Automotive Central Functions

Group Compliance (since November 17, 2021)

Group Law and Intellectual Property

(since November 17, 2021)

Group Finance and Controlling

(from November 17, 2021, to December 14, 2021)

Group Information Technology

(from November 17, 2021, to December 14, 2021)

> ContiTech AG, Hanover* (Chairman)

> Vitesco Technologies GmbH, Hanover*

(until September 15, 2021)

> ContiTech Vibration Control GmbH, Hanover*

(Chairperson, until December 31, 2021)

> Phoenix Compounding Technology GmbH, Hamburg*

(Chairperson, until December 31, 2021)

> ContiTech Transportbandsysteme GmbH, Hanover*

(until December 31, 2021)

> Konrad Hornschuch AG, Weißbach* (until December 31, 2021)

> Benecke-Kaliko AG, Hanover*

(Vice Chairperson, until December 31, 2021)

> ContiTech MGW GmbH, Hann. Münden*

(until December 31, 2021)

> ContiTech Schlauch GmbH, Hanover* (until December 31, 2021)

> ContiTech Techno-Chemie GmbH, Karben*

(until December 31, 2021)

> Veyance Hong Kong Co. Ltd., Hong Kong, China*

(until December 31, 2021)

Hans-Jürgen Duensing

ContiTech Business Area (until May 31, 2021)

> Benecke-Kaliko AG, Hanover* (Chairman, until May 31, 2021)

> ContiTech Antriebssysteme GmbH, Hanover*

(Vice Chairman, until May 31, 2021)

> ContiTech Elastomer-Beschichtungen GmbH, Hanover*

(Vice Chairman, until May 31, 2021)

> ContiTech Luftfedersysteme GmbH, Hanover*

(Vice Chairman, until May 31, 2021)

> ContiTech MGW GmbH, Hann. Münden*

(Vice Chairman, until May 31, 2021)

> ContiTech Schlauch GmbH, Hanover*

(Vice Chairman, until May 31, 2021)

> ContiTech Techno-Chemie GmbH, Karben*

(Vice Chairman, until May 31, 2021)

> ContiTech Transportbandsysteme GmbH, Hanover*

(Vice Chairman, until May 31, 2021)

> ContiTech Vibration Control GmbH, Hanover*

(Vice Chairman, until May 31, 2021)

> Phoenix Compounding Technology GmbH, Hamburg*

(Vice Chairman, until May 31, 2021)

> EPD Holdings, Inc., Wilmington, Delaware, USA*

(until May 31, 2021)

> ContiTech USA, Inc., Fairlawn, Ohio, USA* (until May 31, 2021)

Frank Jourdan

Autonomous Mobility and Safety Business Area

(until December 31, 2021)

> Continental Automotive Corporation, Yokohama, Japan*

(until December 31, 2021)

> Conti Automotive Servicios, S. A. de C.V., Silao Guanajuato,

Mexico* (until June 28, 2021)

> Continental Automotive Bajío, S. A. de C.V., Silao Guanajuato,

Mexico* (until June 28, 2021)

> ContiTech Fluid Mexicana Servicios, S. A. de C.V., Tlalnepantla,

Mexico* (until June 28, 2021)

> ContiTech Fluid Monterrey Servicios, S. A. de C.V., Tlajomulco de

Zuñiga, Mexico* (until July 30, 2021)

> Continental Automotive SLP, S. A. de C.V., San Luis Potosi, Mexico*

(until June 28, 2021)

Christian Kötz

Tires Business Area

Group Purchasing

> Continental Reifen Deutschland GmbH, Hanover* (Chairman)

> Continental Tire Holding US LLC, Wilmington, Delaware, USA*

> Continental Tire the Americas, LLC, Columbus, Ohio, USA*

Katja Dürrfeld

Group Finance and Controlling (since December 14, 2021)

Group Information Technology (since December 14, 2021)

> ContiTech Antriebssysteme GmbH, Hanover*

(Chairperson, until December 31, 2021)

> ContiTech Luftfedersysteme GmbH, Hanover*

(Chairperson, until December 31, 2021)

Helmut Matschi

Vehicle Networking and Information Business Area

(until December 31, 2021)

> Continental Automotive GmbH, Hanover*

(Chairman, until December 31, 2021)

> Argus Cyber Security Ltd, Tel Aviv, Israel*

(Chairman, until January 1, 2021)



Philip Nelles

ContiTech Business Area (since June 1, 2021)

- › Benecke-Kaliko AG, Hanover* (Chairman, since June 1, 2021)
- › ContiTech USA, Inc., Fairlawn, Ohio, USA* (since June 1, 2021)

Dr. Ariane Reinhart

Group Human Relations

Director of Labor Relations

Group Sustainability

- › Vonovia SE, Düsseldorf
- › Vitesco Technologies GmbH, Hanover*
(until September 15, 2021)
- › Suse S. A., Luxembourg, Luxembourg (since April 30, 2021)

Wolfgang Schäfer

Group Finance and Controlling (until November 17, 2021)

Group Compliance, Law and Intellectual Property

(until November 17, 2021)

Group Information Technology (until November 17, 2021)

- › Continental Reifen Deutschland GmbH, Hanover*
(until November 17, 2021)
- › Continental Automotive, Inc., Wilmington, Delaware, USA*
(until November 17, 2021)
- › Continental Rubber of America, Corp., Wilmington, Delaware, USA*
(until November 17, 2021)
- › Vitesco Technologies GmbH, Hanover*
(Chairman, until September 15, 2021)

Andreas Wolf

Powertrain Business Area (until September 15, 2021)

* Companies pursuant to Section 100 (2) of the German Stock Corporation Act
(Aktiengesetz - AktG)



Members of the Supervisory Board and Their Directorships

Memberships of other statutory supervisory boards and of comparable controlling bodies of companies in Germany and abroad in accordance with Section 285 No. 10 of the German Commercial Code (*Handelsgesetzbuch – HGB*):

Prof. Dr.-Ing. Wolfgang Reitzle, Chairman

- > Ivoclar Vivadent AG, Schaan, Liechtenstein
- > Axel Springer SE, Berlin
- > Linde plc, Dublin, Ireland (Chairman)

Christiane Benner*, Vice Chairperson Second Chairperson, IG Metall

- > BMW AG, Munich

Hasan Allak*

**Chairman of the Corporate Works Council of Continental AG
and Chairman of the Works Council of Continental Reifen
Deutschland GmbH, Stöcken, Hanover**

