# Prospectus

**for admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with additional post-admission obligations (Prime Standard) of**

**40,021,196 registered shares (*auf den Namen lautende Aktien*) with no-par value (entire share capital upon effectiveness of the capital increase in connection with the spin-off of an indirect 100% shareholding in Vitesco Technologies GmbH by way of a transfer of 100% of the limited partnership interests in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG and the shares in their respective general partners, Vitesco Technologies 1. Verwaltungs GmbH and Vitesco Technologies 2. Verwaltungs GmbH, to Vitesco Technologies Group Aktiengesellschaft and the issue of 99.95% of the shares of Vitesco Technologies Group Aktiengesellschaft to the shareholders of Continental AG)**

each such share representing a notional interest in the share capital of €2.50 and carrying full dividend rights from January 1, 2021

of

## Vitesco Technologies Group Aktiengesellschaft

Regensburg, Germany

International Securities Identification Number (ISIN): DE000VTSC017
German Securities Code (*Wertpapierkennnummer*, WKN): VTSC01
Common Code: 229694715
Trading Symbol: VTSC

**Lead Financial Advisors and Listing Agents**

**BofA Securities** **Deutsche Bank** **J.P. Morgan**

**Co-Advisors**

**BBVA** **Citi** **COMMERZBANK**

**Crédit Agricole CIB** **DBS Vickers Securities** **DZ BANK**

**Helaba** **ING** **LBBW**

**SMBC Nikko** **UniCredit Bank AG**

The date of this prospectus is September 7, 2021.

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## SUMMARY OF THE PROSPECTUS

### A. – Introduction and Warnings

This prospectus (the ***Prospectus***) relates to the admission to the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) of 40,021,196 registered shares (*auf den Namen lautende Aktien*) with no-par value in Vitesco Technologies Group Aktiengesellschaft (the ***Company***, and together with its combined subsidiaries, the ***Group*** or ***Vitesco Technologies***) (the ***Shares***). Each Share has a notional interest in the share capital of the Company of €2.50 and carries full dividend rights from January 1, 2021. By way of a spin-off by absorption (*Abspaltung zur Aufnahme*) (the ***Spin-off***) which is expected for September 15, 2021, Continental AG (together with its consolidated subsidiaries, the ***Continental Group***) will transfer inter alia 100% of the limited partnership interests in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG and the shares in their respective general partners, Vitesco Technologies 1. Verwaltungs GmbH and Vitesco Technologies 2. Verwaltungs GmbH, to the Company. Upon the Spin-off, around 99.95% of the Shares will be transferred to the shareholders of Continental AG in the same proportion as their shareholding in Continental AG.

The International Securities Identification Number (ISIN) of the Shares is DE000VTSC017. The Company can be contacted at its business address at Siemensstraße 12, 93055 Regensburg, Federal Republic of Germany (***Germany***) (telephone +49 941 2031 - 8823 or +49 941 2031 - 6381; website: www.vitesco-technologies.com). The Company's Legal Entity Identifier (***LEI***) 529900CCDMZ7UCYYS252.

The Company and Deutsche Bank Aktiengesellschaft, stock corporation with its registered seat in Frankfurt am Main, Germany, and its business address in Taunusanlage 12, 60325 Frankfurt am Main, Germany (telephone: +49 69 910-00; website: www.db.com; LEI 7LTWFZYICNSX8D621K86) (***Deutsche Bank***), will ask for admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with additional post-admission obligations (Prime Standard).

The Prospectus is dated September 7, 2021 and has been approved by the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht,* ***BaFin****)* on September 7, 2021. BaFin can be contacted at Marie Curie Straße 24-28, 60439 Frankfurt am Main, Germany (telephone +49 228 4108 0; website: www.bafin.de).

*This summary should be read as an introduction to this Prospectus. Any decision to invest in the Shares should be based on a consideration of this Prospectus as a whole by an investor. Investors in the Shares could lose all or part of their invested capital. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.*

### B. – Key information on the Issuer

### B.1 – Who is the Issuer of the Securities?

The Company is a stock corporation (*Aktiengesellschaft*) organized under German law. The Company's legal name is Vitesco Technologies Group Aktiengesellschaft. The Company, with LEI 529900CCDMZ7UCYYS252, has its registered seat in Hanover, Germany, and its registered business address at Siemensstraße 12, 93055 Regensburg, Germany. It is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Hanover under the number HRB 219172. On August 25, 2021, the Company's shareholders' meeting has resolved to move the registered seat of the Company to Regensburg shortly after the Spin-off.

*Principal Activities*

Upon the Spin-off becoming effective, the Company will be the holding company of Vitesco Technologies. Vitesco Technologies focuses on the development and production of components and system solutions for the powertrain of hybrid and electric vehicles and for combustion engine-based vehicles. Its portfolio includes 48 Volt electrification solutions, electric drives, and power electronics for hybrid and battery electric vehicles. Furthermore, the product range counts electronic controls, sensors, actuators, turbochargers, hydraulic components and pumps as well as solutions for exhaust aftertreatment.

The operations of Vitesco Technologies are managed in four business units that also represent its reporting segments under International Financial Reporting Standards as adopted by the EU (***IFRS***): Electronic Controls (***EC***), Electrification Technology (***ET***), Sensing & Actuation (***S&A***) and Contract Manufacturing (***CM***).

- EC focuses on technologies, products and services ensuring the efficiency, performance and convenience of powertrains of light vehicles, commercial vehicles and two-wheelers. It offers technologies, products and services for (i) controlling of powertrains based on combustion engines, electric motors and a combination of both in hybrid vehicles and (ii) transmission control and actuation. In addition, high voltage boxes for plug-in hybrid electric vehicles and battery electric vehicles, were recently added to the EC portfolio.
- ET covers a wide spectrum of electrification architectures for powertrains and offers technologies and products for fuel cell electric vehicles, plug-in hybrid electric vehicles, battery electric vehicles as well as mild hybrid electric vehicles.
- S&A focuses on technologies and products for the precise sensing and actuation in the powertrain. It offers a comprehensive product portfolio for combustion engines as well as the hybridization and the electrification of the entire powertrain.
- CM resulted from the carve-out of Continental Group's powertrain business to form Vitesco Technologies. It covers the business relationship between Vitesco Technologies and Continental Group where companies of Vitesco Technologies engage in manufacturing activities for customer orders of the contractual partners of Continental Group. Vitesco Technologies plans to gradually phase out CM over the long-term. Sales generated by CM are expected to fall by more than 50% until the end of 2023 and to be largely limited to three locations. The phasing out of CM should be substantially completed by 2025.

Within EC and S&A, the Group also manufactures certain technologies and products for internal combustion engines (***ICE***) which are considered today to only have limited market potential and therefore considered non-core ICE technologies, such as fuel injection equipment, fuel delivery, selective catalytic reduction systems as well as turbochargers. Vitesco Technologies plans to discontinue the development and manufacturing of non-core ICE technologies products either by phase-out, i.e. that in general no business acquisition for next generation or new customer applications are sought and focus on fulfillment of existing customer obligations, or through other forms of an exit planned to be completed within the next decade, while one third is planned to be phased out in the mid-term.

In the fiscal year 2020, in its core technologies (its business excluding non-core ICE technologies and CM), Vitesco Technologies generated core technologies sales of €4,932.2 million (€2,742.2 million in the six-month period ended June 30, 2021) with a core technologies adjusted EBITDA margin of 4.8% (6.6% in the six-month period ended June 30, 2021). In the fiscal year 2020, in its business including non-core ICE technologies and CM, Vitesco Technologies generated sales of €8,027.7 million (€4,396.9 million in the six-month period ended June 30, 2021). From those sales, 45.3% were generated by EC, 5.1% were generated by ET, 36.3% were generated by S&A and 13.7% were generated by CM.

*Major Shareholders*

As the date of this Prospectus, the Company's sole shareholder is Continental AG, a German stock corporation (*Aktiengesellschaft*) organized under the laws of Germany.

The following table contains information on the major shareholders which have been reported to and published by Continental AG to directly or indirectly hold an interest of 3% or more (calculated pursuant to Sections 33 *et seqq.* of the German Securities Trading Act (*Wertpapierhandelsgesetz*)) in Continental AG. Based on these shareholding notifications, the Company's capital and voting rights, immediately after completion of the Spin-off will be as follows.

| | **Immediately after completion of the Spin-off** | |
|---|---|---|
| **Shareholder** | **Number of Shares/ voting rights** | **In %** |
| **Continental AG** | **20,000** | **0.05**[5] |
| **Shareholders of Continental AG** | | |
| Maria-Elisabeth Schaeffler-Thumann and Georg F.W. Schaeffler via | 18,400,596 | 45.98 |
| *IHO Verwaltungs GmbH, Herzogenaurach, Germany*[1] | *14,398,091* | *35.98* |
| *IHO Beteiligungs GmbH, Herzogenaurach, Germany*[2] | *4,002,505* | *10.00* |
| Harris Associates Investment Trust[3] | 2,006,027 | 5.01 |
| BlackRock, Inc., Wilmington, Delaware, U.S.A.[4] | 1,215,543 | 3.04 |
| Freefloat | 18,379,030 | 45.92 |
| **Total** | **40,021,196** | **100** |

(1) As of the notification to Continental AG on January 4, 2016, the voting rights were attributed to (i) IHO Beteiligungs GmbH, Herzogenaurach, Germany; (ii) IHO Holding GmbH & Co. KG, Herzogenaurach, Germany; (iii) IHO

Management GmbH, Herzogenaurach, Germany; (iv) INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany; (v) Schaeffler Holding LP, Dallas, U.S.A.; (vi) Georg F.W. Schaeffler and (vii) Maria-Elisabeth Schaeffler-Thumann pursuant to Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). The voting rights in the Company immediately after completion of the Spin-off will be held and attributed accordingly.

(2) As of the notification to Continental AG on January 4, 2016, the voting rights were attributed to (i) IHO Holding GmbH & Co. KG, Herzogenaurach, Germany; (ii) IHO Management GmbH, Herzogenaurach, Germany; (iii) INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany; (iv) Schaeffler Holding LP, Dallas, U.S.A.; (v) Georg F.W. Schaeffler and (vi) Maria-Elisabeth Schaeffler-Thumann pursuant to Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*); IHO Verwaltungs GmbH, Herzogenaurach, and IHO Beteiligungs GmbH, Herzogenaurach, together the ***IHO Shareholders***. The voting rights in the Company immediately after completion of the Spin-off will be held and attributed accordingly.

(3) As of the notification to Continental AG on May 10, 2021, the voting rights were attributed to Harris Associates L.P. in accordance with Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). The voting rights in the Company immediately after completion of the Spin-off will be held and attributed accordingly.

(4) 2.997% of the voting rights in Continental AG as of the notification to Continental AG on July 8, 2021, were attributed to BlackRock, Inc.in accordance with Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) and 0.04% of the voting rights in Continental AG were attributed to BlackRock, Inc. as instruments in accordance with Section 38 (1) sentence 1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). The voting rights in the Company immediately after completion of the Spin-off will be held and attributed accordingly.

(5) The voting rights in the Company held by Continental AG will also be attributed to the IHO Shareholders pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz*).

*Key Managing Directors*

The Company's management board has three members: Andreas Wolf as chairman and chief executive officer of the Company's management board, Werner Volz as chief financial officer and Ingo Holstein as chief human resources officer.

*Statutory Auditors*

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, Germany (***KPMG***) with business address at Ganghoferstraße 29, 80339 Munich, Germany are the independent auditors of the Company.

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, Germany with business address Prinzenstraße 23, 30159 Hanover, Germany, were the independent auditors of (i) the audited combined financial statements of the Company as of and for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 prepared in accordance with IFRS and (ii) audited unconsolidated financial statements of the Company as of and for the fiscal year ended December 31, 2020 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*).

**B.2 – What is the Key Financial Information regarding the Issuer?**

The audited combined financial statements of the Company as of and for the fiscal years ended December 31, 2020, 2019 and 2018 were prepared in accordance with IFRS (the ***Annual Combined Financial Statements***). KPMG has audited and issued an unqualified independent auditor's report with respect to the Annual Combined Financial Statements. Although KPMG issued an unqualified independent auditor's report with respect to the Annual Combined Financial Statements, the auditor's report included a sub-section entitled "Emphasis of matter", drawing attention to their basis of preparation, including the approach to and the purpose for preparing them, and the fact that Vitesco Technologies has not operated as a separate group of entities. Consequently, the Annual Combined Financial Statements may not necessarily be indicative of the financial performance that would have been achieved if Vitesco Technologies had operated as an independent group of entities, nor may they be indicative of the results of operations of Vitesco Technologies for any future period. The unaudited condensed combined interim financial statements of the Company as of and for the six months ended June 30, 2021 including the comparable figures for the six months ended June 30, 2020, were prepared in accordance with IFRS for interim financial reporting (IAS 34) (the ***Interim Combined Financial Statements***). The financial information for the years ended December 31, 2020, 2019 and 2018 and for the six months ended June 30, 2021 and 2020 is presented in the form of the Annual Combined Financial Statements and Interim Combined Financial Statements to show the entire business of the Group as if the entire business was held by the Company as of January 1, 2018.

The financial information contained in the following tables has been taken or derived from (i) the Annual Combined Financial Statements and (ii) the Interim Combined Financial Statements.

In this summary, where financial data is labelled "audited" in the following tables, it has been taken from the Annual Combined Financial Statements. The label "unaudited" is used in the following tables to indicate financial data that has been taken from the Interim Combined Financial Statements or taken or derived from the Company's accounting records or internal reporting systems, or has been calculated based on financial data from the above-mentioned sources. Individual figures (including percentages) stated in this summary have been rounded using the common commercial method (*kaufmännische Rundung*).

*Key Financial Information from the Combined Income Statements*

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | (Audited, unless otherwise noted) | | |
| | *(€ million, unless otherwise noted)* | | | | |
| Sales | 4,396.9 | 3,408.7 | 8,027.7 | 9,092.5 | 9,143.1 |
| Growth in %(*) | 29.0 | — | -11.7 | -0.6 | — |
| Operating result (EBIT) | 39.8 | -300.6 | -324.3 | -635.2 | 184.2 |
| EBIT margin in % | 0.9 | -8.8 | -4.0 | -7.0 | 2.0 |
| Net income | -31.5 | -301.3 | -363.2 | -639.9 | 106.5 |

(*) Unaudited figures.

*Key Financial Information from the Combined Statements of Financial Position*

| | As of June 30, 2021 | As of December 31, | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| | (Unaudited) | (Audited, unless otherwise noted) | | |
| | *(€ million)* | | | |
| Total assets | 8,289.6 | 8,061.7 | 8,411.1 | 9,047.7 |
| Total equity | 2,656.6 | 2,648.6 | 3,178.9 | 5,094.1 |
| Net debt(*)(1) | -580.4 | -405.7 | -919.6 | -1,904.0 |

(*) Unaudited figures.

(1) Calculated as short-term indebtedness plus long-term indebtedness less cash and cash equivalents and short-term interest-bearing investments (being "short-term derivative instruments and interest-bearing investments" as included in the Company's Annual Combined Financial Statements and Interim Combined Financial Statements, but excluding derivative instruments and non-Continental Group debt instruments hold to collect (short-term)).

*Key Financial Information from the Combined Statements of Cash Flows*

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | (Audited) | | |
| | *(€ million)* | | | | |
| Cash flow arising from operating activities | 345.8 | -641.4 | -5.9 | 692.5 | 679.6 |
| Cash flow arising from investing activities | -41.0 | -162.8 | -449.8 | -637.1 | -644.0 |
| Cash flow arising from financing activities | 402.0 | 963.4 | 537.7 | 56.6 | -37.6 |

*Key Performance Indicators and Alternative Performance Measures*

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | (Audited, unless otherwise noted) | | |
| | *(€ million, unless otherwise noted)* | | | | |
| Adjusted EBIT(1) | 84.2 | -218.1 | -91.9 | 52.9 | 224.7 |
| Adjusted EBIT margin in %(2) | 1.9 | -6.4 | -1.1 | 0.6 | 2.5 |
| Adjusted EBITDA(*)(3) | 336.7 | 25.7 | 399.5 | 535.5 | 646.5 |
| Adjusted EBITDA margin in %(*)(4) | 7.7 | 0.8 | 5.0 | 5.9 | 7.1 |
| Capex(*)(5) | 146.0 | 161.7 | 428.4 | 595.5 | 684.1 |
| Return on capital employed(6) | n/a | n/a | -11.5 | -22.7 | 5.2 |

(*) Unaudited figures.

(1) Calculated as operating result (EBIT) before amortization of intangible assets from purchase price allocation, changes in the scope of combination, and special effects (e.g. impairment, restructuring and gains and losses from disposals of companies and business operations).

(2) Calculated as adjusted EBIT divided by adjusted sales multiplied by 100.

(3) Calculated as operating result before depreciation and amortization (EBITDA) before changes in the scope of combination, and special effects (e.g. restructuring and gains and losses from disposals of companies and business operations).

(4) Calculated as adjusted EBITDA divided by adjusted sales multiplied by 100.

(5) Capex relates to additions to property, plant and equipment, and software excluding right of use assets.

(6) Calculated as the ratio of operating result (EBIT) to average operating assets for the fiscal year. It corresponds to the rate of return on the capital employed. Operating assets are defined as the assets less liabilities as reported in the combined 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 correspond to the capital employed. However, average operating assets for the year 2018 are calculated as an average of the reporting dates December 31, 2018 and December 31, 2017.

**B.3 – What are the Key Risks That are Specific to the Issuer?**

An investment in the Shares is subject to a number of risks, some of which are presented in this section and under section "*C.3 – What are the Key Risks that are Specific to the Securities?*" of this summary. The occurrence of any of the following, individually or together, could materially adversely affect the Company's business, financial position, results of operations, reputation and prospects. If any of these risks were to materialize, investors could lose all or part of their investments.