- > Continental Reifen Deutschland GmbH, Hanover**

Stefan E. Buchner (since January 1, 2022)

Former member of the Executive Board of Daimler Truck AG

- > thyssenkrupp AG, Essen (since February 5, 2021)
- > Mosolf SE & Co. KG, Kirchheim unter Teck
- > HÖRMANN Holding GmbH & Co. KG, Kirchseeon

Dr. Gunter Dunkel

**Chairman European Private Debt, Muzinich & Co, London,
United Kingdom**

- > DEVnet AG, Munich

Francesco Grioli*

**Member of the Central Board of Executive Directors, IG
Bergbau, Chemie, Energie (Mining, Chemical and Energy
Industries Union)**

- > Gerresheimer AG, Düsseldorf (Vice Chairman)

Michael Iglhaut*

Chairman of the Works Council for the Frankfurt Location

Satish Khatu

Management Advisor

Isabel Corinna Knauf

**Member of the Group Management Committee at the Knauf
Group**

- > Skillet Fork Farms LLP, Wayne City, Illinois, USA (Chairperson)
- > Compagnie Marocaine de Plâtre et d'Enduit S. A., Safi, Morocco
- > Knauf S.r.l., Castellina, Italy**
- > Knauf Gipsopila ABEE, Athens, Greece** (Chairperson)
- > Knauf Cyprus Ltd., Limassol, Cyprus** (Chairperson)
- > Knauf İnşaat Ve Yapı Elemanları San. Ve Tic. A.Ş., Ankara, Turkey** (Chairperson))

- > PFT Siva Sistemleri San. Ve Tic. A.Ş., Ankara, Turkey** (Chairperson)

- > Knauf Plâtres Tunisiens S. A., Fouchena, Tunisia** (Chairperson)

Carmen Löffler (since September 16, 2021)

**Chairperson of the Central Works Council of Conti Temic
microelectronic GmbH**

- > Conti Temic microelectronic GmbH, Nuremberg** (Vice Chairperson)

Sabine Neuß

Member of the Executive Board of Jungheinrich AG

- > JULI Motorenwerk s. r.o., Moravany, Czechia
- > MAGAZINO GmbH, Munich
- > Schwerter Profile GmbH, Schwerte (since May 20, 2021)

Prof. Dr. Rolf Nonnenmacher

Member of various supervisory boards

- > ProSiebenSat.1 Media SE, Unterföhring
- > Covestro AG, Leverkusen
- > Covestro Deutschland AG, Leverkusen

Dirk Nordmann*

**Chairman of the Works Council for the Vahrenwald Plant,
ContiTech Antriebssysteme GmbH, Hanover**

- > ContiTech Luftfedersysteme GmbH, Hanover**

Lorenz Pfau*

**Chairman of the Central Works Council of Continental
Automotive GmbH**

Klaus Rosenfeld

Chief Executive Officer of Schaeffler AG, Herzogenaurach

- > Schaeffler India Limited, Vadodara, India** (until October 28, 2021)
- > Siemens Gamesa Renewable Energy S. A., Zamudio, Spain
- > Vitesco Technologies Group AG, Regensburg** (since September 15, 2021)

Georg F.W. Schaeffler

**Co-owner of INA-Holding Schaeffler GmbH & Co. KG,
Herzogenaurach
Managing Director of IHO Verwaltungs GmbH**

- > Schaeffler AG, Herzogenaurach** (Chairman)
- > ATESTEO Management GmbH, Herzogenaurach** (Chairman, until August 31, 2021)
- > ATESTEO Management GmbH, Herzogenaurach** (since September 1, 2021)
- > Vitesco Technologies Group AG, Regensburg** (since September 15, 2021)



Maria-Elisabeth Schaeffler-Thumann
Co-owner of INA-Holding Schaeffler GmbH & Co. KG,
Herzogenaurach, Managing Director of IHO Verwaltungs
GmbH

› Schaeffler AG, Herzogenaurach** (Vice Chairperson)

Jörg Schönfelder*
Chairman of the Works Council for the Korbach Plant and
Chairman of the European Works Council

› Continental Reifen Deutschland GmbH, Hanover**

Stefan Scholz*
Head of Finance & Treasury

› Phoenix Pensionskasse von 1925, Hamburg
› Pensionskasse für Angestellte der Continental Aktiengesellschaft
VVG, Hanover

Kirsten Vörkel (until September 15, 2021)*
Chairperson of the Works Council of Vitesco Technologies
GmbH, Dortmund
Chairperson of the Central Works Council of Vitesco
Technologies GmbH, Hanover

› Vitesco Technologies GmbH, Hanover** (Vice Chairperson)
› Vitesco Technologies Group AG, Regensburg**
(since September 15, 2021)

Elke Volkmann*
Second Authorized Representative of IG Metall Nordhessen,
Administrative Office for North Hesse, Kassel

› Krauss-Maffei Wegmann Verwaltungs GmbH, Munich

Prof. TU Graz e.h. KR Ing. Siegfried Wolf
(until December 31, 2021)
Entrepreneur

› Porsche Automobil Holding SE, Stuttgart
› SBERBANK Europe AG, Vienna, Austria (Chairman)
› Schaeffler AG, Herzogenaurach
› MIBA AG Mitterbauer Beteiligungs AG, Laakirchen, Austria
› QJSC GAZ Group, Nizhny Novgorod, Russia
› CMBiu Energy AG, Alzenau (until December 14, 2021)
› Vitesco Technologies Group AG, Regensburg**
(since September 15, 2021, Chairman since October 4, 2021)
› Steyr Automotive GmbH, Steyr, Austria
(Chairman, since October 19, 2021)

1. Chairman's Committee

› Prof. Dr.-Ing. Wolfgang Reitzle (Chairman)
› Christiane Benner
› Georg F. W. Schaeffler
› Jörg Schönfelder

2. Audit Committee

› Prof. Dr. Rolf Nonnenmacher (Chairman)
› Francesco Grioli
› Michael Iglhaut
› Dirk Nordmann
› Klaus Rosenfeld
› Georg F. W. Schaeffler

3. Nomination Committee

› Prof. Dr.-Ing. Wolfgang Reitzle (Chairman)
› Prof. Dr. Rolf Nonnenmacher
› Georg F. W. Schaeffler
› Maria-Elisabeth Schaeffler-Thumann