The following risks are key risks specific to the Company:

- As a global supplier to the automotive sector Vitesco Technologies is exposed to substantial risks associated with the performance of the global economy and developments in Europe, the United States of America and China in particular.
- Vitesco Technologies may be particularly affected in case of a prolonged economic downturn in key markets or an adverse change in the geographical distribution of the automotive demand.
- Vitesco Technologies may not be able to keep pace with the accelerated transformation of the automotive industry.
- Vitesco Technologies depends on the demand of products of its customers and in particular sales generated from original equipment manufacturers (***OEM***).
- Vitesco Technologies operates in an industry where it is hard for it to correctly forecast demand for the Group's products.
- Vitesco Technologies faces risks associated with the quote process, in particular for larger and mid-sized OEM projects. Vitesco Technologies' order backlog may not necessarily be indicative of the level of its future sales, and the order books are not guaranteed.
- Vitesco Technologies depends on a limited number of key suppliers for certain products and inability to source products from these suppliers, for example semiconductors, particularly due to supply interruptions, could adversely affect its operations.
- Change of control provisions and other provisions in existing and future debt obligations could lead to an acceleration of payment obligations under these debt instruments.
- Vitesco Technologies may face liquidity risks due to changes in its (perceived) creditworthiness when Vitesco Technologies ceases to be part of Continental Group.
- Vitesco Technologies is exposed to warranty, product liability and recall claims and may incur additional costs in connection with such claims.
- Vitesco Technologies may be obliged to pay significant compensation and may incur significant costs in connection with investigations related to the alleged use of illegal defeat devices in diesel engines.
- The withdrawal from Continental Group may lead to the loss of synergies in shared services and infrastructure scale as well as higher purchasing costs.
- Vitesco Technologies is exposed to risks arising from indemnities which have been granted to the Continental Group in connection with the separation from the Continental Group.
- The IHO Shareholders will be able to control Vitesco Technologies upon completion of the Spin-off, and the interests of the IHO Shareholders may conflict with the interests of other shareholders or those of Vitesco Technologies. The IHO Shareholders hold 46% of Continental AG's shares and voting rights prior to the Spin-off and will therefore hold 46% of the Company's Shares upon completion of the Spin-off.

## C. – Key Information on the Securities

### C.1 – What are the Main Features of the Securities?

Upon the Spin-off becoming effective, the Company's share capital will be €100,052,990 and consist of 40,021,196 registered shares (*auf den Namen lautende Aktien*) with no-par value (*Stückaktien*). Each such Share with a notional par value of €2.50 in the share capital and with full dividend rights as from January 1, 2021, with the ISIN DE000VTSC017. All Shares are of the same class. Each Share in the Company carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. Voting rights are the same for all Shares. The Shares are freely transferable in accordance with the legal requirements for registered shares, except for the restrictions set forth in "*Lock-up*" below. In the event of the Company's liquidation, any proceeds remaining after satisfaction of all liabilities of the Company will be distributed to the holders of the Shares in proportion to their interest in the Company's share capital.

Prior to the Spin-off taking effect, the Company does not commence business operations and did not pay any dividends in the past. The Company's ability and intention to pay dividends in the future will depend on its financial position, results of operations, capital requirements, investment alternatives and other factors that the management board and supervisory board of the Company may deem relevant, and any proposals by the management board and supervisory board of the Company regarding dividend payments will be subject to the approval of the Company' shareholders' meeting. The Company's future dividend policy is to distribute between 15% and 30% of the consolidated net income attributable to common shareholders in accordance with IFRS in a given fiscal year as dividends assuming that the payment of such dividends is consistent with long-term and sustainable business development. The Company's ability to pay dividends in the future will depend on the amount of distributable profits. The Company further entered into syndicated facilities agreement with various lenders under which terms the payments of dividends, distributions or repayment of shareholder loans by the Company is subject to certain conditions. In the light of these aspects, it is currently not foreseen that a dividend may be paid for the fiscal years 2021 and 2022 and it is uncertain from what point in time a dividend payment will be proposed.

### C.2 – Where will the Securities be Traded?

The Company will apply for admission of its shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard). The Shares are expected to be admitted to trading on September 15, 2021 and public trading in the Shares is expected to commence on September 16, 2021.

### C.3 – What are the Key Risks that are Specific to the Securities?

The following risk is a key risk specific to the Shares:

- Substantial sales of Shares in the Company may occur in connection with the Spin-off or in the future, which could depress the market price of the Shares, such sales may also occur at a later stage.

## D. – Key Information on the Admission to Trading on a Regulated Market

### D.1 – Under which Conditions and Timetable Can I Invest in this Security?

Upon the Spin-off becoming effective, around 99.95% of the Shares will be transferred to the shareholders of Continental AG in the same proportion as their shareholding in Continental AG. On September 16, 2021, each shareholder of Continental AG is expected to receive

- for every five (5) bearer shares with no-par value in Continental Aktiengesellschaft (ISIN DE0005439004 / WKN 543900)
- one (1) registered share with no-par value in Vitesco Technologies Group Aktiengesellschaft (ISIN DE000VTSC017 / WKN VTSC01).

Following the commencement of trading, which is expected to occur on September 16, 2021, the Shares can be bought and sold on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

### D.2 – Who is the Person Asking for Admission to Trading?

The Company will apply for admission of the Shares to trading. Applications will be made together with Deutsche Bank, acting on behalf of the Listing Agents, for the purpose of the admission to trading.

### D.3 – Why is this Prospectus being Produced?

The purpose of this Prospectus is to admit the Shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

*No Proceeds*

Neither Continental AG nor the Company will receive proceeds in connection with the Spin-off. Continental AG will retain 20,000 shares in Vitesco Technologies Group Aktiengesellschaft (equal to around 0.05% of the share capital after the Spin-off) which will not be spun off in the Spin-off. Continental AG intends to sell these shares on the market after the Spin-off.

The costs in connection with the listing of the Shares are expected to amount to approximately €47 million, of which approximately €40 million shall be borne by Vitesco Technologies. The costs and expenses of preparing for the Spin-off by separating and establishing Vitesco Technologies as well as the costs and expenses of the actual Spin-off have been assumed by Continental Group and Vitesco Technologies in accordance with an agreed split. Any costs in connection with the Spin-off that will occur for Vitesco Technologies after the completion of the Spin-off, will be borne by Vitesco Technologies only.

*Listing Agreement*

In connection with the Spin-off and the listing of the Shares, Continental AG, the Company as well as BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, France, LEI 549300FH0WJAPEHTIQ77 (***BofA Securities***), Deutsche Bank and J.P. Morgan AG, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Germany, LEI 549300ZK53CNGEEI6A29 (***J.P. Morgan*** and together with BofA Securities and Deutsche Bank, the ***Lead Financial Advisors*** or the ***Listing Agents***) and Banco Bilbao Vizcaya Argentaria, S.A., Citigroup Global Markets Europe AG, COMMERZBANK Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, DBS Vickers Securities (UK) Ltd, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Landesbank Hessen-Thüringen Girozentrale, ING Bank N.V., Landesbank Baden-Württemberg (LBBW), SMBC Nikko Capital Markets Europe GmbH and UniCredit Bank AG (the ***Co-Advisors*** together with the Listing Agents, the ***Banks***) have entered into a listing agreement dated September 7, 2021. The Company and Continental AG have agreed in the listing agreement to indemnify the Banks against certain liability obligations that may arise in connection with the Spin-off and the admission to trading. Internally, the Company and Continental AG have agreed to share certain indemnity risks in accordance with general principles of German civil laws. In addition, Continental AG and the Company have entered into a share settlement agreement with Deutsche Bank who will act as a trustee within the meaning of Sections 125 sentence 1, 71 (1) sentence 1 of the German Transformation Act (*Umwandlungsgesetz*). In these agreements, the Company has agreed to pay to the Banks and Deutsche Bank as trustee a commission in a total amount of €17,475,000.

*Lock-up*

IHO Holding GmbH & Co. KG (the holding company of Maria-Elisabeth Schaeffler-Thumann and Georg F.W. Schaeffler) committed itself, that IHO Beteiligungs GmbH, IHO Verwaltungs GmbH (both being 100% subsidiaries IHO Holding GmbH & Co. KG), any of its affiliated companies, any of its officers and any person or persons that control IHO Beteiligungs GmbH or IHO Verwaltungs GmbH or any of its affiliates will not knowingly enter into any agreement, understanding, arrangement or substantial negotiations concerning the sale, exchange, a transfer by gift, of other disposition of any of the stock of Vitesco Technologies Group Aktiengesellschaft during the six-month period following the Spin-off. Notwithstanding the foregoing, any direct or indirect grant of a security interest, pledge, lien or negative covenant with respect to any shares of the Company is not subject to the lock-up period.

The Company has agreed to a lock-up until 180 days after the date of the introduction to trading (*Einführung*) of the Shares on the Frankfurt Stock Exchange, subject to the written consent of the Listing Agents. During this period the Company will refrain from issuing new shares or taking similar actions.

*Material Conflicts of Interest Pertaining to Listing*

In connection with the Spin-off and the admission to trading of the Shares, the Banks are in a contractual relationship with the Company and Continental AG. Upon successful implementation of the Spin-off and admission to trading of the Shares, the Company has undertaken to pay the Banks a commission.

Vitesco Technologies GmbH promised to pay a retention bonus to a certain limited number of employees at the management levels below the Company's management board who have special responsibility in connection with the Spin-off and the success of the independent operation of the business of Vitesco Technologies.

Continental AG has an interest in the Spin-off as it serves the purpose of disposing of a majority shareholding in Vitesco Technologies. It further enables Continental AG to sell its participation in the Company in the amount of 20,000 shares on the market in a timely manner after the listing of the Shares has taken effect.

## ZUSAMMENFASSUNG DES PROSPEKTS

### A. – Einleitung mit Warnhinweisen

Dieser Prospekt (der ***Prospekt***) bezieht sich auf die Zulassung zum regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse von 40.021.196 auf den Namen lautenden Aktien ohne Nennbetrag an der Vitesco Technologies Group Aktiengesellschaft (die ***Gesellschaft***, und zusammen mit ihren kombinierten Tochtergesellschaften, der ***Konzern*** oder ***Vitesco Technologies***) (die ***Aktien***). Jede Aktie hat einen rechnerischen Anteil am Grundkapital der Gesellschaft von 2,50 EUR und ist ab dem 1. Januar 2021 voll dividendenberechtigt. Im Wege einer voraussichtlich am 15. September 2021 stattfindenden Abspaltung zur Aufnahme (die ***Abspaltung***) wird die Continental AG (zusammen mit ihren konsolidierten Tochterunternehmen der ***Continental-Konzern***) unter anderem 100% der Kommanditanteile an der Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG und der Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG und die Anteile an deren jeweiligen Komplementären, der Vitesco Technologies 1. Verwaltungs GmbH und der Vitesco Technologies 2. Verwaltungs GmbH an die Gesellschaft übertragen. Bei der Abspaltung werden rund 99,95% der Aktien auf die Aktionäre der Continental AG in dem ihrer Beteiligung an der Continental AG entsprechenden Verhältnis übertragen.

Die internationale Wertpapier-Identifikationsnummer (*International Securities Identification Number, **ISIN***) der Aktien ist DE000VTSC017. Die Gesellschaft ist unter ihrer Geschäftsadresse Siemensstraße 12, 93055 Regensburg, Bundesrepublik Deutschland (***Deutschland***) (Telefon +49 941 2031 - 8823 oder +49 941 2031 - 6381; Website: www.vitesco-technologies.com) erreichbar. Die Rechtsträgerkennung (*Legal Entity Identifier, **LEI***) der Gesellschaft ist 529900CCDMZ7UCYYS252.

Die Gesellschaft und die Deutsche Bank Aktiengesellschaft, eine Aktiengesellschaft mit Sitz in Frankfurt am Main, Deutschland, und der Geschäftsanschrift Taunusanlage 12, 60325 Frankfurt am Main, Deutschland (Telefon: +49 69 910 - 00; Website: www.db.com; LEI 7LTWFZYICNSX8D621K86) (***Deutsche Bank***) werden die Zulassung zum Handel am regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) an der Frankfurter Wertpapierbörse beantragen.

Der Prospekt datiert vom 7. September 2021 und wurde von der Bundesanstalt für Finanzdienstleistungsaufsicht (***BaFin***) am 7. September 2021 gebilligt. Die BaFin ist erreichbar unter Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Deutschland (Telefon: +49 228 4108 - 0; Webseite: www.bafin.de).

*Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Bei jeder Entscheidung, in die Aktien zu investieren, sollte sich der Anleger auf diesen Prospekt als Ganzes stützen. Anleger könnten ihr investiertes Kapital ganz oder teilweise verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in einem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung des Prospekts vor Verfahrensbeginn zu tragen haben. Zivilrechtlich haften nur diejenigen Personen, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass die Zusammenfassung, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die betreffenden Wertpapiere für die Anleger eine Entscheidungshilfe darstellen würden.*

### B. – Basisinformationen über die Emittentin

#### B.1. – Wer ist die Emittentin der Wertpapiere?

Die Gesellschaft ist eine Aktiengesellschaft nach deutschem Recht. Die juristische Bezeichnung der Gesellschaft ist Vitesco Technologies Group Aktiengesellschaft. Die Gesellschaft mit der Rechtsträgerkennung (LEI) 529900CCDMZ7UCYYS252 hat ihren Sitz in Hannover, Deutschland, ihre Geschäftsadresse lautet Siemensstraße 12, 93055 Regensburg, Deutschland. Sie ist im Handelsregister des Amtsgerichts Hannover unter HRB 219172 eingetragen. Am 25. August 2021 hat die Hauptversammlung der Gesellschaft beschlossen, den Sitz der Gesellschaft kurz nach der Abspaltung nach Regensburg zu verlegen.

*Haupttätigkeiten*

Mit Wirksamwerden der Abspaltung wird die Gesellschaft die Holding-Gesellschaft von Vitesco Technologies. Der Fokus von Vitesco Technologies liegt auf der Entwicklung und Produktion von Komponenten und Systemlösungen für Antriebsstränge von Hybrid- und Elektrofahrzeugen und für Fahrzeuge mit Verbrennungsmotoren. Das Portfolio umfasst Antriebslösungen für die 48-Volt-Elektrifizierung, Elektromotoren sowie Leistungselektronik für hybridangetriebene und rein batterieelektrische Fahrzeuge. Darüber hinaus zählen zum Leistungsangebot elektronische Steuerungen, Sensoren, Aktuatoren, Turbolader, Hydraulikkomponenten und Pumpen sowie Lösungen zur Abgasnachbehandlung.

Die Geschäfte von Vitesco Technologies werden in vier Geschäftseinheiten geführt, die auch die Berichtssegmente der Gesellschaft gemäß in der EU anwendbaren International Financial Reporting Standards (***IFRS***) bilden: Electronic Controls (***EC***), Electrification Technology (***ET***), Sensing & Actuation (***S&A***) und Contract Manufacturing (***CM***).

- Den Schwerpunkt von EC bilden Technologien, Produkte und Services zur Sicherstellung von Effizienz, Leistung und Komfort der Antriebe von Pkw, Nutzfahrzeugen und Zweirädern. Das Angebot der Geschäftseinheit umfasst

Technologien, Produkte und Services für (i) die Steuerung von Antriebssträngen basierend auf Verbrennungs- und Elektromotoren sowie eine Kombination von beidem in Hybridfahrzeugen und (ii) die Getriebesteuerung und Aktuatoren. Zudem wurden vor kurzem Hochvoltboxen für aufladbare Hybridfahrzeuge und batteriebetriebene Elektrofahrzeuge in das EC-Portfolio aufgenommen.

- ET deckt ein breites Spektrum von Elektrifizierungsarchitekturen für Antriebe ab und bietet Technologien und Produkte für Elektrofahrzeuge mit Brennstoffzelle, aufladbare Hybridfahrzeuge, batteriebetriebene Elektrofahrzeuge und Mild-Hybridfahrzeuge.

- Der Schwerpunkt von S&A liegt auf Technologien und Produkten für das präzise Erfassen von Signalen sowie Stellelementen und Stellantrieben im Antriebsstrang. Die Geschäftseinheit bietet ein umfassendes Produktportfolio für Verbrennungsmotoren sowie für die Hybridisierung und die Elektrifizierung des gesamten Antriebsstrangs an.

- CM entstand aus Ausgliederung des Powertrain-Geschäfts des Continental-Konzerns zur Errichtung von Vitesco Technologies. Die Geschäftseinheit deckt das Geschäftsverhältnis zwischen Vitesco Technologies und dem Continental-Konzern ab, in welchem Vitesco Technologies für die Herstellung von Kundenaufträgen Vertragspartner des Continental-Konzerns beauftragt. Vitesco Technologies plant, CM langfristig schrittweise auslaufen zu lassen. Von CM generierte Umsätze werden bis Ende 2023 voraussichtlich um mehr als 50% zurückgehen und weitgehend auf drei Standorte beschränkt sein. Das Auslaufen von CM sollte bis 2025 im Wesentlichen abgeschlossen sein.

Innerhalb von EC und S&A stellt der Konzern auch bestimmte Technologien und Produkte für Verbrennungsmotoren (***ICE***) her, die heute als Technologien mit nur begrenztem Marktpotenzial und daher als nicht zum Kerngeschäft zählende ICE-Technologien angesehen werden, z. B. Kraftstoffeinspritzanlagen, Kraftstoffzufuhr, selektive katalytische Reduktionssysteme sowie Turbolader. Vitesco Technologies plant, die Entwicklung und Herstellung von Produkten nicht zum Kerngeschäft gehörender ICE-Technologien einzustellen, und zwar entweder durch Auslaufenlassen, d. h., dass generell keine Geschäftsakquisition für Kundenanwendungen der nächsten Generation oder neue Kundenanwendungen angestrebt wird und der Fokus auf der Erfüllung bestehender Verpflichtungen gegenüber Kunden liegt, oder durch andere Formen eines Ausstiegs, der innerhalb des nächsten Jahrzehnts vollzogen werden soll, wobei ein Drittel mittelfristig auslaufen soll.

Im Geschäftsjahr 2020 erwirtschaftete Vitesco Technologies in seinen Kerntechnologien (das Geschäft der Gesellschaft ohne nicht zum Kerngeschäft gehörende ICE-Technologien und CM) einen Umsatz von € 4.932,2 Mio. (€ 2.742,2 Mio. im zum 30. Juni 2021 endenden Sechsmonatszeitraum) mit einer bereinigten EBITDA-Marge für Kerntechnologien von 4,8% (6,6% im zum 30. Juni 2021 endenden Sechsmonatszeitraum). In seinem Geschäft einschließlich nicht zum Kerngeschäft gehörender ICE-Technologien und CM erwirtschaftete Vitesco Technologies im Geschäftsjahr 2020 einen Umsatz von € 8.027,7 Mio. (€ 4.396,9 Mio. im zum 30. Juni 2021 endenden Sechsmonatszeitraum). Von diesem Umsatz entfielen 45,3% auf EC, 5,1% auf ET, 36,3% auf S&A und 13,7% auf CM.

*Hauptanteilseigner*

Zum Datum dieses Prospekts ist die einzige Aktionärin der Gesellschaft die Continental AG, eine Aktiengesellschaft nach deutschem Recht.