4. Mediation Committee required under Section 27 (3) of the German Co-determination Act (*Mitbestimmungsgesetz*)

› Prof. Dr.-Ing. Wolfgang Reitzle (Chairman)
› Christiane Benner
› Georg F. W. Schaeffler
› Jörg Schönfelder

5. Committee for Related Party Transactions

› Prof. Dr.-Ing. Wolfgang Reitzle (Chairman)
› Prof. Dr. Rolf Nonnenmacher

* Employee representative

** Companies pursuant to Section 100 (2) of the German Stock Corporation Act
(Aktiengesetz - AktG)

Members of the Supervisory Board Committees:



Ten-Year Review - Continental Group

		2021 ¹	2020 ¹	2019 ²	2018 ³	2017	2016	2015	2014	2013	2012
Statement of financial position											
Non-current assets	€ millions	19,786.0	23,117.9	24,724.5	23,658.7	22,038.4	21,321.0	19,666.6	16,923.3	15,569.5	15,685.7
Current assets	€ millions	16,054.8	16,520.1	17,843.7	16,786.7	15,402.1	14,853.9	13,169.1	13,317.8	11,251.3	11,764.4
Total assets	€ millions	35,840.8	39,638.0	42,568.2	40,445.4	37,440.5	36,174.9	32,835.7	30,241.1	26,820.8	27,450.1
Shareholders' equity (excl. non-controlling interests)	€ millions	12,190.7	12,262.4	15,395.3	17,850.4	15,828.4	14,270.0	12,786.3	10,672.1	9,011.2	7,779.0
Non-controlling interests	€ millions	452.5	376.7	480.4	482.9	461.9	464.8	427.6	352.5	311.0	377.4
Total equity (incl. non-controlling interests)	€ millions	12,643.2	12,639.1	15,875.7	18,333.3	16,290.3	14,734.8	13,213.9	11,024.6	9,322.2	8,156.4
Equity ratio ⁴	%	35.3	31.9	37.3	45.3	43.5	40.7	40.2	36.5	34.8	29.7
Capital expenditure ^{5,6}	€ millions	1,947.4	1,779.7	3,308.6	3,124.4	2,854.4	2,593.0	2,178.8	2,045.4	1,981.1	2,019.4
Free cash flow	€ millions	1,372.4	878.7	761.7	1,351.0	1,752.8	1,771.3	1,443.6	2,014.9	1,818.3	1,652.5
Net indebtedness	€ millions	3,765.5	4,139.1	4,071.7	1,661.3	2,047.6	2,797.8	3,541.9	2,823.5	4,289.3	5,319.9
Gearing ratio	%	29.8	32.7	25.6	9.1	12.6	19.0	26.8	25.6	46.0	65.2
Income statement											
Sales ⁵	€ millions	33,765.2	31,864.4	44,478.4	44,404.4	44,009.5	40,549.5	39,232.0	34,505.7	33,331.0	32,736.2
Share of foreign sales ⁵	%	82.6	81.5	81.2	80.1	79.7	79.3	78.6	76.6	76.2	75.4
Cost of sales ^{5,7}	%	77.1	76.5	76.2	75.0	74.2	73.4	74.1	74.9	76.6	78.3
Research and development expenses (net) ^{5,7}	%	7.7	8.5	7.6	7.2	7.1	6.9	6.2	6.2	5.6	5.3
Selling and logistics expenses ^{5,7}	%	7.1	7.1	6.1	5.6	5.5	5.6	5.6	5.3	5.0	4.8
Administrative expenses ^{5,7}	%	3.0	3.0	2.5	2.6	2.6	2.5	2.4	2.2	2.1	2.0
EBITDA ⁵	€ millions	4,104.2	2,763.5	4,977.2	6,235.7	6,678.9	6,057.4	6,001.4	5,133.8	5,095.0	4,967.4
EBITDA ^{5,7}	%	12.2	8.7	11.2	14.0	15.2	14.9	15.3	14.9	15.3	15.2
EBIT ⁵	€ millions	1,845.8	-428.0	-268.3	4,027.7	4,561.5	4,095.8	4,115.6	3,344.8	3,263.7	3,186.2
EBIT ^{5,7}	%	5.5	-1.3	-0.6	9.1	10.4	10.1	10.5	9.7	9.8	9.7
ROCE ⁵	%	10.0	-2.2	-1.0	17.0	20.6	20.0	20.9	20.0	19.4	18.8
Personnel expenses ⁵	€ millions	9,436.8	9,807.4	11,750.0	11,125.3	10,687.3	9,695.7	9,164.6	7,757.2	7,124.5	6,813.7
Depreciation and amortization ^{5,8}	€ millions	2,258.4	3,191.5	5,245.5	2,208.0	2,117.4	1,961.6	1,885.8	1,789.0	1,831.3	1,781.2
Net income attributable to the shareholders of the parent	€ millions	1,455.0	-961.9	-1,225.0	2,897.3	2,984.6	2,802.5	2,727.4	2,375.3	1,923.1	1,905.2
Dividend and earnings per share											
Dividend for the fiscal year	€ millions	440.0 ⁹	—	600.0	950.0	900.0	850.0	750.0	650.0	500.0	450.0
Number of shares as at December 31	millions	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Dividend per share	€	2.20 ⁹	—	3.00	4.75	4.50	4.25	3.75	3.25	2.50	2.25
Net income (per share) attributable to the shareholders of the parent	€	7.28	-4.81	-6.13	14.49	14.92	14.01	13.64	11.88	9.62	9.53
Employees											
Annual average ⁵	thousands	193.5	195.9	244.1	242.8	230.7	216.0	204.7	186.0	175.4	169.0

1 The spin-off of parts of the former Powertrain segment has resulted in the application of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

2 IFRS 16, Leases, has been applied since 2019.

3 IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, have been applied since 2018.

4 Including non-controlling interests.

5 The figure for 2020 has been adjusted in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and encompasses continuing operations.