Die folgende Tabelle enthält Informationen zu den Hauptanteilseignern, die der Continental AG als eine unmittelbare oder mittelbare Beteiligung von mindestens 3% (berechnet gemäß § 33 ff. Wertpapierhandelsgesetz (***WpHG***)) an der Continental AG haltend gemeldet und von dieser veröffentlicht wurden. Auf der Grundlage dieser Stimmrechtsmeldungen werden sich das Kapital und die Stimmrechte der Gesellschaft unmittelbar nach Vollzug der Abspaltung wie folgt darstellen.

| | **Unmittelbar nach Vollzug der Abspaltung** | |
|---|---|---|
| **Aktionär** | **Anzahl Aktien/ Stimmrechte** | **in %** |
| **Continental AG** | **20.000** | **0,05**(5) |
| **Aktionäre der Continental AG** | | |
| Maria-Elisabeth Schaeffler-Thumann und Georg F.W. Schaeffler über | 18.400.596 | 45,98 |
| *IHO Verwaltungs GmbH, Herzogenaurach, Deutschland*(1) | *14.398.091* | *35,98* |
| *IHO Beteiligungs GmbH, Herzogenaurach, Deutschland*(2) | *4.002.505* | *10,00* |
| Harris Associates Investment Trust(3) | 2.006.027 | 5,01 |
| BlackRock, Inc., Wilmington, Delaware, USA(4) | 1.215.543 | 3,04 |
| Streubesitz | 18.379.030 | 45,92 |
| **Gesamt** | **40.021.196** | **100** |

(1) Zum Zeitpunkt der Mitteilung an die Continental AG am 4. Januar 2016 wurden die Stimmrechte (i) der IHO Beteiligungs GmbH, Herzogenaurach, Deutschland, (ii) der IHO Holding GmbH & Co. KG, Herzogenaurach, Deutschland, (iii) der IHO Management GmbH, Herzogenaurach, Deutschland, (iv) der INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Deutschland, (v) der Schaeffler Holding LP, Dallas, USA, (vi) Georg F.W. Schaeffler und (vii) Maria-Elisabeth Schaeffler-Thumann gemäß § 34 WpHG zugerechnet. Die Stimmrechte an der Gesellschaft unmittelbar nach Vollzug der Abspaltung werden dementsprechend gehalten und zugerechnet.

(2) Zum Zeitpunkt der Mitteilung an die Continental AG am 4. Januar 2016 wurden die Stimmrechte (i) der IHO Holding GmbH & Co. KG, Herzogenaurach, Deutschland, (ii) der IHO Management GmbH, Herzogenaurach, Deutschland, (iii) der INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Deutschland, (iv) der Schaeffler Holding LP, Dallas, USA, (v) Georg F.W. Schaeffler und (vi) Maria-Elisabeth Schaeffler-Thumann gemäß § 34 WpHG zugerechnet; die IHO Verwaltungs GmbH, Herzogenaurach, und die IHO Beteiligungs GmbH, Herzogenaurach, gemeinsam die ***IHO-Gesellschafter***. Die Stimmrechte an der Gesellschaft unmittelbar nach Vollzug der Abspaltung werden dementsprechend gehalten und zugerechnet.

(3) Zum Zeitpunkt der Mitteilung an die Continental AG am 10. Mai 2021 wurden die Stimmrechte Harris Associates L.P. gemäß § 34 WpHG zugerechnet. Die Stimmrechte an der Gesellschaft unmittelbar nach Vollzug der Abspaltung werden dementsprechend gehalten und zugerechnet.

(4) Zum Zeitpunkt der Mitteilung an die Continental AG am 8. Juli 2021 wurden 2,997% der Stimmrechte an der Continental AG BlackRock, Inc. gemäß § 34 WpHG zugerechnet und 0,04% der Stimmrechte an der Continental AG wurden BlackRock, Inc. als Instrumente gemäß § 38 Abs. 1 Satz 1 Nr. 1 WpHG zugerechnet. Die Stimmrechte an der Gesellschaft unmittelbar nach Vollzug der Abspaltung werden dementsprechend gehalten und zugerechnet.

(5) Die von der Continental AG gehaltenen Stimmrechte an der Gesellschaft werden gemäß WpHG auch den IHO-Gesellschaftern zugerechnet werden.

*Hauptgeschäftsführer*

Der Vorstand der Gesellschaft besteht aus drei Mitgliedern: Andreas Wolf als Chief Executive Officer und Vorstandsvorsitzender der Gesellschaft, Werner Volz als Finanzvorstand (Chief Financial Officer) und Ingo Holstein als Personalvorstand (Chief Human Resources Officer).

*Abschlussprüfer*

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin und Frankfurt am Main, Deutschland (***KPMG***), mit Geschäftsadresse Ganghoferstraße 29, 80339 München, Deutschland ist der unabhängige Abschlussprüfer der Gesellschaft.

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin und Frankfurt am Main, Deutschland, mit Geschäftsadresse Prinzenstraße 23, 30159 Hannover, Deutschland war unabhängiger Abschlussprüfer (i) des zum 31. Dezember 2020, 31. Dezember 2019 und 31. Dezember 2018 für die zu diesen Daten endenden Geschäftsjahre gemäß IFRS erstellten geprüften kombinierten Jahresabschlusses der Gesellschaft und (ii) des zum 31. Dezember 2020 für das zu diesem Datum endende Geschäftsjahr gemäß dem Handelsgesetzbuch erstellten geprüften nicht konsolidierten Jahresabschlusses der Gesellschaft.

**B.2 – Welches sind die wesentlichen Finanzinformationen der Emittentin?**

Der geprüfte kombinierte Abschluss der Gesellschaft für die zum 31. Dezember 2020, 31. Dezember 2019 und 31. Dezember 2018 endenden Geschäftsjahre wurde nach IFRS erstellt (der ***Geprüfte Kombinierte Jahresabschluss***). Der Geprüfte Kombinierte Jahresabschluss wurde von der KPMG geprüft und mit einem uneingeschränkten Bestätigungsvermerk des unabhängigen Abschlussprüfers versehen. Wenngleich KPMG einen uneingeschränkten Bestätigungsvermerk zum Geprüften Kombinierten Jahresabschluss ausgestellt hat, enthielt der Prüfbericht einen Unterabschnitt „Emphasis of matter" (*hinweisender Zusatz*), in dem auf die Grundlage der Aufstellung des Abschlusses hingewiesen wurde, einschließlich des Ansatzes und Zwecks der Aufstellung, sowie auf den Umstand, dass Vitesco Technologies nicht als getrennte Unternehmensgruppe tätig war. Deshalb lässt der Geprüfte Kombinierte Jahresabschluss nicht unbedingt auf das finanzielle Ergebnis schließen, das erzielt worden wäre, wenn Vitesco Technologies als unabhängige Unternehmensgruppe tätig gewesen wäre, und auch nicht auf die Ertragslage von Vitesco Technologies in künftigen Rechnungsperioden. Der ungeprüfte verkürzte kombinierte Zwischenabschluss der Gesellschaft für den zum 30. Juni 2021 endenden Sechsmonatszeitraum, einschließlich der Vergleichszahlen für den zum 30. Juni 2020 endenden Sechsmonatszeitraum wurde gemäß dem IFRS für die Zwischenberichterstattung (IAS 34) erstellt (der ***Kombinierte Zwischenabschluss***). Die Finanzinformationen für die zum 31. Dezember 2020, 2019 und 2018 endenden Geschäftsjahre und für die zum 30. Juni 2021 und 2020 endenden Sechsmonatszeiträume werden in Form des Geprüften Kombinierten Jahresabschlusses und Kombinierten Zwischenabschlusses dargestellt, um das gesamte Geschäft des Konzerns so darzustellen, als ob es zum 1. Januar 2018 von der Gesellschaft gehalten würde.

Die in den folgenden Tabellen enthaltenen Finanzinformationen sind (i) dem Geprüften Kombinierten Jahresabschluss und (ii) dem Kombinierten Zwischenabschluss entnommen bzw. aus diesen abgeleitet.

Soweit in dieser Zusammenfassung in den folgenden Tabellen enthaltene Finanzinformationen als „geprüft" bezeichnet sind, wurden sie dem Geprüften Kombinierten Jahresabschluss entnommen. Die Bezeichnung „ungeprüft" wird in den folgenden Tabellen für Finanzinformationen verwendet, die dem Kombinierten Zwischenabschluss entnommen oder aus der Buchhaltung oder dem internen Berichtswesen der Gesellschaft genommen oder aus diesen abgeleitet oder auf der Basis von Finanzinformationen aus den vorgenannten Quellen errechnet worden sind. Einzelne Zahlenangaben (einschließlich Prozentangaben) in dieser Zusammenfassung wurden nach der kaufmännischen Rundungsmethode gerundet.

*Wesentliche Finanzinformationen aus den kombinierten Gewinn- und Verlustrechnungen*

| | Für den zum 30. Juni endenden Sechsmonatszeitraum | | Für das zum 31. Dezember endende Geschäftsjahr | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (ungeprüft) | | (geprüft, sofern nicht anders angegeben) | | |
| | (in Mio. €, sofern nicht anders angegeben) | | | | |
| Umsatz | 4.396,9 | 3.408,7 | 8.027,7 | 9.092,5 | 9.143,1 |
| Wachstum in %(*) | 29,0 | — | -11,7 | -0,6 | — |
| Operatives Ergebnis (EBIT) | 39,8 | -300,6 | -324,3 | -635,2 | 184,2 |
| EBIT-Marge in % | 0,9 | -8,8 | -4,0 | -7,0 | 2,0 |
| Konzernergebnis | -31,5 | -301,3 | -363,2 | -639,9 | 106,5 |

(*) Ungeprüfte Angabe.

*Wesentliche Finanzinformationen aus den kombinierten Bilanzen*

| | Zum 30. Juni | Zum 31. Dezember | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 |
| | (ungeprüft) | (geprüft, sofern nicht anders angegeben) | | |
| | | (in Mio. €) | | |
| Bilanzsumme | 8.289,6 | 8.061,7 | 8.411,1 | 9.047,7 |
| Eigenkapital | 2.656,6 | 2.648,6 | 3.178,9 | 5.094,1 |
| Netto-Finanzschulden(*)(1) | -580,4 | -405,7 | -919,6 | -1.904,0 |

(*) Ungeprüfte Angabe.

(1) Berechnet als kurzfristige Finanzschulden zuzüglich langfristiger Finanzschulden abzüglich flüssiger Mittel und kurzfristiger verzinslicher Anlagen (als "kurzfristige derivative Finanzinstrumente und verzinsliche Anlagen" im Geprüften Kombinierten Jahresabschluss und dem Kombinierten Zwischenabschluss der Gesellschaft ausgewiesen, jedoch ohne positive Marktwerte von Derivaten und ohne kurzfristig verzinsliche Anlagen außerhalb der Continental Gruppe).

*Wesentliche Finanzinformationen aus den kombinierten Kapitalflussrechnungen*

| | Für den zum 30. Juni endenden Sechsmonatszeitraum | | Für das zum 31. Dezember endende Geschäftsjahr | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (ungeprüft) | | (geprüft) | | |
| | (in Mio. €) | | | | |
| Mittelzufluss/-abfluss aus laufender Geschäftstätigkeit | 345,8 | -641,4 | -5,9 | 692,5 | 679,6 |
| Mittelabfluss aus Investitionstätigkeit | -41,0 | -162,8 | -449,8 | -637,1 | -644,0 |
| Mittelabfluss/-zufluss aus Finanzierungstätigkeit | 402,0 | 963,4 | 537,7 | 56,6 | -37,6 |

*Wesentliche Leistungskennzahlen und alternative Leistungskennzahlen*

| | Für den zum 30. Juni endenden Sechsmonatszeitraum | | Für das zum 31. Dezember endende Geschäftsjahr | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (ungeprüft) | | (geprüft, sofern nicht anders angegeben) | | |
| | (in Mio. €, sofern nicht anders angegeben) | | | | |
| Bereinigtes EBIT(1) | 84,2 | -218,1 | -91,9 | 52,9 | 224,7 |
| Bereinigte EBIT-Marge in %(2) | 1,9 | -8,8 | -1,1 | 0,6 | 2,5 |
| Bereinigtes EBITDA(*)(3) | 336,7 | 25,7 | 399,5 | 535,5 | 646,5 |
| Bereinigte EBITDA-Marge in %(*)(4) | 7,7 | 0,8 | 5,0 | 5,9 | 7,1 |
| Investitionen(*)(5) | 146,0 | 161,7 | 428,4 | 595,5 | 684,1 |
| Kapitalrendite (Return on Capital Employed)(6) | n/a | n/a | -11,5 | -22,7 | 5,2 |

(*) Ungeprüfte Angabe.

(1) Berechnet als operatives Ergebnis (EBIT) bereinigt um Abschreibungen auf immaterielle Vermögenswerte aus Kaufpreisallokation, Konsolidierungskreisveränderungen und Sondereffekte (z.B. Wertminderungen, Restrukturierungen und Veräußerungsgewinne und -verluste aus Abgängen von Gesellschaften und Geschäftsbereichen).

(2) Berechnet als bereinigtes EBIT geteilt durch den bereinigten Umsatz multipliziert mit 100.

(3) Berechnet als operatives Ergebnis bereinigt um Abschreibungen (***EBITDA***) vor Konsolidierungskreisveränderungen und Sondereffekten (z.B. Restrukturierungen und Veräußerungsgewinne und -verluste aus Abgängen von Gesellschaften und Geschäftsbereichen).

(4) Berechnet als bereinigtes EBITDA geteilt durch den bereinigten Umsatz multipliziert mit 100.

(5) Bei Investitionen handelt es sich um Zugänge von Sachanlagen und Software, exklusive ausgewiesener Nutzungsrechte.

(6) Berechnet als Verhältnis von operativem Ergebnis (EBIT) zu durchschnittlichen operativen Aktiva des Geschäftsjahres. Sie entspricht der Verzinsung des betrieblich gebundenen Kapitals. Operative Aktiva sind definiert als die Aktiva abzüglich Passiva der kombinierten Bilanz ohne Berücksichtigung der Netto-Finanzschulden sowie Verkäufe von Forderungen aus Lieferungen und Leistungen, latenter Steuern und Ertragssteuerforderungen und -verbindlichkeiten sowie anderer finanzieller Vermögenswerte und Schulden. Durchschnittliche operative Aktiva werden aus den Quartalsstichtagen berechnet und entsprechen dem Capital Employed. Die operativen Aktiva für das Geschäftsjahr 2018 wurden aus dem Durchschnitt der jeweiligen Bilanzstichtages 31. Dezember 2018 und 31. Dezember 2017 berechnet.

**B.3 – Welches sind die zentralen Risiken, die für die Emittentin spezifisch sind?**

Eine Investition in die Aktien unterliegt einer Reihe von Risiken, von denen einige in diesem Abschnitt und unter Abschnitt „C.3 – *Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?*" dieser Zusammenfassung dargestellt werden. Das Auftreten der folgenden Risiken könnte, allein oder zusammen, die Geschäfts-, Finanz- und Ertragslage, den Ruf sowie die Aussichten der Gesellschaft erheblich nachteilig beeinträchtigen. Wenn sich eines oder mehrere der genannten Risiken verwirklichen sollten, könnten Anleger das gesamte angelegte Kapital oder einen Teil davon verlieren.

Die folgenden Risiken sind zentrale Risiken, die für die Gesellschaft spezifisch sind:

- Als globaler Zulieferer im Automobilsektor ist Vitesco Technologies erheblichen Risiken in Verbindung mit der Leistung der Weltwirtschaft und den Entwicklungen insbesondere in Europa, den Vereinigten Staaten von Amerika und China ausgesetzt.
- Vitesco Technologies kann von einem längeren wirtschaftlichen Abschwung in den Schlüsselmärkten oder einer ungünstigen Veränderung der geografischen Verteilung der Nachfrage im Automobilbereich besonders betroffen sein.
- Vitesco Technologies ist möglicherweise nicht in der Lage, mit dem beschleunigten Wandel in der Automobilindustrie mitzuhalten.
- Vitesco Technologies ist abhängig von der Nachfrage nach den Produkten ihrer Kunden und insbesondere den Umsätzen von Erstausrüstern.
- Vitesco Technologies ist in einer Branche tätig, in der es für sie schwierig ist, die Nachfrage nach den Produkten des Konzerns korrekt zu prognostizieren.
- Vitesco Technologies ist Risiken in Verbindung mit der Auftragsvergabe, insbesondere bei Projekten von größeren und mittelgroßen Erstausrüstern, ausgesetzt. Der Auftragsbestand von Vitesco Technologies lässt nicht unbedingt auf die Höhe ihrer künftigen Umsätze schließen, und der Bestand der Auftragsbücher ist nicht garantiert.
- Vitesco Technologies ist von einer begrenzten Anzahl an wichtigen Lieferanten für bestimmte Produkte abhängig, und wenn Vitesco Technologies nicht in der Lage ist, Produkte wie beispielsweise Halbleiter von diesen Lieferanten zu beziehen, insbesondere aufgrund von Lieferunterbrechungen, könnte dies ihren Geschäftsbetrieb beeinträchtigen.
- Kontrollwechselbestimmungen und andere Bestimmungen in bestehenden und künftigen Schuldverpflichtungen könnten dazu führen, dass Zahlungsverpflichtungen aus diesen Schuldtiteln vorzeitig fällig werden.
- Vitesco Technologies ist unter Umständen Liquiditätsrisiken aufgrund von Änderungen bei ihrer (wahrgenommenen) Kreditwürdigkeit ausgesetzt, wenn Vitesco Technologies nicht mehr Teil des Continental-Konzerns ist.
- Vitesco Technologies ist Ansprüchen im Rahmen von Garantien, Produkthaftung und Rückrufen ausgesetzt und muss im Zusammenhang mit solchen Ansprüchen unter Umständen zusätzliche Kosten zu tragen.
- Vitesco Technologies ist möglicherweise zur Zahlung erheblicher Entschädigungen und erheblicher Kosten im Zusammenhang mit Untersuchungen zur angeblichen Verwendung verbotener Abschalteinrichtungen in Dieselmotoren verpflichtet.
- Der Rückzug des Continental-Konzerns könnte zum Verlust von Synergien bei gemeinsam genutzten Dienstleistungen und Infrastrukturen sowie zu steigenden Einkaufskosten führen.
- Vitesco Technologies ist Risiken aus Haftungsfreistellungen ausgesetzt, die dem Continental-Konzern im Zusammenhang mit der Trennung vom Continental-Konzern eingeräumt wurden.
- Die IHO-Gesellschafter werden Vitesco Technologies nach Vollzug der Abspaltung beherrschen können, und die Interessen der IHO-Gesellschafter können mit den Interessen anderer Aktionäre oder derjenigen von Vitesco Technologies kollidieren. Die IHO-Gesellschafter halten 46% der Aktien und der Stimmrechte der Continental AG vor der Abspaltung und werden somit bei Vollzug der Abspaltung 46% der Aktien der Gesellschaft halten.