6 Capital expenditure on property, plant and equipment, and software.

7 As a percentage of sales.

8 Excluding impairment on financial investments.

9 Subject to the approval of the Annual Shareholders' Meeting on April 29, 2022.



Financial Calendar

2022

Annual Financial Press Conference	March 9
Analyst and Investor Conference Call	March 9
Annual Shareholders' Meeting	April 29
Quarterly Statement as at March 31, 2022	May 11
Half-Year Financial Report as at June 30, 2022	August 9
Quarterly Statement as at September 30, 2022	November 10

2023

Annual Financial Press Conference	March
Analyst and Investor Conference Call	March
Annual Shareholders' Meeting	April 27
Quarterly Statement as at March 31, 2023	May
Half-Year Financial Report as at June 30, 2023	August
Quarterly Statement as at September 30, 2023	November

Publication Details

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

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Årsregnskap 2021 Merlett Nor AS

Penneo Dokumentnøkkel: K01K0-S0ZEO-HZQ1E-V33FC-B1414-7ZWEF

Organisasjonsnr: 976 756 126



MERLETT NOR AS

ÅRSBERETNING

2021

EIERFORHOLD.

Merlett Tecnoplastic SPA i Italia eier 100% av aksjene.

VIRKSOMHETENS ART.

Merlett Nor AS er en handelsbedrift som selger produkter, hovedsakelig produsert av Merlett Tecnoplastic SPA i Italia og Continental AG i Europa og Amerika, i Norden og Baltikum. Produktene er suge- og trykkslanger i Gummi og Termoplastiske materialer.

4. november 2019 ble Merlett Tecnoplastic SPA kjøpt av Continental AG. Det er et stort tysk konsern med mange divisjoner. Merlett Nor AS hører til i divisjon IFS ContiTech. De er en av verdens største produsenter av gummislanger. Dette vil utvide selskapets varesortiment betydelig.

Selskapets hovedkontor ligger i Mandal. I tillegg har Merlett Nor AS filialer i Gråbo i Sverige, Nurmijärvi i Finland og Slangerup i Danmark. Hovedkontoret og samtlige filialer har komplett lagerhold av slanger tilpasset sine lokale markeder. I 2017 etablerte Merlett Nor AS et 100 % eid aksjeselskap i St. Petersburg i Russland. Dette selskapet ble i 2021 solgt til ContTech Moskva.

FORTSATT DRIFT.

I samsvar med regnskapslovens § 3-3a bekreftes det at forutsetningen om fortsatt drift er lagt til grunn ved utarbeidelse av årsregnskapet for 2021. Til grunn for bekreftelsen ligger resultatprognoser for 2022 og langsiktige strategiske prognoser for årene fremover.

ARBEIDSMILJØ, LIKESTILLING OG SYKEFRAVÆR.

Styret anser arbeidsmiljøet i selskapet som godt. Ansatte har ikke vært utsatt for skader i forbindelse med utførelsen av sitt arbeid. Totalt sykefravær siste år har vært på 1,2 % av total arbeidstid. Merlett Nor AS har som mål å være en arbeidsplass der det råder full likestilling mellom kvinner og menn og har innarbeidet en personalpolitikk som anses for å være kjønnsnøytral på alle områder. Selskapet hadde ved årets utløp 18 ansatte som utgjør 18 årsverk. Hvorav 2 kvinner og 16 menn. Selskapets styre består av 3 personer, hvorav alle er menn.



DISKRIMINERING.

Diskrimineringslovens formål er å fremme likestilling, sikre like muligheter og rettigheter og å hindre diskriminering på grunn av etnisk, nasjonal opprinnelse, avstamning, hudfarge, språk, religion og livssyn. Ledelsen arbeider aktivt, målrettet og planmessig for å fremme lovens formål innenfor vår virksomhet.

MILJØRAPPORTERING.

Bedriftens virksomhet forurenser ikke det ytre miljøet og virksomheten er ikke regulert av konsesjoner eller pålegg.

FREMTIDIG UTVIKLING.

Selskapet forventes å ha en positiv utvikling. Veksten i salget antas hovedsakelig å komme fra det store produktspekteret av gummislanger som IFS ContiTech produserer. Disse synergieffektene har gitt resultater også i 2021. Så langt i 2022 ser vi en markant vekst i salget av IFS ContiTech sine gummislanger.

Krigen i Ukraina har ingen direkte innvirkning på selskapets omsetning så langt i år, men vi følger utviklingen i våre markeder og har tett kontakt med våre kunder.

Råvarekostnadene ser ut til å ha stabilisert seg, men energikostnadene fortsetter å stige. Alle kostnadsøkninger dekkes inn med økte salgspriser.

Ved avleggelse av årsregnskapet for 2021 anser styret derfor at situasjonen ikke har påvirket selskapets evne til fortsatt drift.

REDEGJØRELSE FOR ÅRSREGNSKAPET.

Omsetningen i Merlett Nor AS økte fra NOK 88.416.501 i 2020 til NOK 106.994.855 i 2021.

Årsresultatet ble NOK 5.053.807 i 2021 mot NOK -6.420.759 i 2020.

Kontantstrøm i 2021 fra operasjonelle aktiviteter var negativ med NOK 7.294.340, mens netto investeringsaktiviteter og finansieringsaktiviteter endte med en negativ kontantstrøm på til sammen NOK 49.437, hvorpå selskapets totale aktiviteter reduserte bokførte likvider med NOK 7.343.777.

Det ble gjort nye investeringer i Norge, Sverige, Finland og Danmark på til sammen NOK 49.437 i 2021.



Selskapet hadde kun kortsiktig gjeld pr 31.12.2021. Selskapets finansielle stilling vurderes som god. Dette begrunnes i at den kortsiktige gjelden hovedsakelig består av leverandørgjeld til morselskapet Merlett Tecnoplastc SPA. Alt Merlett Nor AS kjøper fra Merlett Tecnoplastic SPA har betalingsbetingelser på 60 dager. Dersom betalingsbetingelsene overskrides blir selskapet belastet med 2 % rente. Det er kun selskapets filial i Finland som ble belastet med overskridelsesrenter i 2021.

Totalkapitalen pr 31.12.2021 var på NOK 56.630.678 mot NOK 53.209.323 pr 31.12.2020.

Egenkapitalandelen pr 31.12.2021 var på 20,32% mot 12,26% pr 31.12.2020.

FORSKNINGS OG UTVIKLINGSAKTIVITETER.

Merlett Nor AS har for tiden ingen pågående forsknings eller utviklingsaktiviteter.

FINANSIELL RISIKO.