**C. – Basisinformationen über die Wertpapiere**

**C.1 – Welches sind die wichtigsten Merkmale der Wertpapiere?**

Mit Wirksamwerden der Abspaltung wird das Grundkapital der Gesellschaft €100.052.990 betragen und eingeteilt sein in 40.021.196 auf den Namen lautende Stückaktien ohne Nennbetrag. Jede dieser Aktien hat einen anteiligen Betrag von €2,50 am Grundkapital und volle Gewinnanteilsberechtigung ab dem 1. Januar 2021; die ISIN lautet DE000VTSC017. Alle Aktien sind Aktien derselben Gattung. Jede Aktie der Gesellschaft gewährt in der Hauptversammlung der Gesellschaft eine Stimme. Es bestehen keine Beschränkungen des Stimmrechts. Sämtliche Aktien verfügen über die gleichen Stimmrechte. Die Aktien sind in Übereinstimmung mit den gesetzlichen Bestimmungen für auf den Namen lautende Aktien frei übertragbar, mit Ausnahme der nachstehend unter „*Lock-up*" aufgeführten Beschränkungen. Im Falle der Liquidation der Gesellschaft wird ein nach Erfüllung aller Verbindlichkeiten der Gesellschaft verbleibender Ertrag auf die Inhaber der Aktien im Verhältnis zu ihrer Beteiligung am Grundkapital der Gesellschaft verteilt.

Die Gesellschaft nimmt ihren Geschäftsbetrieb nicht vor dem Wirksamwerden der Abspaltung auf und hat in der Vergangenheit keine Dividenden gezahlt. Die Fähigkeit und die Absicht der Gesellschaft zur Leistung künftiger Dividendenzahlungen werden von der Finanzlage der Gesellschaft, dem Geschäftsergebnis, dem Finanzierungsbedarf, den alternativen Investitionsmöglichkeiten und anderen aus Sicht des Vorstands und des Aufsichtsrats der Gesellschaft maßgeblichen Faktoren abhängen und Dividendenzahlungen betreffende Vorschläge des Vorstands oder des Aufsichtsrats der Gesellschaft bedürfen der Zustimmung der Hauptversammlung der Gesellschaft. Entsprechend der zukünftigen Dividendenpolitik der Gesellschaft sollen zwischen 15% und 30% des nach IFRS-Grundsätzen Stammaktionären zurechenbaren Konzerngewinns je Geschäftsjahr als Dividenden ausgeschüttet werden, soweit solche Dividendenzahlungen mit einer langfristigen und nachhaltigen Geschäftsentwicklung in Einklang zu bringen sind. Die Fähigkeit der Gesellschaft zur zukünftigen Zahlung von Dividenden wird von der Höhe des ausschüttungsfähigen Bilanzgewinns abhängen. Darüber hinaus hat die Gesellschaft mit verschiedenen Kreditgebern einen Konsortialkreditvertrag abgeschlossen, nach dessen Bestimmungen die Zahlung von Dividenden, Ausschüttungen oder die Rückzahlung von Gesellschafterdarlehen durch die Gesellschaft bestimmten Bedingungen unterliegen. Vor diesem Hintergrund ist derzeit nicht vorgesehen, dass eine Dividende für die Geschäftsjahre 2021 und 2022 gezahlt wird und es ist unsicher, ab welchem Zeitpunkt eine Dividendenzahlung vorgeschlagen werden wird.

**C.2 – Wo werden die Wertpapiere gehandelt?**

Die Gesellschaft wird die Zulassung ihrer Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes der Frankfurter Wertpapierbörse mit weiteren Zulassungsfolgepflichten (*Prime Standard*) beantragen. Die Aktien werden voraussichtlich am 15. September 2021 zum Handel zugelassen und der öffentliche Handel mit den Aktien wird voraussichtlich am 16. September 2021 aufgenommen.

**C.3 – Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?**

Das folgende Risiko ist ein zentrales Risiko, das für die Aktien spezifisch ist:

- Im Zusammenhang mit der Abspaltung oder in der Zukunft kann es zu erheblichen Verkäufen von Aktien der Gesellschaft kommen, die den Aktienkurs unter Druck setzen könnten. Solche Verkäufe sind auch zu einem späteren Zeitpunkt möglich.

**D. – Basisinformationen über die Zulassung zum Handel an einem geregelten Markt**

**D.1 – Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?**

Mit dem Wirksamwerden der Abspaltung werden rund 99,95% der Anteile auf die Aktionäre der Continental AG in dem ihrer Beteiligung an der Continental AG entsprechenden Verhältnis übertragen. Am 16. September 2021 erhält jeder Aktionär der Continental AG voraussichtlich

- für je fünf (5) auf den Inhaber lautende Stückaktien ohne Nennbetrag der Continental Aktiengesellschaft (ISIN DE0005439004 / WKN 543900)
- eine (1) auf den Namen lautende Stückaktie ohne Nennbetrag der Vitesco Technologies Group Aktiengesellschaft (ISIN DE000VTSC017 / WKN VTSC01).

Nach dem voraussichtlich am 16. September 2021 erfolgenden Handelsbeginn können die Aktien an der Frankfurter Wertpapierbörse gekauft und verkauft werden.

**D.2 – Wer ist die die Zulassung zum Handel beantragende Person?**

Die Gesellschaft wird die Zulassung der Aktien zum Handel beantragen. Die Anträge werden gemeinsam mit der im Auftrag der Listing Agents handelnden Deutschen Bank zum Zwecke der Zulassung zum Handel gestellt.

**D.3 – Weshalb wird dieser Prospekt erstellt?**

Der Zweck des Prospekts ist es, die Aktien zum Handel an der Frankfurter Wertpapierbörse zuzulassen.

*Keine Erlöse*

Weder die Continental AG noch die Gesellschaft werden im Zusammenhang mit der Abspaltung Erlöse erhalten. Die Continental AG wird 20.000 Aktien an der Vitesco Technologies Group Aktiengesellschaft (entsprechend ca. 0,05% des Grundkapitals nach der Abspaltung) behalten, die im Rahmen der Abspaltung nicht mit abgespalten werden. Die Continental AG beabsichtigt, diese Aktien nach der Abspaltung am Markt zu verkaufen.

Die Kosten im Zusammenhang mit der Börsenzulassung der Aktien werden sich voraussichtlich auf ca. €47 Mio. belaufen, wovon ca. €40 Mio. von Vitesco Technologies zu tragen sind. Die Kosten und Aufwendungen für die Vorbereitung der Abspaltung durch Abtrennung und Gründung von Vitesco Technologies sowie die Kosten und Aufwendungen der eigentlichen Abspaltung haben der Continental-Konzern und Vitesco Technologies entsprechend einer vereinbarten Aufteilung übernommen. Kosten im Zusammenhang mit der Abspaltung, die Vitesco Technologies nach dem Vollzug der Abspaltung entstehen, werden ausschließlich von Vitesco Technologies getragen.

*Börsenzulassungsvertrag (Listing Agreement)*

Im Zusammenhang mit der Abspaltung und der Börsenzulassung der Aktien haben die Continental AG, die Gesellschaft sowie BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, Frankreich, LEI 549300FH0WJAPEHTIQ77 (***BofA Securities***), die Deutsche Bank und J.P. Morgan AG, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Deutschland, LEI 549300ZK53CNGEEI6A29 (***J.P. Morgan*** und zusammen mit BofA Securities und der Deutschen Bank die ***Lead Financial Advisors*** oder ***Listing Agents***) sowie Banco Bilbao Vizcaya Argentaria, S.A., Citigroup Global Markets Europe AG, COMMERZBANK Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, DBS Vickers Securities (UK) Ltd, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Landesbank Hessen-Thüringen Girozentrale, ING Bank N.V., Landesbank Baden-Württemberg (LBBW), SMBC Nikko Capital Markets Europe GmbH und UniCredit Bank AG (die ***Co-Advisors*** zusammen mit den Listing Agents, die ***Banken***) einen Börsenzulassungsvertrag (*Listing Agreement*) mit Datum 7. September 2021 geschlossen. In dem Börsenzulassungsvertrag haben sich die Gesellschaft und die Continental AG verpflichtet, die Banken von bestimmten Haftungsverpflichtungen freizustellen, die im Zusammenhang mit der Abspaltung und der Zulassung zum Handel entstehen können. Intern haben die Gesellschaft und die Continental AG vereinbart, bestimmte Haftungsrisiken nach allgemeinen zivilrechtlichen Grundsätzen zu teilen. Darüber hinaus haben die Continental AG und die Gesellschaft einen Abwicklungsvertrag mit der Deutschen Bank, die als Treuhänderin im Sinne der § 125 Satz 1 und § 71 Abs. 1 Satz 1 UmwG fungieren wird, abgeschlossen. In diesen Verträgen hat sich die Gesellschaft verpflichtet, an die Banken und die Deutsche Bank als Treuhänder eine Provision in Höhe von insgesamt €17.475.000 zu zahlen.

*Lock-up*

Die IHO Holding GmbH & Co. KG (die Beteiligungsgesellschaft vom Maria-Elisabeth Schaeffler-Thumann und Georg F.W. Schaeffler) hat sich verpflichtet, dass die IHO Beteiligungs GmbH, IHO Verwaltungs GmbH (beide 100% Tochtergesellschaften der IHO Holding GmbH & Co. KG), mit diesen verbundene Unternehmen, deren Geschäftsleitung oder Personen, die Kontrolle über IHO Beteiligungs GmbH oder IHO Verwaltungs GmbH oder mit diesen verbundene Unternehmen ausüben, während eines Zeitraums von sechs Monaten nach der Abspaltung nicht wissentlich Verträge, Verständigungen, Vereinbarungen oder wesentliche Verhandlungen über den Verkauf, den Tausch, die Schenkung oder andere Veräußerung von Aktien der Vitesco Technologies Group Aktiengesellschaft abschließen bzw. führen wird. Ungeachtet der vorstehenden Regelung unterfällt es nicht der Lock-up-Verpflichtung, wenn Aktien der Gesellschaft, direkt oder indirekt, als Sicherheit gestellt, verpfändet oder mit einer Negativverpflichtung belegt werden.

Die Gesellschaft hat sich vorbehaltlich der schriftlichen Zustimmung der Listing Agents zu einem Lock-up von 180 Tagen ab dem Tag der Einführung der Aktien zum Handel an der Frankfurter Wertpapierbörse verpflichtet. Während dieser Periode wird die Gesellschaft keine neuen Aktien ausgeben oder Maßnahmen mit ähnlicher Wirkung vornehmen.

*Wesentliche Interessenkonflikte in Bezug auf die Börsenzulassung*

Im Zusammenhang mit der Abspaltung und der Zulassung der Aktien zum Handel befinden sich die Banken in einem vertraglichen Verhältnis mit der Gesellschaft und der Continental AG. Bei erfolgreicher Durchführung der Abspaltung und der Zulassung der Aktien zum Handel hat sich die Gesellschaft verpflichtet, den Banken eine Provision zu zahlen.

Die Vitesco Technologies GmbH hat einer bestimmten, zahlenmäßig begrenzten Anzahl von Mitarbeitern der Leitungsebenen unterhalb des Vorstands der Gesellschaft, denen im Zusammenhang mit der Abspaltung und einer erfolgreichen eigenständigen Geschäftstätigkeit von Vitesco Technologies besondere Verantwortung zukommt, einen Bonus (*retention bonus*) zugesagt.

Die Continental AG hat ein Interesse an der Abspaltung, da sie der Veräußerung einer Mehrheitsbeteiligung an Vitesco Technologies dient. Zudem ermöglicht sie es der Continental AG, ihre 20.000 Aktien umfassende Beteiligung an der Gesellschaft zeitnah nach dem Wirksamwerden der Börsenzulassung der Aktien am Markt zu veräußern.

# 1. RISK FACTORS

*Prospective investors should carefully consider the following risk factors set out below prior to making any investment in the shares (the* ***Shares****) of Vitesco Technologies Group Aktiengesellschaft (the* ***Company*** *and together with its combined subsidiaries, the* ***Group****, the* ***Vitesco Technologies Group*** *or* ***Vitesco Technologies****). The market price of the Company's Shares could fall if any or all of the below risks were to materialize, in which case prospective investors could lose all or part of their investment.*

*References in this Prospectus, including in this section "Risk Factors", to the "Company", the "Group", "Vitesco Technologies Group" or "Vitesco Technologies" refer to the Company, where applicable, and its combined subsidiaries as it will exist upon the completion of the spin-off by absorption (Abspaltung zur Aufnahme) in accordance with the German Transformation Act (Umwandlungsgesetz) of the business activities of Vitesco Technologies (primarily comprising the business activities of the group sector Powertrain Technologies and of the Powertrain business area of the Continental Group, Continental AG together with its consolidated subsidiaries, the* ***Continental Group****) to the Company, with around 99.95% of the Shares in the Company being transferred to the shareholders of Continental AG upon the spin-off (the* ***Spin-off****). The Spin-off is expected to be implemented on September 15, 2021 and after the date of this Prospectus but before any Shares in the Company are delivered to investors. As a consequence, the Group is presented in this Prospectus, including in this section "Risk Factors", as if the Spin-off had already occurred, unless indicated otherwise.*

*The risk factors featured in the Prospectus are limited to risks which are specific to the Group or the Shares in the Company and which are material for taking an informed investment decision. The risk factors are presented in categories depending on their nature. Within each category the order of risk factors is based on the Company's assessment with respect to the probability of occurrence and the expected magnitude of the negative impact of such risk factors, with at least the two most material risk factors (i.e. those the Company believes are most likely to have a material adverse impact) mentioned at the beginning of each category. The risks mentioned may materialize individually or cumulatively.*

## 1.1 Risks related to the development of the global economy and the markets in which Vitesco Technologies operates

### *1.1.1 As a global supplier to the automotive sector Vitesco Technologies is exposed to substantial risks associated with the performance of the global economy and developments in Europe, the U.S.A. and China in particular.*

Vitesco Technologies is a global supplier to the automotive sector. Thus, the Group is substantially exposed to fluctuations of sales to automotive original equipment manufacturers (***OEM***) and global production of vehicles which in turn are subject to risks associated with the performance of the global economy. Therefore, Vitesco Technologies' revenues and profit have been influenced, and will continue to be influenced by the general state and the performance of the global economy, including disposable income and household consumer spending and preferences, which can be affected by a number of factors such as fuel costs and the availability and cost of consumer financing to allow purchases of new vehicles. This holds also true for commercial vehicles and two-wheelers.

Specific further macroeconomic risks that have been identified by the Company include the development of the European economy as well as the economy in North America and Asia (see risk factor "*1.1.2 Vitesco Technologies may be particularly affected in case of a prolonged economic downturn in key markets or an adverse change in the geographical distribution of the automotive demand.*") and the vulnerability of the globalized automotive industry in case of events affecting global production and supply chains, such as force-majeure events and global pandemics and its consequences (see "*1.1.3 The global spread of the COVID-19 Pandemic has had and could have a material adverse effect on Vitesco Technologies' business and result of operation which cannot be adequately determined or reliably quantified for the time being.*"). Also, tendencies toward protectionism, the implementation of trade embargos for markets in which the Group operates, including a potential tightening of the trade embargo between the People's Republic of China (***China***) and the United States of America (the ***U.S.A.*** or the ***U.S.***) or further protectionist measures by e.g. the U.S. or China, and the imposition of sanctions, restrictions and limitations in jurisdictions in which the

Group operates as well as the implementation or increase of tariffs impacting international trade may have a negative impact on Vitesco Technologies' sales and results of operations.

Also, the exit of the United Kingdom (***UK***) from the European Union (***EU***) (commonly referred to as "Brexit") has created significant uncertainty about the future relationship between the UK and the EU and the consequences for the economies and financial markets in both the UK and EU and the customers and suppliers of Vitesco Technologies. Even though the Group's UK market exposure is comparably low, the Brexit might result in lower overall EU wide vehicle deliveries and therefore indirectly adversely affect Vitesco Technologies' sales.

There are numerous other factors that may have an impact on the global economy and the automotive sector and therefore also affect the demand for Vitesco Technologies' products, such as an economic slowdown in China or other key markets. In addition, investment programs envisaged by the Chinese government to stimulate growth in, among others, the Chinese automotive industry and in infrastructure projects might be coupled with a preference for domestic suppliers (so-called "national champions"), which could have a material adverse effect on Vitesco Technologies' business in China. It cannot be excluded that Vitesco Technologies may experience negative effects resulting from such interventions in the future.

### *1.1.2 Vitesco Technologies may be particularly affected in case of a prolonged economic downturn in key markets or an adverse change in the geographical distribution of the automotive demand.*

Key markets for the Group include in Europe particularly Germany, in Asia particularly China and in North America particularly Mexico and the U.S.A. In the fiscal year 2020, Vitesco Technologies realized 43% of its total sales in Europe, thereof 17% of total sales were realized in Germany. 25% of Vitesco Technologies' total sales in the fiscal year 2020 were realized in North America, 31% in Asia, and 1% in other countries. If demand falls in the markets where Vitesco Technologies realizes its sales and is not compensated for by an increase in another regional market, this could adversely affect sales of Vitesco Technologies' products. The world production of light vehicles (consisting of vehicles with a weight up to six metric tons such as passenger cars, crossover vehicles, sports utility vehicles, pick-ups, vans and light trucks) shrank by 16.2% in 2020, after a decline of 5.5% in 2019 and of 1.0% in 2018 (according to IHS Markit Ltd. (***IHS Markit***)). In Europe excluding Germany, light vehicle production was also unsupportive of the Group's business, declining by 20.9% in 2020, declining by 2.4% in 2019 after a growth of 1.9% in 2018 (according to IHS Markit). In Germany, one of the Group's largest individual markets, new light vehicle production declined in the past three years (24.2% in 2020, 8.1% in 2019 and 9.2% in 2018). In China, also one of the largest individual markets of Vitesco Technologies, new car production declined by 4.4% in 2020, after a decline of 8.1% in 2019 and of 4.1% in 2018 (according to IHS Markit). In the current global economic situation, adverse changes in the geographical distribution of automotive demand could also have a material adverse effect on the Group. It is not known whether the development in one or more of these markets will prove sustainable in the future or if further decreases will be experienced.