Den finansielle risikoen for Merlett Nor AS anses som svært lav, basert på følgende vurdering:

1. MARKEDSRISIKO: Merlett Nor AS og dets filialer kjøper og selger det meste i lokal valuta. Selskapet er ikke eksponert for endringer i rentenivå da selskapet ikke har rentebærende gjeld.
2. KREDITTRISIKO: Merlett Nor AS har høyt fokus på å unngå tap på fordringer. Det ble i 2020 bokført en avsetning til tap i filialen i Finland på EUR 522.451, omregnet til NOK 5.462.960. Avsetningen gjaldt i sin helhet kundefordring mot Merlett Nor AS sitt 100 % eide datterselskap i St. Petersburg i Russland. Selskapet ble i 2021 solgt til ContTech Moskva og tapet er konstatert. Foruten nevnte tap er det ikke konstaterte tap på fordringer. Utestående kundefordringer pr 31.12.2021 utgjorde totalt NOK 23.691.986 mot NOK 16.393.358 pr 31.12.2020. Det er ikke inngått avtaler om motregning eller andre finansielle instrumenter som minimerer kredittrisikoen i selskapet.
3. LIKVIDITETSRISIKO: Merlett Nor AS sin likviditet vurderes som god. Likviditetsbeholdningen var pr 31.12.2021 NOK 7.999.561 mot NOK 15.343.336 pr 31.12.2020. Vedrørende leverandørgjeld så vises det til beskrivelse av betalingsbetingelser i omtalen om kortsiktig gjeld.

FORSIKRING FOR STYRETS MEDLEMMER OG DAGLIG LEDER.

Selskapet har ikke tegnet forsikring for styrets medlemmer og daglig leder for deres mulige ansvar overfor foretakets og tredjepersoner.



ÅRSRESULTAT OG DISPONERINGER.

Styret mener at årsregnskapet gir et rettviseende bilde av Merlett Nor AS sine eiendeler og gjeld, finansielle stilling og resultat. Sum egenkapital var pr 31.12.2021 NOK 11.506.512. På bakgrunn av dette foreslås følgende disponering av årsresultatet:

Årsresultatet på NOK 5.053.807 overføres i sin helhet til opptjent egenkapital.

Mandal, 27.06.2022

Styret for Merlett Nor AS

David Hoffmann

Styreleder

Jan A. Roaldstveit

Daglig leder/Styremedlem

Jan-Bernd Hans Heinrich Timmermann

Styremedlem

Penneo Dokumentnøkket: K01K0-S0ZEO-HZQ1E-V33FC-B14147ZWEF



Resultatregnskap

Merlett Nor AS

Driftsinntekter og driftskostnader	Note	2021	2020
Salgsinntekt	1	106 994 855	88 416 501
Annen driftsinntekt		94 628	21 460
Sum driftsinntekter		107 089 482	88 437 960
Varekostnad		72 864 874	63 902 272
Lønnskostnad	2	16 205 301	15 492 732
Avskrivning av driftsmidler og immaterielle eiendeler	3	311 245	298 520
Annen driftskostnad	2, 3	11 205 328	14 537 350
Sum driftskostnader		100 586 747	94 230 873
Driftsresultat		6 502 735	-5 792 913
Finansinntekter og finanskostnader			
Annen renteinntekt		201 469	308 596
Annen finansinntekt		154 064	34 931
Nedskrivning av andre finansielle anleggsmidler	4	0	1 519 934
Annen rentekostnad		78 349	486 668
Annen finanskostnad		483 999	350 242
Resultat av finansposter		-206 816	-2 013 316
Ordinært resultat før skattekostnad		6 295 920	-7 806 229
Skattekostnad på ordinært resultat	5	1 242 113	-1 385 470
Årsresultat		5 053 807	-6 420 759
Overføringer			
Avsatt til annen egenkapital	6	5 053 807	0
Overført fra annen egenkapital	6	0	6 420 759
Sum overføringer		5 053 807	-6 420 759

Penneo Dokumentnøkkel: K01K0-S0ZEO-HZQ1E-V33FC-B1414-7ZWEF



Balanse

Merlett Nor AS

Eiendeler	Note	2021	2020
Anleggsmidler			
<i>Immaterielle eiendeler</i>			
Konsesjoner, patenter o.l.	3	0	27 905
Utsatt skattefordel	5	1 086 774	1 953 316
Sum immaterielle eiendeler		1 086 774	1 981 221
<i>Varige driftsmidler</i>			
Driftsløsøre, inventar o.a. utstyr	3	232 159	482 427
Sum varige driftsmidler		232 159	482 427
<i>Finansielle anleggsmidler</i>			
Investeringer i datterselskap	4	0	1
Sum finansielle anleggsmidler		0	1
Sum anleggsmidler		1 318 933	2 463 649
Omløpsmidler			
<i>Varer</i>			
Lager av varer og annen beholdning		21 980 087	17 493 765
Sum varer		21 980 087	17 493 765
<i>Fordringer</i>			
Kundefordringer		23 691 986	16 393 358
Andre kortsiktige fordringer		1 640 112	1 515 215
Sum fordringer		25 332 098	17 908 573
<i>Bankinnskudd, kontanter o.l</i>			
Bankinnskudd, kontanter o.l.	7	7 999 561	15 343 336
Sum bankinnskudd, kontanter o.l		7 999 561	15 343 336
Sum omløpsmidler		55 311 746	50 745 674
Sum eiendeler		56 630 678	53 209 323

Merlett Nor AS

Side 3

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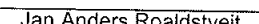
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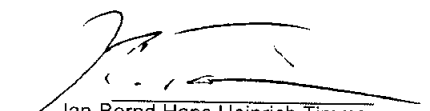
Merlett Nor AS

Egenkapital og gjeld	Note	2021	2020
Egenkapital			
Innskutt egenkapital			
Aksjekapital	6, 8	500 000	500 000
Annen innskutt egenkapital	6	7 500 000	7 500 000
Sum innskutt egenkapital		8 000 000	8 000 000
Opptjent egenkapital			
Annen egenkapital	6	3 506 512	-1 477 355
Sum opptjent egenkapital		3 506 512	-1 477 355
Sum egenkapital	9	11 506 512	6 522 645
Kortsiktig gjeld			
Leverandørgjeld		1 375 276	712 232
Leverandørgjeld til selskap i samme konsern	10	33 962 020	37 057 816
Betalbar skatt	5	1 328 575	273 693
Skyldig offentlige avgifter		986 666	1 046 165
Annen kortsiktig gjeld		7 471 629	7 596 772
Sum kortsiktig gjeld		45 124 166	46 686 678
Sum gjeld		45 124 166	46 686 678
Sum egenkapital og gjeld		56 630 678	53 209 323