### *1.1.3 The global spread of the COVID-19 Pandemic has had and could have a material adverse effect on Vitesco Technologies' business and result of operation which cannot be adequately determined or reliably quantified for the time being.*

Since spring 2020, the global outbreak of COVID-19, a novel strain of the coronavirus (the ***COVID-19 Pandemic***), has had an unprecedented effect on the global economy and all of Vitesco Technologies' markets and that has led and is expected to continue to lead to significant reductions in economic growth worldwide, including Vitesco Technologies' key regions. In response to the COVID-19 Pandemic, governments, states and cities, including those in all major European economies, have taken various preventative measures, such as imposing restrictions on travel and business operations and may continue to do so going forward. As a result, business activity has seen a significant slowdown and even ground to a halt in certain areas for a period of time, while unemployment rates have risen sharply.

The effects of the COVID-19 Pandemic and the measures implemented adversely affected Vitesco Technologies' business and result of operation in 2020 and the first six months of 2021 and continues to pose material risks to Vitesco Technologies' supply chains, production, the sales of products and the delivery of services. These effects could, for example, be caused by restrictions on business activities of suppliers, customers and the Group, including its personnel, imposed by public authorities on a regional, national or international level, by unavailability of critical workforce and increased costs. The negative economic effects on Vitesco Technologies beyond the effects already visible in its audited combined financial statements as of and for the fiscal year ended December 31, 2020 and its unaudited combined financial statements as of and for the six months ended June 30, 2021 cannot be adequately determined or reliably quantified for the time being. These effects will be exacerbated the longer the COVID-19 Pandemic lasts.

The economic impacts of the COVID-19 Pandemic also massively affected automotive manufacturers and automotive suppliers. The global production of light vehicles declined by 13.7 million units from 88.3 million units in the fiscal year 2019 to 74.6 million units in the fiscal year 2020.

Due to the COVID-19 Pandemic, several OEMs decided to suspend part of or the majority of their production in Europe and worldwide in 2020. These suspensions applied for several months and affected production of cars, vans and commercial vehicles. Vitesco Technologies also had to repeatedly close most of its plants in Europe, the Americas and Asia over various periods of time and had to limit the production volumes in its plants due to the COVID-19 Pandemic related measures, including governmental restrictions and measures for safe production implemented by Vitesco Technologies, as well as to respond to the limited production by OEM, and the asymmetric restart after the various shutdowns. Also, global supply chains were disrupted due to the COVID-19 Pandemic over a period of time in 2020 and in 2021, in particular the supply of semiconductors, and disruptions may continue.

Accordingly, in the fiscal year 2020, the COVID-19 Pandemic caused a significant decline in Vitesco Technologies' sales revenues by 11.7% compared to the fiscal year 2019.

Due to the fact that the COVID-19 Pandemic and its macroeconomic impacts are still ongoing and it cannot be predicted how long the COVID-19 Pandemic and the related macroeconomic impacts will last, it cannot be ruled out at present that the future development of the results of operations of Vitesco Technologies may continue to be directly or indirectly affected by the further evolution of the COVID-19 Pandemic. Measures taken by Vitesco Technologies, such as the reduction of capital expenditures, the reduction of personnel cost, savings of material costs and a working capital reduction may not be sufficient to address the impacts of the COVID-19 Pandemic.

Should Vitesco Technologies be unable, due to disruptions caused by the COVID-19 Pandemic, to deliver its products within the agreed time, amounts or quality, Vitesco Technologies might be exposed to claims for damages by its customers. In turn, Vitesco Technologies might not be able to reimburse its costs should its suppliers or service providers be unable to fulfil their contractual obligations.

## 1.2 Risks related to the automotive market and the market trends

### *1.2.1 Vitesco Technologies may not be able to keep pace with the accelerated transformation of the automotive industry.*

The markets for the products that Vitesco Technologies offers are characterized by rapidly changing technology (e.g. the shift from combustion engines to e-mobility), evolving technical and regulatory standards and changes in customer preferences. Particularly the regulatory requirements became more and more challenging in the recent past (please also see "*1.2.5 Vitesco Technologies operates in a regulation driven industry and is exposed to risks associated with regulatory changes in the vehicles sales market.*"). The impact of current and future changes of regulatory requirements might be significant and affect the required frequency as well as the time to market for the introduction of new products. The development and commercialization of new technologies and the introduction of new products will often make existing ones obsolete, unmarketable or even inadmissible. Products exclusively used for vehicles with a combustion engine may become obsolete over time as electric vehicles increasingly gain in popularity. This trend of decreasing production of combustion engine components may accelerate the faster the markets shift towards electrified vehicles. The fast or accelerated electrification of the automotive market may also result in constrained capabilities to fulfil demand by customers and/or in higher research and development (***R&D***) costs and investments than expected. This might result in high costs that would affect profitability or even result in losses. In contrast, should the electrification of vehicles develop slower than expected or if the transformation of the powertrain market is being delayed, investments in the development of new products could result in the expected return or could even be obsolete.

Vitesco Technologies' competitiveness in the future will depend on its ability to (i) keep pace with technological trends, (ii) develop and manufacture innovative products in a timely and cost-effective manner, (iii) attract and retain highly capable technical and engineering personnel, and (iv) accurately assess the demand for, and perceived market acceptance of, new products that it develops. Should Vitesco Technologies fail to adapt to volatile external factors and to use and transfer its know-how and resources into new technologies and products or should competitors be faster in adapting to these challenges, Vitesco Technologies may not be able to maintain or gain market share.

#### *1.2.2 Vitesco Technologies depends on the demand of products of its customers and in particular sales generated from original equipment manufacturers.*

In the fiscal year 2020, the Group generated more than 90% of its sales from OEMs. Vitesco Technologies' seven largest automotive OEM customers (in alphabetical order: Daimler Group, Fiat Chrysler Group (merged with Groupe PSA in 2021 to form Stellantis Group), Ford Group, General Motors Group, Hyundai Motor Group, Renault-Nissan-Mitsubishi and Volkswagen Group) generated on three year average 71% to the annual combined sales revenues between 2018 and 2020 (excluding sales of contract manufacturing with Continental Group). The top three customers contributed on three year average 43% to the annual combined sales revenues between 2018 and 2020 (excluding sales of contract manufacturing with Continental Group). Sales to Vitesco Technologies' customers and in particular of OEMs are cyclical and depend, among other things, on general economic conditions or impacts affecting the economy globally, market success and demand for products of such customers (see risk factor "*1.1.1 As a global supplier to the automotive sector Vitesco Technologies is exposed to substantial risks associated with the performance of the global economy and developments in Europe, the U.S.A. and China in particular*." and "*1.1.3 The global spread of the COVID-19 Pandemic has had and could have a material adverse effect on Vitesco Technologies' business and result of operation which cannot be adequately determined or reliably quantified for the time being.*"). Customers' (including OEMs) businesses are also affected by changes in the regulatory framework as well as consumer spending and preferences, which can be affected by a number of factors, including employment, consumer confidence and income, energy costs, inflation and the availability and costs of consumer financing. Further, the demand by customers depend on limitations due to trade barriers, tariffs or other measures affecting the trade with vehicles, vehicle components or other materials or components that are important in the manufacturing and production process. Given the variety of such economic parameters influencing the global automotive demand, the volume of automotive production has historically been, and will continue to be, characterized by a high level of fluctuation, making it difficult for Vitesco Technologies to accurately predict demand levels for its products throughout its different business units. OEMs typically translate their vehicle sales plan which is based on these factors for each key market into a vehicle production plan. Depending on such vehicle production planning, the OEMs define the powertrain production and delivery needs for each vehicle type and location and source powertrain components accordingly.

A number of further factors could also cause a loss of all or a substantial portion of Vitesco Technologies' sales to any of its major customers and may render investments made with respect to such customer useless. These factors include beside volume reductions, the termination of supply agreements and/or the failure to renegotiate new agreements or new terms, loss of contracts, reduced or delayed customer requirements and plant shutdowns, strikes or other work stoppages affecting production by such customers.

#### *1.2.3 Vitesco Technologies operates in an industry where it is hard for it to correctly forecast demand for the Group's products.*

The contracts of Vitesco Technologies with its OEM customers in principle specify certain volumes and/or capacity commitments (both annual as well as lifetime volumes) of Vitesco Technologies. While Vitesco Technologies therefore usually commits to provide the respective quantities of products, the OEM customers themselves generally do not commit to minimum quantities from Vitesco Technologies over a time period. The OEM customers usually only commit to the purchase of certain product volumes when submitting the specific purchase orders for the quantities needed from time to time. As a consequence, Vitesco Technologies is facing the challenge of having to ensure sufficient production capacities (including sufficient personnel, materials and tools) to meet supply demands of its OEM customers at short notice, while lacking any guarantee that the OEM customers will submit respective purchase orders. Planning of capacities is even more difficult for Vitesco

Technologies, as non-binding forecasts provided by OEM customers have in the past sometimes turned out to be inaccurate.

The disconnect between capacity commitments of Vitesco Technologies on the one hand and customers' fluctuating call-offs on the other hand entails financial risks for Vitesco Technologies, in particular in view of the high fixed costs that characterize Vitesco Technologies' business.

Inability to correctly forecast demand for Vitesco Technologies' products could either lead to underutilization of its facilities or insufficient capacity to meet customer demand. On the one hand, Vitesco Technologies risks underutilization of its facilities if the markets in which it operates decline or if it experiences a significant customer volume shortfall, which could result in idle capacity costs, write-offs of inventories and losses on products due to falling average sales prices. On the other hand, Vitesco Technologies risks having insufficient capacity to meet customer demand if the markets in which it operates grow faster than anticipated and thus may lose market share. Also, attempts to react to inaccurate forecasts by increasing or reducing capacity at short notice may cause Vitesco Technologies to incur additional costs (*e.g.*, severance payments or overtime surcharges).

The accelerated transformation of the automotive industry and the shift towards electromobility might lead to an earlier phase out of certain powertrain components (such as injectors, high pressure pumps and selective catalytic reduction systems) than anticipated, leading to a reduction of order volumes related to such products. The reduction of production quantities by OEMs may also occur in times of lower demand or for other disruptions in the OEMs' operations. For example, the shortages in the supply of semiconductors that have been experienced since the second half of 2020 and that are still ongoing (see "*1.3.2 Vitesco Technologies depends on a limited number of key suppliers for certain products and inability to source products from these suppliers, for example semiconductors, particularly due to supply interruptions, could adversely affect its operations.*") negatively impacted vehicle production of Vitesco Technologies' OEM customers and may continue to do so in the future. If an OEM customer discontinues the business relationship, decreases the envisaged sales volume, or terminates a supply contract prematurely, the original investments made by Vitesco Technologies to provide products to this OEM customer could be wholly or partially lost.

### *1.2.4 Vitesco Technologies might be affected by insourcing of the development and production of electric powertrains.*

Some international OEMs have their own development and production capacities for parts of the electric powertrain, for example high voltage electric axle drives for electric vehicles. This is mainly due to the shift to electric powertrain as technology of the future and to keep expected value adding activities in-house. If the OEMs do not outsource certain types or all electric powertrains in the future, Vitesco Technologies might not be able to gain a considerable market share.

### *1.2.5 Vitesco Technologies operates in a regulation driven industry and is exposed to risks associated with regulatory changes in the vehicles sales market.*

The market in which the Group and its customers operate is highly affected by changes in regulatory requirements. Although changes in the legislative agendas regarding the transport industry and, in particular, the automotive industry are relayed to the vehicle manufacturers, these changes indirectly also affect suppliers, such as Vitesco Technologies. New regulatory requirements involve for example safety and test procedures for new technologies, and in particular pollutant emissions standards caring about human health and greenhouse gas standards to address the climate change. The environmental regulatory standards are set mainly by three regulatory lead regions, namely U.S.A./ California (e.g. California LEV III, Federal Tier 3 or CAFE standards), the EU (e.g. Euro6 and Euro7) and Japan. China typically adopts parts of these lead regions' regulations and is typically on a similar stringency level.

Global production of vehicles and, as a result, business with automotive OEM customers, is therefore subject to several regulatory developments that may affect the powertrain mix sold by automotive OEMs short-term and mid- to long-term. Changes in regulatory frameworks or other regulatory elements, including more stringent, or a relaxation or revision of, targets or limits, may affect the market in various ways and could result in changes in overall production volumes, higher or lower electrification shares in production or in an otherwise different powertrain mix:

- Regulatory targets can be reached with different technology combinations, e.g. battery electric, plug-in hybrids, high voltage hybrids or 48 Volt (***48V***) technology together with combustion engine optimization. The volume mix is volatile and must, particularly in the European market, be adapted to the set carbon dioxide (***$CO_2$***) fleet targets and the end-consumer behavior. End-consumer behavior thereby does not only depend on the industry offer but will be heavily influenced by political/regulatory measures like public subsidies, tax policy and development of charging infrastructures. This creates needs for the supplier industry to adapt and respond on production volume and technology development.
- End users' purchase behavior could be further influenced by local regulations with bans of certain technologies in inner cities, including ban of diesel or vehicles not conforming with specified emission legislation levels or even all combustion engines. These local actions can even multiply end-consumer behaviors resulting in uncertainty on reliability of market forecast and technology planning stability.
- Availability and performance of charging infrastructure for full or plug-in hybrid electric vehicles is generally considered an important factor for e-mobility. In this context numerous standards have been set up to cover different aspects for charging, such as power-levels, connectors, car/electric vehicle supply equipment communication schemes and standards related to distribution and sale of electrical energy for the charging infrastructure. End users' purchase behavior is expected to be influenced by the performance, pace of building up and coverage of a charging infrastructure.
- Risks could also arise from a mismatch between political and technological timescales. Today's, especially European, policy is driving for reduction of greenhouse gases and reduction of pollutant emissions. Public opinion might further focus on environmental awareness but might also shift focus so that economic and social consequences of emissions regulations will not be broadly accepted leading to a reversing of the political direction. Loosening of environmental targets was already experienced in the U.S.A. in 2020.
- Life-cycle assessment of products and transport technologies is under consideration for the time frame 2030. In line with other regulatory changes that are being considered or demanded by customers, life-cycle assessment, once implemented, could lead to costs for additional administrative burden but also change the market acceptance and forecasts of different technologies.

As a result, the vehicle mix sold by Vitesco Technologies' customers has shifted considerably in the last few years and is expected to also change further in the future. Vitesco Technologies may not be able to develop appropriate strategies as a response should market trends develop in a different direction than expected by Vitesco Technologies and technical developments in order to adapt sufficiently or in a timely manner, e.g. by developing appropriate components or in adapting its production to these changes.

### *1.2.6 The significant bargaining power of Vitesco Technologies' major customers with respect to price, sales volume and capacity commitments may not be compensated by cost reduction and affect its profit margins.*

Vitesco Technologies' major customers have substantial bargaining power with respect to price, sales volume and capacity commitments of Vitesco Technologies and other commercial terms. Most OEM customers, for example, have annual price-reduction initiatives and objectives with their suppliers. Contracts with customers may also provide for productivity targets in the form of automatic price reductions each year. If Vitesco Technologies is not successful in constantly improving its production process in order to reduce costs, customers' demand for price reductions may adversely affect its profit margins or even result in losses.

The automotive supply industry, in particular, has been characterized by high capital expenditures, rapid technological change, continuous advancements in process technologies and manufacturing capabilities, intense pricing pressure from major OEM customers and periods of oversupply. Vitesco Technologies' customers are increasingly affected by innovation and cost-cutting pressures from competitors and seek price reductions in both the initial quote process, if and to the extent such a quote process takes place, and during the term, or upon expiration, of an existing contract.

The aforementioned risks may further increase should the trend towards consolidation of OEMs in the automotive industry continue and lead to additional largescale mergers such as the merger of Groupe PSA and Fiat Chrysler Group.

### *1.2.7 Vitesco Technologies' business environment is characterized by intense competition, which could reduce Vitesco Technologies' sales or put continued pressure on Vitesco Technologies' sales prices.*

The markets in which Vitesco Technologies operates are competitive and have been characterized by changes in market penetration, increased price competition as well as the development and introduction of new products, product designs and technologies by significant existing and new competitors. In the traditional powertrain market for combustion engines, the market is basically split among medium to big suppliers and competition is primarily based on price, quality, timeliness of delivery and design as well as the ability to provide engineering support and service on a global basis. By contrast, the supplier market for electrified vehicles is highly fragmented, consisting of medium to big suppliers but also characterized by new entrants from non-automotive industries as well as start-ups in different regions, including new entrants in Asia. Should Vitesco Technologies fail to develop and produce the products as needed at a competitive cost, to secure the quality of the Group's products and the reliability of the Group's supply and service in the future, the Group's customers could decide to purchase products from the Group's competitors. In particular, competitors from Asia may pursue an aggressive pricing policy and offer conditions to customers that are more favorable than that of Vitesco Technologies.

Moreover, OEMs are increasing standardization through vehicle and powertrain platforms. This makes platform projects for these OEMs more important for Vitesco Technologies. If a competitor wins such a platform, it will strengthen such competitor's position and weaken Vitesco Technologies accordingly.

If competitors to Vitesco Technologies consolidate (as was recently the case due to the acquisition of Delphi Technologies by BorgWarner), this might further increase cost pressure on the Group in order to be able to defend its market share.

### *1.2.8 Vitesco Technologies has invested substantial resources in products and areas where it expects growth and Vitesco Technologies may be unable to recover its investments or timely redeploy its invested capital should its expectations not be realized.*

The automotive industry is increasingly focused on the development of hybrid and electric vehicles, with the goal of developing and introducing a commercially viable, electrified driving experience as well as emission reduction. Vitesco Technologies has identified Europe as well as China and North America as key geographic areas and components for the electrified powertrain and e-mobility in general as key growth areas. In expectation that these areas and products experience growth, Vitesco Technologies has made and expects to continue to make substantial investments in numerous manufacturing operations, technical centers, R&D activities and other infrastructure. These high investments are made into a business which is still characterized to progress to mass market, which is reflected in negative EBIT contributions of the business unit Electrification Technology in the fiscal years 2018, 2019 and 2020. The strategic decisions to focus on the electrified powertrain and e-mobility could turn out to be unfavorable should the electrification of vehicles develop slower than expected or if the transformation of the powertrain market is being delayed or should the automotive industry shift to alternatives to electrification, e.g. alternative or synthetic fuels (e.g. ethanol or other bio fuels, e-fuels) or hydrogen.