Mandal,
Styret i Merlett Nor AS


David Hoffmann
styreleder


Jan Anders Roaldstveit
styremedlem/daglig leder


Jan-Bernd Hans Heinrich Timmermann
styremedlem

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Indirekte kontantstrøm

Merlett Nor AS

Kontantstrømmer fra operasjonelle aktiviteter	Note	2021	2020
Resultat før skattekostnad	5	6 295 920	-7 806 229
Periodens betalte skatt		-7 914	29 854
Tap/gevinst ved salg av anleggsmidler	3	-20 000	0
Ordinære avskrivninger	3	311 245	298 520
Nedskrivning anleggsmidler		0	1 519 934
Endring i varelager		-4 486 322	1 180 982
Endring i kundefordringer		-7 298 628	3 287 369
Endring i leverandørgjeld	10	-2 432 753	6 783 614
Effekt av valutakursendringer	6	-69 940	583 467
Periodisering uten kontanteffekt	3	27 905	45 090
Endring i andre tidsavgrensningsposter		386 147	3 031 939
Netto kontantstrøm fra operasjonelle aktiviteter		-7 294 340	8 954 540
Kontantstrømmer fra investeringsaktiviteter			
Innbetalinger ved salg av varige driftsmidler	3	20 000	0
Utbetalinger ved kjøp av varige driftsmidler	3	-69 437	-233 278
Netto kontantstrøm fra investeringsaktiviteter		-49 437	-233 278
Kontantstrømmer fra finansieringsaktiviteter			
Netto endring i kontanter og kontantekvivalenter		-7 343 777	8 721 262
Beh. av kont. og kontantekvivalenter ved per. begynnelse		15 343 336	6 622 074
Beh. av kont. og kontantekvivalenter ved per. slutt		7 999 560	15 343 336

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Noter til regnskapet 2021

Regnskapsprinsipper

Merlett Nor AS driver med import og salg av PVC og termoplastiske slanger til industri, landbruk, fiskerier og oljeindustri. Selskapet er lokalisert i Mandal og har filialer i Sverige, Finland og Danmark. Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk for øvrige foretak. Forutsetningen om fortsatt drift er lagt til grunn ved utarbeidelsen.

Bruk av estimater

Utarbeidelse av regnskap i samsvar med regnskapsloven krever bruk av estimater. Videre krever anvendelse av selskapets regnskapsprinsipper at ledelsen må utøve skjønn. Områder som i stor grad inneholder slike skjønnsmessige vurderinger, høy grad av kompleksitet, eller områder hvor forutsetninger og estimater er vesentlige for årsregnskapet, er beskrevet i notene.

Salgsinntekter

Inntekter ved salg av varer og tjenester vurderes til virkelig verdi av vederlaget, netto etter fradrag for merverdiavgift, returer, rabatter og andre avslag.

Salg av varer inntektsføres når risiko og kontroll i all hovedsak er overført kjøperen. Med risiko menes eiendelens gevinst og tapspotensiale mens kontroll defineres som beslutnings og råderett. Erfaringstall anvendes for å estimere og regnskapsføre avsetninger for kvantumsrabatter og retur på salgstidspunktet. Salg av tjenester inntektsføres etter hvert som de er levert.

Klassifisering og vurdering av balanseposter

Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Anleggsmidler er vurdert til anskaffelseskost. Omløpsmidler og kortsiktig gjeld omfatter normalt poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Omløpsmidler vurderes til laveste verdi av anskaffelseskost og antatt virkelig verdi.

Fordringer klassifiseres som omløpsmidler hvis de skal tilbakebetales i løpet av ett år. For gjeld er analoge kriterier lagt til grunn. Første års avdrag på langsiktige fordringer og langsiktig gjeld klassifiseres likevel ikke som omløpsmiddel og kortsiktig gjeld. Enkelte poster er vurdert etter andre regler. Postene det gjelder vil være blant de postene som omhandles nedenfor.

Immaterielle eiendeler

Utgifter til andre immaterielle eiendeler balanseføres i den grad det kan identifiseres en fremtidig økonomisk fordel knyttet til utvikling av en identifiserbar immateriell eiendel og utgiftene kan måles pålitelig. I motsatt fall kostnadsføres slike utgifter løpende. Balanseført utvikling avskrives lineært over økonomisk levetid.

Varige driftsmidler

Varige driftsmidler balanseføres og avskrives lineært til restverdi over driftsmidlenes forventede utnyttbare levetid. Ved endring i avskrivningsplan fordeles virkningen over gjenværende avskrivningstid ("knekkpunktmetoden"). Vedlikehold av driftsmidler kostnadsføres løpende. Påkostninger eller forbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmidlet. Skillet mellom vedlikehold og påkostning/forbedring regnes i forhold til driftsmidlets stand ved kjøp av driftsmidlet. Tomter avskrives ikke.

Leide (leasede) driftsmidler balanseføres som driftsmidler hvis leiekontrakten anses som finansiell. Utgifter til leie av øvrige driftsmidler kostnadsføres som operasjonell. Forskuddsbetalinger balanseføres som forskuddsbetalt kostnad, og fordeles over leieperioden.

Merlett Nor AS

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Noter til regnskapet 2021

Investeringer i datterselskap

Kostmetoden brukes som prinsipp for investeringer i datterselskap. Kostprisen økes når midler tilføres ved kapitalutvidelse, eller når det gis konsernbidrag til datterselskap. Mottatte utdelinger resultatføres i utgangspunktet som inntekt. Utbytte/konsernbidrag fra datterselskap regnskapsføres det samme året som datterselskapet avsetter beløpet. Utbytte fra andre selskaper regnskapsføres som finansinntekt når utbyttet er vedtatt. Investeringene blir nedskrevet til virkelig verdi dersom verdifallet ikke er forbigående

Varer

Lager av innkjøpte varer er vurdert til det laveste av anskaffelseskost etter FIFO-prinsippet, og netto salgsverdi. Det er foretatt nedskrivning for ukurans og endringen i avsetning er kostnadsført som varekostnad. Egentilvirkede ferdigvarer og varer under tilvirkning vurderes til variabel tilvirkningskost.

Fordringer

Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning for tap gjøres på grunnlag av individuelle vurderinger av de enkelte fordringene. I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap.