Developing new and improved products is very costly and therefore requires a substantial amount of funding for those significant ramp-up costs. Vitesco Technologies spends significant resources on R&D. Capital expenditure on property, plant and equipment, and software and right of use assets for the fiscal year 2020 was €480.0 million (in the six month period ended June 30, 2021: €212.7 million). If Vitesco Technologies devotes resources to the pursuit of new technologies and products that fail to be accepted in the marketplace or that fail to be commercially viable, all or part of these significant expenses may be lost.

Also, if Vitesco Technologies is unable to deepen existing and develop additional customer relationships, realize efficiencies on existing programs or develop and introduce market-relevant technologies, Vitesco Technologies may not only fail to realize expected rates of return on its existing investments but may also incur losses on such investments and be unable to timely redeploy the invested capital to other business areas. Vitesco Technologies' business will also suffer if its customers change or delay strategies and should geographic areas and products not develop as anticipated, or if customers use other suppliers or insource these products.

### *1.2.9 Vitesco Technologies' investments in emerging markets are subject to a variety of business, economic, legal and political risks, the materialization of which could adversely affect Vitesco Technologies' expansion efforts.*

Vitesco Technologies pursues the strategy to – where possible – manufacture its products in the region for the region, i.e. locally in the countries and markets where it generates the sales from its customers or with the aim to produce cost efficient. Vitesco Technologies is therefore also actively operating and expanding its operations in emerging markets in line with the business operations of its customers. In the future, also due to largely saturated markets in Europe and North America for some of its products, Vitesco Technologies plans to further expand its presence in these markets, in particular in Asia, and to generate a higher volume of sales from OEMs local in these markets. However, should Vitesco Technologies be unable to secure sufficient funding to finance such activities in the future, Vitesco Technologies could lose its competitive position in these important regional markets. Furthermore, if Vitesco Technologies invests in emerging markets that do not develop as expected, or that deteriorate due to economic, political or other reasons, including due to the impacts of the COVID-19 Pandemic on the automotive industry, all or part of these investments may be lost.

Potential social, political, legal, regulatory and economic instability but also protectionist tendencies may pose significant risks to Vitesco Technologies' ability to conduct its business and expand its activities in certain markets. Inherent in Vitesco Technologies' international operations is the risk that any number of the following circumstances could adversely affect its operations: underdeveloped infrastructure; lack of qualified management or adequately trained personnel, divergent labor regulations or cultural expectations regarding employment, labor disputes or strikes (as recently experienced in Mexico), or violation of human rights; currency exchange controls, exchange rate fluctuations and devaluations; governmental restrictions on foreign investment, transfer or repatriation of funds; the imposition of sanctions, restrictions and limitations as well as the implementation or increase of tariffs; prohibitions or restrictions on acquisitions or joint ventures; changes in laws or regulations, including its enforcement, and unpredictable or unlawful government actions; the difficulty of enforcing agreements and collecting receivables through foreign legal systems; as well as variations in protection of intellectual property and other legal rights.

### *1.2.10 The transformation of the automotive industry could have a negative impact on Vitesco Technologies' traditional product portfolio.*

The shift away from pure diesel and gasoline engines may result in lower demand for Vitesco Technologies' current components. This might also lead to an increased competition in the market for these combustion systems. Vitesco Technologies might therefore experience lower sales volumes which in turn could affect volumes of component parts or raw materials that Vitesco Technologies sources and therefore the volume prices of such parts and materials. This might result in lower margins and profitability of the combustion engines business.

In addition to the strategic decision to focus on the electrified powertrain and e-mobility, the Company decided to no longer invest in internal combustion engine technologies which the Company believes to have limited long term market perspectives beyond 2030, limited synergies into the electrified future and lower profitability, namely fuel injection equipment, fuel delivery, selective catalytic reduction systems and turbochargers and to exit or phase out such technologies. These internal combustion engine technologies accounted for a considerable amount of sales in the fiscal year 2020 and it cannot be assured that the exit and phase out can be conducted as planned or that decreasing sales from such exit or phase out can be compensated or replaced by sales from other products of the Group's portfolio, including electrified systems. Should the shift towards electrified powertrains occur slower or later than expected by Vitesco Technologies, its products might no longer be competitive for a then still existing market for pure diesel and gasoline powertrains as it ceased R&D investments for combustion powertrain components.

### *1.2.11 Other means of transport could become more attractive compared to privately owned cars and could therefore change the automotive market.*

Beside the consumer focus on clean mobility and increased sustainability awareness, there has also been an increase in consumer preferences for public transportation or mobility on demand services, such as car- and ride-sharing, as opposed to automobile ownership, or a tendency in consumer preferences towards smaller cars or cars with less power which may result in a long-term reduction in the number of vehicles or a change in the mix of vehicles produced. In addition, some industry participants are exploring transportation through alternatives to automobiles. These evolving areas have also attracted increased competition from entrants outside the traditional automotive industry.

## 1.3 Risks related to the Group's business operations

### *1.3.1 Vitesco Technologies faces risks associated with the quote process, in particular for larger and mid-sized OEM projects. Vitesco Technologies' order backlog may not necessarily be indicative of the level of its future sales, and the order books are not guaranteed.*

OEM sales are typically based on an iterative quote process with several fixed steps that are closely followed. In particular, in the case of larger and more complex projects, participation in a quote and the development efforts (e.g. the development of functional prototypes or work samples before nomination) in connection with the different phases involve significant costs and are time consuming. If Vitesco Technologies is not selected by the OEM and therefore not awarded with an order, these expenses and efforts will be redundant, especially if the tender is large or will not be put forth again for a number of years. Based on awarded contracts and Vitesco Technologies assumptions regarding volumes Vitesco Technologies estimates the lifetime sales acquired but those contracts do not contain guaranteed order volumes. OEM customers typically retain the contractual ability to change or cancel order volumes at short notice.

Vitesco Technologies' order backlog represents future production and estimated potential sales attributable to firm contracts with, or written orders from, customers for delivery in various periods. Instability in the global economy, negative conditions in the global credit markets, volatility in the industries that Vitesco Technologies' products serve, changes in legislative policy, changes in preferences of end consumers, adverse changes in the financial condition of customers, adverse changes in the availability of raw materials and supplies, warranty claims or unremedied contract breaches could lead to contract amendments, termination or cancellations of orders in Vitesco Technologies' order backlog or request for deferred deliveries of order backlog orders.

Order books relating to Vitesco Technologies' series production business are not guaranteed. Customers typically provide Vitesco Technologies with a delivery forecast for a period that can comprise the next three to twelve months and request capacities increases with usually three to six months' notice. However, customers generally retain the ability to change or cancel order volumes upon short notice, with or without a limitation of the percentage of the volume that can be increased or reduced, as the case may be. In such an event, Vitesco Technologies may not be able to adjust its manufacturing capacities or may be unable to ask for compensation of related costs. If the order volumes are reduced upon short notice, Vitesco Technologies may be unable to sell these products, which are generally vehicle-specific, and will thus not be able to recover the resulting production costs. Additionally, Vitesco Technologies may face claims from its suppliers, e.g. cancellation costs due to the short notice cancellation or follow-up costs due to release and storage of the no longer needed supplied materials. In turn, if the order volumes exceed expected volumes, Vitesco Technologies may be unable to produce the additional volumes sufficiently fast, obtain approval from customers to produce in different lines or locations (in case of an increase of orders) or obtain the necessary additional material from its supplier, which may result in late deliveries and/or increased expenses. In general, Vitesco Technologies may not be able to source all required materials as suppliers may not commit to the delivery of specific volumes at a specific time or for multiple reasons (including *force majeure*-events) do not honor existing commitments.

### *1.3.2 Vitesco Technologies depends on a limited number of key suppliers for certain products and inability to source products from these suppliers, for example semiconductors, particularly due to supply interruptions, could adversely affect its operations.*

Vitesco Technologies requires substantial amounts of materials for its production, including electronics, mechanics and plastic and rubber, as well as the supply of non-production materials, such as production equipment, engineering services, IT licenses, energy and spare parts. Although it is Vitesco Technologies' policy to source input products and materials from a number of different suppliers, for some of the components or services Vitesco Technologies has to rely on a limited number of key suppliers. In some cases, Vitesco Technologies is forced to single source respective products or services, since multi-sourcing would economically or technically not be feasible or is not available. For its production material, Vitesco Technologies single-sourced in 2020 82% of the purchased materials, which includes for example the nitrogen oxide ($NO_x$) sensor probe. Double- or multi-sourcing applied to 18% of the purchased production materials in 2020. Vitesco Technologies' purchasing logistics may be adversely affected by supply delays, cancellations, insufficient quantities or inadequate quality related to any of its suppliers. If any of Vitesco Technologies' suppliers becomes unable to meet the delivery requirements for any reason, Vitesco Technologies may be unable to source components from other suppliers upon short notice, at the required volume and/or a comparable price. Any of these factors could result in interruptions in production and, therefore, have an adverse effect on Vitesco Technologies' production capacity, which in turn may cause delays in the delivery of products to customers. Such risks increase if suppliers in markets consolidate, as it is the trend in the market for semiconductors. Increased prices in the supply chain could also be caused by the requirements imposed by the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*).

The disruptions caused by the COVID-19 Pandemic have caused extreme volatility in the automotive industry. After the industry shutdown in the early phase of the crisis and the resulting abrupt drop in demand, automotive manufacturers in all regions increased their production volumes in the second half of 2020 and in 2021 much faster than expected by market experts. This resulted in large scale supply shortages for semiconductors. Although semiconductor manufacturers had already reacted to the sudden demand by expanding their capacities, the additional volumes needed have not been available on time since the beginning of the fiscal year 2021 due to the necessary lead times in the semiconductor industry (and additional production stoppages of key suppliers due to natural events like snowstorms in the U.S.A. as well as Mexico in February 2021). This supply shortage in the semiconductor industry has already caused and is expected to continue to cause major disruptions to Vitesco Technologies' business activities. Since it started, the shortages have significantly reduced the number of vehicles Vitesco Technologies' customers can produce as well as the volume of finished products that Vitesco Technologies' can supply, negatively impacting Vitesco Technologies' revenue development, which is also expected to affect revenues in 2021 by a significant amount. Undersupply related to the shortages have also resulted in elevated costs, such as from inefficiencies in Vitesco Technologies' production activities, including additional logistic costs of a mid-double digit million euro amount in the first six months of 2021. Vitesco Technologies might not be able to avoid continuing to request its customers to adapt their production or adjust their product mix in specific cases. Impacts on procurement activities have and will continue to be felt, including increasing prices for semiconductors or related components as well as more disadvantageous business framework conditions with semiconductor suppliers in the areas of payment terms, delivery terms and consignment contracts. Vitesco Technologies may not be able to hold itself harmless towards its suppliers as various contracts with suppliers do not provide for a clear commitment to deliver specific volumes at fixed prices. In addition, certain circumstances (e.g. the occurrence of *force-majeure* events due to the COVID-19 Pandemic) may excuse suppliers from their delivery obligations.

Furthermore, due to the declining global economy and the impacts of the COVID-19 Pandemic, Vitesco Technologies faces the increased risk of insolvency of small and medium sized suppliers, which might result in unforeseen supply interruptions.

In addition, many of Vitesco Technologies' OEM customers must be asked for approval with respect to the suppliers and/or components used, limiting Vitesco Technologies' ability to source input products from other suppliers upon short notice.

### *1.3.3 Vitesco Technologies' operations rely on complex information technology systems and networks, and interruptions of these systems and networks due to malfunctions, security breaches, cyber-attacks or any other event could adversely affect its business operations.*

Vitesco Technologies relies heavily on centralized information technology systems and networks to support business processes, as well as internal and external communications. These systems and networks are potentially vulnerable to damage or interruption from a variety of sources and to security threats. An extended outage of an important infrastructure service (e.g. data center, user authentication service, telecommunications network) utilized by Vitesco Technologies' IT systems, security breaches, cyber-attacks, incorrect usage of hardware or software by employees, external contractors or visitors, or any similar event could lead to deliberate improper access of the Group's sites or systems, an extended and unanticipated interruption of its systems or networks and affect its production and other operations as well as its reputation.

In addition, it is possible that a malfunction of Vitesco Technologies' data system security measures could enable unauthorized persons to access sensitive business data, including information relating to Vitesco Technologies' intellectual property or business strategy, as well as information relating to its customers, suppliers, business partners and employees. Any compromise of Vitesco Technologies' data security and access to or public disclosure or loss of personal or confidential business information could result in legal claims or proceedings with third parties, liability or regulatory penalties under the laws that protect the privacy of personal information (such as the Regulation (EU) No 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (***GDPR***)), disruption of Vitesco Technologies' operations, damage to its reputation, loss of business or remediation costs.

These risks are further exacerbated by the fact that potential attackers are increasingly sophisticated and often supported by organized crime or even nation-states economic espionage or even sabotage.

Some of the IT systems used by Vitesco Technologies will also have to be replaced or updated as current systems work on old platforms or are not delivering the performance needed in a highly digitized working environment which could result in increased costs.

### *1.3.4 Vitesco Technologies' future business success depends on a high quality of its products.*

For customers, one of the determining factors in purchasing the Group's components and systems is the high quality of the Group's products. A decrease in the actual or perceived quality of the Group's products could damage image and reputation of the Group. In addition, defective products could result in loss of sales, loss of customers and loss of market acceptance.

Furthermore, many of Vitesco Technologies' products are subject to industry-wide or customer specific standards and norms; Vitesco Technologies manufactures many products pursuant to these specifications and quality requirements. The list of applicable standards and norms in a given quotation tender can be extensive, while still leaving room for interpretation regarding impact on product design. A lack in clarity can result in a subsequent customer directive to implement a specific solution which could drive a significant increase in the cost structure of the product and Vitesco Technologies might have to take some or all of this cost increase. If the products manufactured and delivered by Vitesco Technologies do not meet the requirements stipulated e.g. by the OEM customer, production of the relevant products may be discontinued, continued under setting containment actions or continued under deviation approval by the OEM until the cause of the product deviation/defect has been identified and remedied. Furthermore, Vitesco Technologies' OEM customers could potentially bring claims for damages based on breach of contract, even if the cause of the defect is remedied at a later point in time.

### *1.3.5 Vitesco Technologies is exposed to fluctuations in prices of raw materials, purchased components and non-production material, which may lead to higher production costs.*

In the fiscal year 2020, purchases of production materials (consisting of e.g. electronics, mechanics as well as plastic and rubber) comprised €3,750 million (thereof, approximately 30% were spent on the purchase of semiconductors and other electronic components). The Group also purchased non-production materials (consisting of buildings and construction service, production equipment, engineering services, facility services, freight and transportation rates, packaging, services for human relations, travel, consulting, IT licenses, energy and spare parts) in the amount of €1,136 million in the fiscal year 2020. Prices for production and non-production materials may significantly fluctuate influenced by global or regional supply/demand dynamics, transportation costs, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate and other circumstances, including availability and prices for raw materials needed to manufacture these materials. Depending on the increase in demand and market penetration for electromobility and renewable energies, delivery bottlenecks and a further increase in prices for production materials specifically needed for electrified vehicles are possible in the next few years, as current production capacities are limited. This could also affect prices for components that depend on specific raw materials, for example copper, nickel, aluminum, plastics or precious metals. Also, rare earths are globally considered to be high-risk raw materials, 80% of which are mined and processed in China. Price increases for the aforementioned components, as well as non-production material, may affect the manufacturing costs of Vitesco Technologies' products. Vitesco Technologies does only hedge in selected cases against the risk of rising raw material prices via indirect forward buys.

Since the shortages in the supply of semiconductors (please also see "1.3.2 Vitesco Technologies depends on a limited number of key suppliers for certain products and inability to source products from these suppliers, for example semiconductors, particularly due to supply interruptions, could adversely affect its operations.") started in 2020, the shortages have not only significantly reduced the number of vehicles Vitesco Technologies' customers can produce as well as the volume of finished products that Vitesco Technologies' can supply. Undersupply related to the shortages have also resulted in elevated costs, such as from inefficiencies in Vitesco Technologies' production activities, including additional logistic costs of a mid-double digit million euro amount in the first six months of 2021. Impacts on procurement activities have and will continue to be felt, including increasing prices for semiconductors or related components as well as more disadvantageous business framework conditions with semiconductor suppliers in the areas of payment terms, delivery terms and consignment contracts. With the shortages expected to continue for the remainder of 2021 as well as into 2022, such material adverse effects on profitability and cash flows are also expected to continue.

The Group might also not be able to manage purchasing costs through competitive tenders, adjustments to its supplier portfolio and agreeing to long-term supply contracts. Therefore, if Vitesco Technologies is not able to undertake corresponding cost-saving measures elsewhere in its operations or is not able to gain compensation for or pass on cost increases to customers, such price increases or deteriorations of payment terms, delivery terms and consignment contracts could have a material adverse effect on its results of operations. During periods of declining raw material or production and non-production material prices, customers may demand price reductions for Vitesco Technologies' products, even if existing inventories were purchased at higher prices.

### *1.3.6 Vitesco Technologies' business could be adversely impacted by strikes and other labor disputes.*

With around 40,000 employees (as of June 30, 2021), Vitesco Technologies employs a large workforce around the world. A significant number of Vitesco Technologies employees is unionized. Wage costs are therefore dependent on collective bargaining agreements. Although, Vitesco Technologies believes that it has good relationships with its workforce, work councils and unions, there is no assurance that when existing collective bargaining agreements expire, new agreements will be concluded on terms that are satisfactory to Vitesco Technologies. Furthermore, the Company and its German subsidiaries Vitesco Technologies GmbH and Vitesco Technologies Germany GmbH are subject to the regulations of the German Co-Determination Act (*Mitbestimmungsgesetz*), Vitesco Technologies Emitec GmbH is subject to the regulations of the One-Third Participation Act (*Drittelbeteiligungsgesetz*).

Therefore, Vitesco Technologies depends on positive relationships with its employees and employee representatives. If these relationships deteriorate in the future, Vitesco Technologies could experience strikes, further unionization efforts or other types of conflicts with employee representatives or employees. Strikes associated with Vitesco Technologies' operations could affect production over a longer period of time and damage its reputation with customers or its public reputation.

### *1.3.7 Vitesco Technologies is exposed to the risks of overproportionally rising labor costs and of non-tariff individual labor agreements being challenged, which might negatively affect the Group's profitability.*

Personnel expenses represent a significant portion of Vitesco Technologies' cost structure. Future increases of statutory minimum wages, standard wages under collective bargaining agreements and general wage levels may impact Vitesco Technologies' costs.