Pensjoner

Selskapet har ulike pensjonsordninger. Pensjonsordningene er finansiert gjennom innbetalinger til forsikringsselskap. Dette er innskuddsplaner hvor selskapet betaler innskudd til et forsikringsselskap. Selskapet har ingen ytterligere betalingsforpliktelse etter at innskuddene er betalt. Innskuddene regnskapsføres som lønnskostnad. Eventuelle forskuddsbetalte innskudd balanseføres som eiendel (pensjonsmidler) i den grad innskuddet kan refunderes eller redusere framtidige innbetalinger.

Skatt

Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt beregnes med 22 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt eventuelt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reversere i samme periode er utlignet og nettoført. Utsatt skatt på merverdier i forbindelse med oppkjøp av datterselskap blir ikke utlignet.

Oppføring av utsatt skattefordel på netto skattereduserende forskjeller som ikke er utlignet og underskudd til fremføring, er begrunnet med antatt fremtidig inntjening. Utsatt skattefordel som kan balanseføres og utsatt skatt er oppført netto i balansen.

Valuta

Fordringer og gjeld i utenlandsk valuta vurderes etter kursen ved regnskapsårets slutt. Kursgevinster og kurstap knyttet til varesalg og varekjøp i utenlandsk valuta føres som salgsinntekter og varekostnad. Kjøp og salg av varer i utenlandsk valuta bokføres til kurs på transaksjonstidspunktet. Omregning av tall fra filialene gjennomføres ved at resultatposter omregnes til gjennomsnittskurs og balanseposter til sluttkurs for året. Omregningsdifferanser posterer direkte mot egenkapitalen ved inkludering av filialene.

Kontantstrømoppstilling

Kontantstrømoppstillingen utarbeides etter den indirekte metoden. Kontanter og kontantekvivalenter omfatter kontanter, bankinnskudd og andre kortsiktige likvide plasseringer som umiddelbart og med uvesentlig kursrisiko kan konverteres til kjente kontantbeløp og med gjenværende løpetid mindre enn tre måneder fra anskaffelsesdato.

Merlett Nor AS

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Noter til regnskapet 2021

Hendelser etter balansedag

Ny informasjon etter balansedagen om selskapets finansielle stilling på balansedagen er hensyntatt i årsregnskapet. Hendelser etter balansedag som ikke påvirker selskapets finansielle stilling på balansedagen, men som vil påvirke selskapets finansielle stilling i fremtiden er opplyst om dersom dette er vesentlig.

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Merlett Nor AS



Noter til regnskapet 2021

Note 1 Salgsinntekter

Selskapets salgsinntekter er i sin helhet knyttet til salg av produktene suge- og trykkslanger i PVC og termoplastiske materialer.

Geografisk fordeling	2021	2020
Norge	18 857 908	15 532 424
Sverige	33 150 769	27 497 705
Finland	12 587 793	11 902 057
Danmark	40 848 191	32 199 067
Andre land	1 550 194	1 285 248
Sum	106 994 855	88 416 501

Note 2 Lønnskostnader, antall ansatte, godtgjørelser, lån til ansatte m

Lønnskostnader	2021	2020
Lønn inkl feriepenger	3 973 729	3 275 646
Arbeidsgiveravgift	681 578	612 287
Pensjonskostnader	825 782	872 940
Lønnskostnader Sverige	3 566 324	3 637 267
Lønnskostnader Danmark	4 517 080	4 248 667
Lønnskostnader Finland	2 429 378	2 647 480
Andre ytelser	211 429	198 445
Sum	16 205 301	15 492 732
Gjennomsnittlig antall årsverk sysselsatt i regnskapsåret	18	18
Ytelser til ledende personer	Daglig leder	
Lønn	1 822 666	
Annen godtgjørelse	297 691	
Sum	2 120 357	

Det er ikke gitt lån/sikkerhetsstillelse til daglig leder, styrets leder eller andre nærstående parter.

OTP

Selskapet er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon. Selskapets pensjonsordninger tilfredsstiller kravene i denne lov.

Revisor

Kostnadsført honorar til revisor for 2021 utgjør totalt kr 504 867,- ekskl. mva.

Revisjonshonorar for Norge er kostnadsført med kr 215 000. Honoraret fordeler seg med kr 215 000 for ordinær revisjon og kr 0 for annen bistand.

Revisjonshonorar for filialen i Sverige er kostnadsført med SEK 73 600.
Revisjonshonorar for filialen i Finland er kostnadsført med EUR 9 835.
Revisjonshonorar for filialen i Danmark er kostnadsført med DKK 85 000.

Merlett Nor AS

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Noter til regnskapet 2021

Note 3 Anleggsmidler

Driftsløsøre og maskiner fordelt

per land	Danmark	Finland	Sverige	Norge	Sum
Anskaffelseskost 01.01.	1 779 403	728 294	2 131 161	1 484 671	6 123 529
Tilgang kjøpte driftsmidler	0	0	0	69 437	69 437
Avgang kostpris	0	0	0	- 345 920	-345 920
Anskaffelseskost 31.12.	1 779 403	728 294	2 131 161	1 208 188	5 847 046

Akkumulerte avskr. og nedskr. 31.12.	1 773 856	688 088	2 131 161	1 021 782	5 614 887
Bokført verdi pr. 31.12.	5 547	40 206	0	186 406	232 159

Årets avskrivninger	208 454	13 648	0	89 143	311 245
Økonomisk levetid	4-7 år	4-7 år		4-7 år	

Immaterielle eiendeler

Det ble i 2018 investert i lisenser for bruk av varesortiment innen landbasert fiskeoppdrett. Totalt investert beløp var kr 118 085 som er utgiftsført med kr 45 090 i 2019 og med kr 27 905 i 2021. Kostnaden er tatt under andre driftskostnader og investeringen er fullt avskrevet.

Årlig leie av ikke balanseførte driftsmidler

Driftsmiddel	Leieperiode	Årlig leie
Biler	1 - 3,5 år	865 000
Lokaler	2 - 5 år	3 626 000

Note 4 Investering i datterselskap

Selskapet hadde frem til 2021 et 100 % eid datterselskap lokalisert i St. Petersburg Russland. Det ble ikke utarbeidet konsernregnskap da Merlett Nor AS inngår i konsernregnskapet til Merlett Tecnoplastic SPA, Daverio (Varese), Italia.