Vitesco Technologies operates in certain countries with a significant number of employees in which wages and salaries have historically been significantly lower than wages and salaries in more economically developed countries for similarly skilled employees. Wages and salaries in these countries have increased significantly in recent years. Vitesco Technologies runs production and R&D facilities in a number of countries with a tight and highly competitive labor market, resulting in an increase of wages, salaries and fluctuations of the workforce. Wages and salaries in these countries could continue to increase, for example, as a result of continuing expansion of industrial sites of other companies in the vicinity of Vitesco Technologies' sites. Further, in Mexico legislation has been enacted that prohibits to subcontract or outsource personnel and personnel has to be employed directly by the operative or manufacturing companies. Employing the personnel directly could lead to an increase of labor costs for Vitesco Technologies with respect to its business operations in Mexico. If Vitesco Technologies is not able to increase the efficiency and productivity of the Group's employees in line with the rate of the wage and salary increases or to introduce alternative production solutions such as automatization through collaborative robot (***Cobot***) systems, Vitesco Technologies' margins could be reduced by such increased costs. Also, due to rapid technological developments in the market and in particular the shift toward electrification, Vitesco Technologies has been faced with the necessity to react quickly to such market demands by also adjusting its workforce. The challenges involved with the shift of resources and the change of required know-how will continue to be a major task also in the following years and includes the necessity for suitable trainings and education programs in order to re- and up-skill the workforce according to market needs, specifically in electrification and software. There is no guarantee that Vitesco Technologies will be successful in retaining executives and employees in key positions at current costs, in reskilling its current workforce, in particular its engineers to adapt to new market developments or in attracting a sufficient number of new employees with corresponding qualifications at the current wage level.

Furthermore, the COVID-19 Pandemic resulted in higher labor costs since the safety measures had to be increased. Employers have to observe occupational health and safety standard rules which result in both one-time as well as current costs. In addition, there is the risk that the COVID-19 Pandemic may lead to interruption and even shutdown of sites, particularly in the case of high sickness rates among the employees or quarantines which could result in loss of productivity. This could especially be the case in countries in which the progress of vaccination is to be expected relatively low, such as e.g. Mexico.

### *1.3.8 Vitesco Technologies' insurance coverage may be insufficient and it may be unable to completely insure certain risks or obtain sufficient insurance coverage in the future.*

Vitesco Technologies has taken out insurance coverage for certain risks, including property damage and business interruption insurance, general and product liability insurance, directors' and officers' (***D&O***) insurance, transport insurance, group accident insurance and automobile insurance. Vitesco Technologies also considers to take out insurance regarding automotive recalls and cyber protect insurance after the Spin-off but there is no assurance that these may be available. There is no guarantee that Vitesco Technologies' insurance policies will adequately cover all material risks it faces. Some risks cannot be insured or specific issues are excluded, and for certain risks and in certain locations, insurance may not be available or may be available only at costs that are not economically viable. There is also no guarantee that Vitesco Technologies will be able to continue to obtain sufficient levels of insurance on terms and conditions that are economically viable. Furthermore, there is a risk that insurance premiums will increase, or insurance coverage will not be available in some lines of insurance due to the changing insurance market conditions in the recent past due to high profile cases and the economic downturn.

### *1.3.9 Vitesco Technologies may be unable to successfully integrate or achieve expected benefits from acquisitions or divestments.*

Vitesco Technologies' strategy also includes a focus on inorganic growth opportunities through acquisitions, including through joint ventures. Vitesco Technologies may pursue selected acquisitions in the future, and in doing so Vitesco Technologies may need to expend substantial amounts of cash, incur debt or assume loss-making operations. Future acquisitions also involve a number of other risks, including:

- difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the acquired business with those of Vitesco Technologies' existing operations as well as unexpected losses of key employees of the acquired operations;
- challenges in managing the increased scope, geographic diversity and complexity of operations;
- the possible loss of customers and/or suppliers; and
- control issues in relation to acquisitions through joint ventures and other arrangements where Vitesco Technologies does not exercise sole control.

Vitesco Technologies may not be able to realize the anticipated cost savings, synergies, future earnings or other benefits that Vitesco Technologies intends to achieve from acquisitions or joint ventures. Vitesco Technologies cannot guarantee that any future acquisition or joint venture will yield benefits that are sufficient to justify the expenses Vitesco Technologies incurs. Furthermore, Vitesco Technologies might not be able to carry out certain merger and acquisition (***M&A***) projects due to covenants of financing agreements, which restrict or prevent certain of its M&A activities. Vitesco Technologies could also take on additional risks as a result of acquisitions or joint ventures.

Risks may also result from divestments, in particular, in regard to potential pre- or post-closing reductions of purchase prices, the recognition of losses in connection with the deconsolidation of the divested business, or due to possible liabilities arising from representations, warranties or covenants, for example, regarding taxes, pensions or real estate valuations, and difficulties in carving out the respective activities to be sold.

### *1.3.10 Vitesco Technologies could be adversely affected by customers defaulting on payments.*

If the creditworthiness of Vitesco Technologies' customers, in particular large OEM customers, or other customers were to decline, Vitesco Technologies would face an increased default risk with respect to its trade receivables. There can be no assurance that any financial arrangements provided to these companies, or even a successful reorganization of such companies, e.g. through bankruptcy, will guarantee their continued viability. In addition, Vitesco Technologies only carries insurance on its receivables in individual cases. If certain customers of Vitesco Technologies are unable to make payments for products that have already been delivered, Vitesco Technologies may not be able to recover those receivables. In addition, if any customer becomes insolvent, the original investments made by Vitesco Technologies to provide products to this customer could be wholly or partially lost. This risk may even be increased if customer defaults are due to a worsening of the global economy in general or a crisis affecting several of Vitesco Technologies' customers, e.g. due to the COVID-19 Pandemic (see "*1.1.3 The global spread of the COVID-19 Pandemic has had and could have a material adverse effect on Vitesco Technologies' business and result of operation which cannot be adequately determined or reliably quantified for the time being*.").

### *1.3.11 Vitesco Technologies faces risks relating to joint ventures, cooperations and partnerships and the interests of Vitesco Technologies' partners may conflict with its own.*

For a number of reasons Vitesco Technologies has entered and needs to enter into joint ventures, cooperations or partnerships. The reasons include to minimize R&D costs as well as to operate in or enter certain markets, in particular, emerging markets, to diversify the Group's regional presence as well as to transform its existing product portfolio. Vitesco Technologies might have only limited influence on the organization and business success of the companies concerned. Thus, Vitesco Technologies' ability to fully exploit the strategic potential in markets in which it operates or which it enters could be impaired if it is unable to agree with partners or joint shareholders on a common strategy and its implementation. The interests of partners or joint shareholders could also conflict with Vitesco Technologies' interests. In addition, Vitesco Technologies could be subject to fiduciary or contractual obligations to its partners which may prevent or impede its ability to unilaterally expand or maintain its activities in the business area in which such a joint venture or associated company operates. In this context, also see "*1.3.9 Vitesco Technologies may be unable to successfully integrate or achieve expected benefits from acquisitions or divestments.*".

#### *1.3.12 Vitesco Technologies could be adversely affected by property losses and unforeseen business interruptions.*

Vitesco Technologies operates 29 manufacturing sites in 14 countries around the world and its results of operations are dependent on the continued operation of its manufacturing and other facilities as well as the availability of services. Even if technical and safety standards for the construction, operation and maintenance of the Group's facilities and major equipment are observed, operational disruptions and delays cannot be ruled out and can occur as a result of unanticipated failures or for reasons outside Vitesco Technologies' control. Damage and loss caused by fire, accidents, natural disasters, severe weather or other disruptions of Vitesco Technologies' production process at its facilities or within the supply chain can be severe, as notably experienced in the past by the nuclear power plant incident of Fukushima, Japan, earthquakes in Japan and the eruption of an Islandic volcano (Eyjafjallajökull). Also, outbreaks of diseases or pandemics, such as the COVID-19 Pandemic, that initially strike only locally, can quickly have a global impact when spreading via global traffic flows, affecting production capacities and trade flows or resulting in a disruption of the automotive industry. Far-reaching negative consequences can also arise from political or social unrest or instability. Risks arising from business interruption and loss of production might not be insured at all and existing insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or kill individuals or damage or destroy third-party property or the environment, which could, among other things, lead to considerable financial costs.

### 1.4 Financing risks

#### *1.4.1 Change of control provisions and other provisions in existing and future debt obligations could lead to an acceleration of payment obligations under these debt instruments.*

The Company and other entities of the Group may be subject to risks related to existing and future financing agreements or other future debt obligations. After the Spin-off, Vitesco Technologies' external financing arrangements will mainly consist of two syndicated revolving credit facilities: A core revolving credit facility in a total volume of €750 million and an incremental revolving credit facility in a total volume of €250 million. The volume of the incremental revolving credit facility shall be reduced or, to the extend utilized, repaid, with the net proceeds from any bonds or other debt capital markets issue or certain debt financings by Vitesco Technologies. The terms of the syndicated revolving credit facilities contain restrictive covenants, including financial covenants regarding the maximum leverage ratio, minimum liquidity and minimum adjusted EBITDA, and restrictions regarding the financial indebtedness, as well as a change of control provision. In the event of a breach of certain contractual obligations, e.g. the non-fulfillment of a repayment obligation or if Vitesco Technologies fails to comply with any of these covenants or obligations or if a change of control occurs, and the Group is unable to obtain a waiver from the respective creditors, a default could result under the relevant debt instrument, which then could be declared to be immediately due and payable and/or would become immediately due and payable.

#### *1.4.2 Vitesco Technologies may face liquidity risks due to changes in its (perceived) creditworthiness when Vitesco Technologies ceases to be part of Continental Group.*

Until the Spin-off becomes effective, Vitesco Technologies is part of the financing pool of Continental Group. When Vitesco Technologies ceases to be part of Continental Group, it is likely that its (perceived) creditworthiness changes, making it more difficult for Vitesco Technologies to obtain financing at commercially reasonable terms. The ability of Vitesco Technologies to obtain debt financing, derivative or hedging lines from financial institutions at commercially reasonable terms, including volume and costs, could depend on several factors, some of which are beyond its control, such as general economic conditions, the availability of credit from financial institutions, market interest rates and global and EU monetary policy and financial markets regulation. Vitesco

Technologies' liquidity could also suffer if its suppliers introduce more stringent terms of payment or if its customers were to extend their agreed payment terms or if its customers do not continue to participate in the financing of R&D costs of Vitesco Technologies.

#### *1.4.3 Risks arise for Vitesco Technologies' business from liquidity and refinancing needs.*

If additional financing needs arise after the Spin-off, Vitesco Technologies will be dependent on access to sufficient financing sources, e.g. lines of credit from banks and/or access to the capital markets to satisfy current and future financial needs. The Company does not have an authorized capital or a contingent capital. It is therefore not able to raise capital through offerings of additional equity securities or debt securities convertible into shares, unless any such capital is authorized by the Company's shareholders' meeting, requiring a resolution by at least three quarters of the share capital represented at the time a vote is taken.

Since the automotive supplier industry is characterized by high capital expenditures due to rapid technological change, Vitesco Technologies faces high capital requirements for the development of new products or production processes, or future acquisitions, investments and economically required restructuring measures may lead to significant costs in the future. For instance, significant investments in R&D may be required to fund the development of new products and to focus on the electrified powertrain and e-mobility.

The financing structure of Vitesco Technologies as of the Spin-off is based on assumptions for the economic development in general, market expectations in the automotive industry, forecasts on e-mobility as well as the Group's sales planning and order backlog. If actual results do not reach the expected level, *e.g.* caused by a worsening of global economy, including due to the COVID-19 Pandemic, or differing consumer behavior, a decrease in revenues may not be fully or even partially recovered by cost reductions thus resulting in additional financing and liquidity needs. The liquidity planning of Vitesco Technologies also considers favorable payment terms regarding the contract manufacturing with the Continental Group. Should the actual phase out of the contract manufacturing differ from the planned volume changes, this could affect the available liquidity of Vitesco Technologies.

A deterioration in Vitesco Technologies business results, financial condition or credit assessment could lead to higher financing costs or other unfavorable commercial terms or an acceleration of loans. It has, however, not yet been decided whether or when Vitesco Technologies will apply for an external credit rating. Depending on its future cash flows and the availability of equity capital or debt at appropriate terms, there is the risk that Vitesco Technologies cannot sufficiently finance its business.

#### *1.4.4 Vitesco Technologies is exposed to risks in connection with interest rate changes, changes in currency exchange rates and associated hedging.*

Vitesco Technologies is exposed to risks associated with changes in interest rates as certain of its credit facilities bear interest at a floating rate basis. Therefore, an increase or decrease in interest rates would affect its current interest expenses and its future refinancing costs. These risks are monitored and evaluated as part of the Group's risk management activities.

Vitesco Technologies operates worldwide and is therefore exposed to financial risks that arise from changes in exchange rates. This leads to a translation risk, since Vitesco Technologies' reporting currency is the euro while it has subsidiaries with a functional currency other than euro. Currency exchange fluctuations could cause 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. A number of the Group's subsidiary companies, report in currencies other than the euro. The income and expenses of the Group's foreign subsidiaries are translated into euro at the average exchange rate for the period while assets and liabilities are translated at the closing rate.

At the same time, external and internal transactions involving the delivery of products and services to third parties can result in cash inflows and outflows which are denominated in currencies other than the functional currency of the respective Group company. The most significant transaction exposure arises from a mismatch with the U.S. dollar, since Vitesco Technologies purchases a considerable part of its production and non-production materials in U.S. dollar. Further relevant exchange rate exposures exist in Japanese Yen. In addition, fluctuations in foreign exchange rates could intensify or reduce fluctuations in the prices of production and non-production materials, since Vitesco

Technologies purchases a part of its production and non-production materials in currencies other than the relevant functional currency of the relevant group company.

The possible future use of derivative interest rate hedging or exchange rate hedging instruments is generally dependent on the availability of adequate credit lines with appropriate financial institutions. As a result, Vitesco Technologies may be unable to use derivative financial instruments in the future to the extent necessary, and the Group's hedging strategy could therefore ultimately be adversely impacted. There is no guarantee that Vitesco Technologies will not incur losses on their risk management strategy and respective hedging instruments.

#### *1.4.5 Vitesco Technologies is exposed to default risks in connection with cash and cash equivalents, derivative instruments and interest bearing investments.*

Vitesco Technologies is exposed to default risks for cash and cash equivalents, derivative instruments and interest-bearing investments. For such transactions Vitesco Technologies generally uses banks that it has classified on the basis of defined criteria such as credit ratings or the premiums for insuring against their respective credit default risk. Although the creditworthiness of the banks with which investments are made, loans are granted or derivative instruments are traded is continuously monitored, it cannot be ruled out that such banks cannot meet their contractual obligations which could have a material adverse effect on Vitesco Technologies financial condition and results.

#### *1.4.6 The Group has substantial pension and other similar employee benefits-related obligations and is subject to risks related to the development of these obligations and to funding requirements of its pension and other post-employment benefit plans.*

Vitesco Technologies operates various pension plans, including defined benefit pension plans which are mostly concentrated in Germany, the U.S.A., Canada and France, and has other similar obligations regarding long-term employee benefits mainly in the Group's subsidiaries. As of December 31, 2020, the net liability for the defined benefit plans recognized in the combined statement of financial position was €789.2 million. Certain assets held by the Group, such as assets held under contractual trust arrangements (***CTA***), qualify as plan assets and can be offset against the corresponding pension liabilities in the balance sheets. The funding ratio (i.e. the ratio between pension obligations and the fair value of plan assets) depends on the development of both parameters. Due to the large number of variables that determine the development of the obligations and pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for the Group's pension plans and other long-term post-employment benefit plans could, taken also into account that in Germany only active plan participants were transferred but not (deferred) pensioners, be significantly higher than the amounts estimated as of December 31, 2020. The highest sensitivity is related to changes in discount rates. If the market value of plan assets falls or external pension providers are unable to fulfil the respective pension commitment, e. g. due to a long-term low interest-phase, the Group may also have to substantially increase its pension provisions or to make additional contributions to fund the external pension providers. For example, interest rates, securities prices and fluctuations in currency may adversely affect the value of the plan assets. The Spin-off may also affect the future development of the value of the plan assets, e.g. if the recent investment strategy for the assets may not be continued to "as is" but worse conditions in the period following such Spin-off.

The current pension obligation for the Canadian pension plan is based on going concern and would be materially higher in case of a future restructuring/closure of the Canadian operations due to the necessity to trigger a wind up in those circumstances.

### 1.5 Legal, regulatory and taxation risks

#### *1.5.1 Vitesco Technologies is exposed to warranty, product liability and recall claims and may incur additional costs in connection with such claims.*

As a manufacturer, Vitesco Technologies is constantly subject to product liability risks including claims, lawsuits and other proceedings alleging violations of due care, violations of warranty obligations, product defects, treatment errors due to design weakness, manufacturing failures, deviation from specification or quality spills at suppliers and claims arising from breaches of contract, recall actions or fines imposed by governmental or regulatory authorities. The significance and outcome of these proceedings can vary greatly and may have considerable consequences. Recent material warranty claims include for e.g. deficiencies of flanshes for fuel modules and a failure of the PCRs5 Piezo Diesel injector due to local electrical sparkover. Any such lawsuits, proceedings or other claims could result in increased costs. Moreover, defective products could result in loss of sales and loss of customers and market acceptance. Risks arising from product liability lawsuits, proceedings and other claims might not be insured or only insured up to levels Vitesco Technologies considers economically reasonable, and the insurance coverage could prove insufficient in individual cases. Additionally, any defect in one of Vitesco Technologies' products (in particular, safety-related products) could also have a considerable adverse effect on its reputation and market perception. This could in turn have a negative impact on sales and income.

Moreover, OEMs are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims, and Vitesco Technologies has been subject to continuing efforts by its customers to change contract terms and conditions concerning the contribution to warranty and recall claims.

#### *1.5.2 Vitesco Technologies may be obliged to pay significant compensation and may incur significant costs in connection with investigations related to the alleged use of illegal defeat devices in diesel engines.*

The public prosecutor's office in Hanover searched locations of Continental AG and certain companies of the Continental Group including premises of the Vitesco Technologies Group as part of investigations in connection with the alleged use of illegal defeat devices in VW diesel engines. The investigations concern products of the (former) Powertrain division of the Continental Group that belong to the business which has been operationally separated and transferred as part of a carve-out (the ***Carve-Out***) to Vitesco Technologies. These investigations are currently directed, inter alia, against individuals of the Continental Group and of Vitesco Technologies and against Continental AG and certain companies of the Continental Group but not against companies of the Vitesco Technologies Group.