Datterselskapets regnskap for 2019 viste at egenkapitalen var negativ med NOK 508 799 etter at selskapet hadde et underskudd i 2019 med NOK 699 046. Til tross for igangsatte tiltak og fornyet handlingsplan for Merlett Russland, er selskapets egenkapital fortsatt negativ etter underskudd i 2020.

Basert på fortsatt negativ drift, og betydelig usikkerhet rundt estimer om fremtiden, besluttet konsernledelsen våren 2021 å nedskrive aksjene i datterselskapet fra bokført kostpris på NOK 1 519 935 til NOK 1. Videre ble det på samme grunnlag besluttet at fordringen på datterselskapet på NOK 5 462 957 skulle avsettes til tap.

Aksjene i datterselskapet ble solgt til Continental i Moskva i 2021 og tapet av fordringen ble konstatert.

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Noter til regnskapet 2021

Note 5 Skatt

Årets skattekostnad	2021	2020
Resultatført skatt på ordinært resultat:		
Betalbar skatt	609 726	216 235
Endring i utsatt skattefordel	632 387	-1 601 705
Skattekostnad ordinært resultat	1 242 113	-1 385 470

Skattepliktig inntekt:		
Ordinært resultat før skatt	6 295 920	-7 806 229
Permanente forskjeller	1 496 797	1 688 994
Endring i midlertidige forskjeller	-5 021 235	7 100 121
Skattepliktig inntekt	2 771 482	982 886

Betalbar skatt i balansen:		
Betalbar skatt på årets resultat	1 328 575	273 693
Sum betalbar skatt i balansen	1 328 575	273 693

Beregning av effektiv skattesats		
Resultat før skatt	6 295 920	-7 806 229
Beregnet skatt av resultat før skatt	1 385 102	-1 717 370
Skatteeffekt av permanente forskjeller	329 295	371 579
Sum	1 714 398	-1 345 792
Effektiv skattesats	27,2 %	17,2 %

Skatteeffekten av midlertidige forskjeller som har gitt opphav til utsatt skatt og utsatte skattefordeler, spesifisert på typer av midlertidige forskjeller

	2021	2020	Endring
Varige driftsmidler	-397 907	-274 811	123 096
Varebeholdning	-1 910 322	-1 591 693	318 629
Fordringer	0	-5 462 960	-5 462 960
Sum	-2 308 229	-7 329 464	-5 021 235

Ubenyttet kreditfradrag	-2 500 000	-1 500 000	1 000 000
Grunnlag for utsatt skattefordel	-4 808 229	-8 829 464	-4 021 235

Utsatt skattefordel (22 %)	-1 057 810	-1 942 482	-884 672
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Bokført utsatt skattefordel kr 28 964 er knyttet til midlertidige forskjeller i en av filialene som ikke kan utlignes i grunnlaget for utsatt skattefordel i Norge. Utsatt skattefordel er sannsynliggjort gjennom sannsynlige kreditfradrag for skatt betalt i utlandet.

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Noter til regnskapet 2021

Note 6 Egenkapital

	Aksjekapital	Annen innskutt egenkapital	Annen egenkapital	Sum egenkapital
Pr. 01.01	500 000	7 500 000	-1 477 355	6 522 645
Endring omregningsdifferanse valuta			-69 940	-69 940
Årets resultat			5 053 807	5 053 807
Pr 31.12	500 000	7 500 000	3 506 512	11 506 512

Annen innskutt egenkapital

Selskapets eiere har skutt inn NOK 7 500 000 ved konvertering av gjeld. Kapitalen er formelt sett ikke registrert i Foretaksregisteret, men er presentert som egenkapital da innskuddet ikke kan tilbakebetales til eierne uten en formell godkjenning av generalforsamlingen under visse vilkår og i samsvar med aksjelovens regler. Innskuddet står følgelig tilbake for all gjeld og dette skal ikke renteberegnes.

Omregningsdifferanse filial i Sverige, Danmark og Finland

Omregningsdifferansen kommer av at resultatet til filialene blir omregnet fra gjennomsnittskurs for 2021 til sluttkurs 31.12.2021, mens inngående egenkapital blir omregnet fra kurs ved regnskapsårets begynnelse til sluttkurs 31.12.2021.

Note 7 Bundne midler bank

Av bankinnskudd, er kr 189 240 bundet for innbetaling av ansattes skattetrekk.

Note 8 Aksjonærer

Aksjekapitalen i Merlett Nor AS pr. 31.12 består av:

	Antall	Pålydende	Bokført
Ordinære aksjer	500	1 000,0	500 000
Sum	500		500 000

Eierstruktur

De største aksjonærene i % pr. 31.12 var:

	Ordinære	Eierandel	Stemmeandel
Merlett Technoplastic SPA	500	100,0	100,0

Merlett Nor AS

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Noter til regnskapet 2021

Note 9 Fortsatt drift og hendelser etter balansedagen

På tidspunkt for avleggelse av regnskapet ligger salg og ordreinnfang på et nivå på omtrent 35 % økning sammenlignet med samme periode i 2021. Av dette utgjør prisstigning omtrent 25 % og volumvekst omtrent 10 %. Leveringstider fra fabrikk er fortsatt noe lengre enn normalt, men begynner å normalisere seg.

Koronapandemien har ikke gitt negative konsekvenser når man ser året 2021 under ett. Synergieffektene av at fabrikken i Italia eies av Continental AG fortsetter å vise en positiv salgsutvikling.

Ved avleggelse av årsregnskapet for 2021 anser styret derfor at situasjonen ikke har påvirket selskapets evne til fortsatt drift. Årsregnskapet er derfor avlagt under forutsetning om fortsatt drift.

Note 10 Mellomværende med selskap i samme konsern

Gjeld	2021	2020
Leverandørgjeld	33 962 020	37 057 816
Sum gjeld	33 962 020	37 057 816

Leverandørgjeld til morselskapet Merlett Technoplastic Spa i Italia kommer av at mesteparten av varekostnadene er kjøp fra morselskapet.

Filialer	Leverandørgjeld til morselskapet i NOK
Norge	222 973
Sverige	7 688 726
Finland	17 766 411
Danmark	8 283 910
Totalt	33 962 020

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De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Jan Anders Roaldstveit

Daglig leder

Serienummer: 9578-5993-4-2565698

IP: 62.93.xxx.xxx

2022-06-29 06:50:30 UTC



Jan Anders Roaldstveit

Styremedlem

Serienummer: 9578-5993-4-2565698

IP: 62.93.xxx.xxx

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