Furthermore, the public prosecutor's office in Frankfurt am Main conducted searches of the premises of Mitsubishi Motor Corporation and certain of its suppliers, including Continental Group and Vitesco Technologies, based on accusations of using illegal emission controls in certain diesel engines. The public prosecutor's office is conducting investigations against at least one former employee of an international automotive manufacturer and against unknown employees of the Continental Group with regard to the alleged use of illegal defeat devices in certain diesel engines. It cannot be excluded that unlawful conduct will be unveiled in the future as the investigation continues or new investigative measures are taken by the competent authorities.

Pursuant to the terms of the Carve-Out agreements and the related separation agreement between the Company, Vitesco Technologies GmbH and Continental AG (the ***Group Separation Agreement***), Vitesco Technologies Group AG and Vitesco Technologies GmbH must indemnify Continental AG and other companies of the Continental Group under the terms and conditions defined therein from and against expenses and liabilities attributable to the businesses transferred to the Vitesco Technologies Group as part of the Carve-out. This is consistent with the agreement between the parties that all benefits and all risks attributable to the transferred business shall be borne by the Vitesco Technologies Group. In connection with the proceedings initiated by the Hannover and Frankfurt am Main public prosecutors, Vitesco Technologies Group is exposed to the risk that financial liabilities will be imposed on and expenses will be incurred by companies of the Continental Group which Vitesco Technologies Group AG and Vitesco Technologies GmbH must indemnify the Continental Group for. These liabilities may consist of administrative fines and, in particular, amounts representing the disgorgement of economic benefits (*Gewinnabschöpfung*) that the public prosecutors may determine to have accrued to the businesses transferred to Vitesco Technologies Group in connection with alleged breaches of law as well as costs of legal advice and internal investigations.

Continental Group and Vitesco Technologies Group are cooperating with the public prosecutors. The investigation of the relevant facts and the further procedures are expected to take a protracted period of time to conclude. Given the early state of the investigations, the financial exposure of Vitesco Technologies Group cannot currently be determined with certainty, but overall exposure could be substantial. Furthermore, Vitesco Technologies Group will incur further material costs (including costs for legal and other advisors) in connection with the proceedings, costs relating to legal and other advisors occurred so far amount to a low double-digit million euro amount. Moreover, it cannot be ruled out that third parties may bring civil claims based on the facts established in the investigations or that other investigations will be initiated related to the alleged use of illegal defeat devices. Investigations will also bind considerable resources at Vitesco Technologies Group including senior management attention and may result in reputational damage. To date, no provisions or other liabilities for future costs have been recognized by either Vitesco Technologies Group AG or any other entity in the Vitesco Technologies Group in respect of the proceedings. The potential overall financial exposure may have a significant negative effect on the future development of Vitesco Technologies' results of operations.

Although Vitesco Technologies implemented a technical compliance department in order to ensure the legal and regulatory compliance of its products, it cannot be guaranteed that violations of its compliance system, including technical compliance, will not occur in the future.

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

### *1.5.3 If outstanding claims for input value added tax in Mexico recognized on the Group's financial statements cannot be collected and/or must be written off, this could have material adverse effects on the Group's net assets, financial condition, cash flows and results of operations.*

Vitesco Technologies Mexico S. de R.L. de C.V. and Vitesco Technologies Maquila Mexico S. de R.L. de C.V. (the ***Mexican Vitesco Technologies Subsidiaries***) have accrued claims for input value added tax against the tax authorities in Mexico. The claims have accrued since January 2019 and the claims that the Mexican Vitesco Technologies Subsidiaries are entitled to collect by way of applications that need to be filed for each month and the corresponding receivables that are recognized in the Group's financial statements amount to 5,426 million Mexican pesos (€229.99 million) per June 30, 2021. Based on the view of its Mexican tax advisors who assess these claims as valid and enforceable, the Group expects to be able to fully collect the receivables. However, the Mexican tax authorities have either dismissed or indicated to dismiss, as the case may be, the refund applications the Mexican Vitesco Technologies Subsidiaries have filed and/or will file, as the case may be, to collect the claims. To the extent that the refund applications have been denied or will be denied, the Mexican Vitesco Technologies Subsidiaries have brought and will continue to bring their claims to the Mexican tax courts. The Mexican tax authorities have, e.g., denied the claim of Vitesco Technologies Mexico S. de R.L. de C.V. related to April 2020 and the claim of Vitesco Technologies Maquila Mexico S. de R.L. de C.V. related to January 2020 and the Mexican Vitesco Technologies Subsidiaries have brought these tax claims to the Mexican tax court. The claims accrued since January 2019 are currently recognized as receivables at their face value on the Group's financial accounts. If, however, these receivables cannot be collected as expected and/or must be written off, this could have a material adverse effect on the Group's net assets, financial condition, cash flows and results of operations.

### *1.5.4 Vitesco Technologies might be affected by transfer pricing rules and this may increase its tax burden.*

Because Vitesco Technologies operates in several jurisdictions, the Group is also exposed to tax risks relating to the so-called transfer pricing rules applicable in several jurisdictions and in relation to cross border business relationships. Pursuant to such rules, related enterprises are obligated to conduct any inter-company transactions on conditions which would also apply among unrelated third parties (so-called at "arm's length principle") and to provide sufficient documentation thereof, subject to the rules applicable to them in the relevant jurisdiction. It cannot be excluded that Vitesco Technologies may face tax risks with respect to its group-wide transfer pricing model. It is possible that tax authorities might not agree with the Group's implemented transfer pricing rules. This could lead to double taxation of parts of the charged transfer prices in the two or more countries, which could potentially only be mitigated or avoided by a mutual agreement procedure or bilateral advanced pricing agreements between the relevant tax authorities or certain unilateral measures. For example, Romanian tax authorities currently challenge the qualification of Vitesco Technologies Romania SRL as an entrepreneur for transfer pricing purposes and argue that Vitesco Technologies Romania SRL should be treated as a so-called routine-company. This re-qualification of Vitesco

Technologies Romania SRL could lead to an additional tax burden and an effective double taxation of the relevant income in Romania and Germany for the years under audit and subsequent years in the region of a low to middle single digit million euro amount per year. Furthermore, transfer pricing risks may increase in the future as intra-group cross-border business grows or changes against the background of the digitalization and as the tax authorities' interpretation of the arm's length principle evolves over time. Special requirements regarding the documentation of transfer prices according to special tax laws, such as the German Foreign Tax Act (*Außensteuergesetz*) or similar applicable national laws and the regulations of the Organisation of Economic Co-operation and Development (***OECD***) must be fulfilled by Vitesco Technologies. This transfer pricing documentation may be considered to be insufficient by the relevant tax authorities or transfer prices may be considered to be inadequate or inadequately justified. This may result in penalties and additional tax payments.

#### ***1.5.5 Vitesco Technologies could be unsuccessful in adequately protecting and/or enforcing its intellectual property.***

Vitesco Technologies products and services are highly dependent upon its technological know-how, the reputation of its brand, and the scope and limitations of its proprietary rights therein.

As of the date of this Prospectus, Vitesco Technologies owns approximately 10,500 patents and is in the process of application for a further 4,300 patents that are of considerable importance to its business. The process of seeking and 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 Vitesco Technologies with meaningful protection or a commercial advantage and are subject to expiry. Vitesco Technologies typically requires its employees and independent contractors that work in engineering to assign to it all intellectual property and work product they create (employee inventions) in connection with their employment or engagement. If these inventions are not properly assigned, this could result in that Vitesco Technologies does not have access to the respective intellectual property or could be forced to agree to royalties or other payments. A major part of Vitesco Technologies' know-how and industrial secrets is not patented and cannot be protected through registered intellectual property rights. Consequently, this poses a risk that competitors will copy Vitesco Technologies' know-how without incurring any expenses of their own. In addition, while there is a presumption that patents are valid, the granting of a patent does not necessarily guarantee its validity in third party invalidation attempts or that a possible patent infringement can be effectively enforced to the degree necessary or desired.

Vitesco Technologies owns approximately 1,150 registered trademarks and trademark applications. There is a risk that pending or future trademark applications will not be accepted by trademark offices or will be objected by third parties (in whole or in respect of certain countries or certain goods or services), e.g. due to prior rights of third parties in that name, and therefore not result in successful trademark registrations. Specifically, filings of trademark applications for the core element of Vitesco Technologies' name ("Vitesco") have been submitted to trademark offices since end of 2018. Searches conducted before deciding for the name "Vitesco" have revealed a number of third-party rights that may pose a risk to the protection of the name in certain countries should third parties file opposition or otherwise take action against the trademark applications of Vitesco Technologies. Currently, 128 applications for the "Vitesco" name are still pending and, so far, one application has been opposed by a third party in Turkey. This third-party opposition has been refused by the Turkish Trademark Office after Vitesco Technologies successfully filed a counterstatement. If Vitesco Technologies cannot successfully defend against third-party oppositions or other actions, or the disputes cannot be settled through contractual arrangements, Vitesco Technologies may have to accept certain restrictions of protection and use of its company name in the affected countries.

There is a risk that third parties will take legal action to have Vitesco Technologies' intellectual property rights declared null and void (e.g. based on prior art, prior rights or third parties allegation that Vitesco Technologies' intellectual property rights do not fulfil the requirements for registration, or – in respect of trademarks – allegation of non-use). Vitesco Technologies could be involved in lengthy and costly litigation or proceedings before intellectual property offices.

Should registered intellectual property rights expire, become voidable (e.g. in case of trademarks as a result of not using a registered trademark for all or certain products/services covered by the registration for a certain period of time) or be subject to geographical restrictions, this could allow competitors to use the relevant intellectual property in order to facilitate entry into the market or strengthen their position. Vitesco Technologies has further been the target of product piracy in the past and Vitesco Technologies expects that third parties will continue to produce and distribute counterfeit products using Vitesco Technologies' technologies and brands in the future. In addition, Vitesco Technologies has entered into a number of license, cross-license, collaboration and development agreements with customers, competitors and other third parties under which it is granted access and rights to intellectual property and know-how of such third parties. It is possible that license agreements could be terminated under certain circumstances, leaving Vitesco Technologies with reduced access to intellectual property rights to commercialize its own technologies. Furthermore, the licensed intellectual property rights may be invalid.

### *1.5.6 There is a risk that Vitesco Technologies infringes on the intellectual property rights of third parties and could therefore be forced to change its product offering or be exposed to additional costs.*

Vitesco Technologies' competitors, suppliers and customers also submit a large number of patent, utility model, trademark or other intellectual property rights applications in order to protect their technologies and brands. It is not always possible to determine with certainty whether there are effective and enforceable third-party intellectual property rights to certain processes, methods or products. Therefore, third parties could assert infringement claims against Vitesco Technologies, even unjustified ones.

In case of an alleged infringement of third-party intellectual property rights, Vitesco Technologies may be subjected to the risk and cost of defending infringement claims. If third-party infringement claims are asserted, Vitesco Technologies could be forced to cease manufacturing, using or marketing the respective technologies or products in certain countries or to make changes to manufacturing processes and/or products. In addition, Vitesco Technologies could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology or trademarks of third parties. These claims may require Vitesco Technologies to initiate or defend protracted and costly litigation. Vitesco Technologies is also subject to the risk of being drawn into disputes regarding alleged infringements of intellectual property rights by its customers.

Future car type approval legislation is expected to include mandatory onboard fuel consumption and/or exhaust gas emission data monitoring as well as over the air communication using cellular communication standards of respective vehicle data. Therefore, Vitesco Technologies may in the future supply control units monitoring such data and providing them to a communication device using such cellular communication standards. Such standards are covered by patents (standard essential patents, ***SEP***) which have to be licensed by the SEP owners on fair, reasonable and non-discriminatory (FRAND) terms and conditions. If Vitesco Technologies should decide to also supply the communication devices with its control units, there will be a risk that Vitesco Technologies or its suppliers may be denied an own direct license to use the SEPs or will be facing material license fees, either directly claimed by SEP owners or claimed as indemnification by its customers facing such license fee claims.

### *1.5.7 Vitesco Technologies may be subject to fines, claims for damages and other legal consequences in relation to alleged or actual antitrust or anti-competitve behavior.*

Vitesco Technologies is subject to applicable competition and antitrust laws, rules and regulations, and may be exposed to investigations and proceedings by national and supranational competition and antitrust authorities for alleged infringements of competition or antitrust laws. If any competent antitrust authority concludes that Vitesco Technologies participated in anti-competitive practices, it may seek to impose a fine. Furthermore, prosecutors may initiate criminal proceedings against Vitesco Technologies or its employees. In addition, Vitesco Technologies may be exposed to substantial follow-on civil damage claims from both direct and indirect purchasers of affected products. Moreover, customers are increasingly requiring that provisions entitling the respective customer to liquidated damages (*pauschalisierter Schadensersatz*) in the event of antitrust violations are being included in sourcing contracts. As a result, if such clauses are enforceable and if Vitesco Technologies was to be found in the future to have engaged in any antitrust violations Vitesco Technologies may be contractually required to pay substantial liquidated damages, which could make follow-on civil damage claims even more likely. In addition, depending on the particular facts and circumstances, it cannot be ruled out that Vitesco Technologies becomes subject to certain limitations on future acquisitions imposed by regulators due to its market shares in specific businesses.

### *1.5.8 Vitesco Technologies' risk management and compliance controls and procedures may fail to prevent or detect corruption, fraud, money laundering or other criminal or otherwise unauthorized behavior.*

Prior to the Spin-off, the business conducted by Vitesco Technologies was integrated into the global compliance management system (***CMS***) of the Continental Group. In preparation for the Spin-off, Vitesco Technologies has implemented its own worldwide CMS aiming at (i) preventing and detecting anti-competitive behavior, bribery and corruption, money-laundering, fraud and other criminal or otherwise unauthorized behavior by its employees and business partners acting as intermediaries, (ii) securing compliance with trade sanctions and technical requirements relating to Vitesco Technologies' products, and (iii) harnessing the operations of Vitesco Technologies against any cyber-attacks, preventing data leaks and securing compliance with applicable data protection laws and regulations. However, given that Vitesco Technologies was prior to the Spin-off integrated into the global CMS of Continental Group, it may take some time until this new CMS is fully operational and implemented in the entire Vitesco Technologies Group.

Furthermore, given the global scope of Vitesco Technologies' operations and, in particular, the fact that corruption, fraud and similar criminal conduct are widespread in certain countries in which it operates (such as Brazil, Mexico, India, China, and South Korea), such controls may prove to be insufficient to prevent or detect unlawful conduct. Despite training, oversight and compliance programs, Vitesco Technologies cannot assure that its internal control policies and procedures will always protect it from deliberate, reckless or inadvertent acts of its employees or agents that contravene its policies or violate applicable laws. Certain employees or intermediaries (such as consultants or agents) as well as suppliers may still engage in illegal practices or corruption to win business or to conspire in order to circumvent Vitesco Technologies' compliance controls. Similarly, Vitesco Technologies' risk management function may fail to identify, mitigate or manage relevant risk exposures. The continued expansion, including in Asia and into developing countries, could increase the exposure to such violations in the future.

In particular, the U.S. Foreign Corrupt Practices Act and other anti-corruption laws (such as the UK Bribery Act 2010 and the anti-bribery and corruption provisions of the German Criminal Code) generally prohibit companies and their intermediaries from making improper payments to public officials or counterparties in commercial relationships for the purpose of obtaining or retaining business. Vitesco Technologies operates facilities and has thousands of persons employed by group companies throughout the U.S.A. and other parts of the world.

If Vitesco Technologies' employees, intermediaries or suppliers engage in corruption, fraud, money laundering, anti-competitive or other criminal or unauthorized behavior, such misconduct could be subject to administrative, civil or criminal fines or other sanctions, such as debarment from public orders, loss of business licenses or permits or other restrictions. Potential wrongdoings by its employees, intermediaries or suppliers could also damage Vitesco Technologies' reputation and have an adverse impact on its ability to compete for business.

### *1.5.9 Vitesco Technologies may be subject to fines, claims for damages and other legal consequences in relation to alleged or actual breach of applicaple data protection legislation or information security policies.*

Vitesco Technologies receives, generates and stores sensitive information in the form of personal data. It is therefore subject to a variety of local, state, national and international laws, directives and regulations that apply to the collection, use, storage, retention, protection, disclosure, transfer and other processing of personal data, in the different jurisdictions in which the Group operates, including the GDPR. The GDPR regulation has resulted in a number of changes in the EU data protection legislation, for example, increased fines (up to 4% of annual worldwide turnover or €20 million, whichever is greater), and direct liability for breach by data processors. Vitesco Technologies may be required to put in place additional mechanisms to ensure compliance with the new data protection rules. Moreover, complying with these various laws could require Vitesco Technologies to observe more obligations in its contracts, restrict its ability to collect, use and disclose personal data, or in some cases, impact the Group's ability to operate in certain jurisdictions.

European, U.S. federal and state and other foreign laws and regulations relating to data protection, privacy and other similar laws and regulations are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain and may be interpreted and applied inconsistently from country to country and inconsistently with its current policies and practices. Vitesco Technologies' failure to comply with applicable laws and regulations, or to protect data breaches or misuse by employees, could result in investigations by law enforcement agencies and enforcement action against it. Such enforcement could include fines, public censure, claims for damages by employees, customers and other affected individuals, damage to Vitesco Technologies' reputation and loss of goodwill (both in relation to existing customers and prospective customers) and in some circumstances the imprisonment of company officials.

### *1.5.10 Vitesco Technologies may have to repay investment grants and other subsidies, or previously awarded investment grants or other subsidies may not be disbursed in full or in part.*

A part of Vitesco Technologies' investment requirements for developing and expanding its production capacity is covered by public aid, such as subsidies, loans at favorable conditions or tax reductions or exemptions. The decisions on granting public aid received by Vitesco Technologies contain various conditions such as investment obligations, the creation of jobs, maintaining operations or specific R&D activities. If these conditions are not fulfilled during the commitment period, which generally exceeds the specified investment period, this could result in a repayment claim by the relevant authorities for the public aid received by Vitesco Technologies.

In addition, Vitesco Technologies also receives subsidies for specific R&D activities. If Vitesco Technologies does not comply with the subsidy conditions, which typically require that certain R&D activities have to be undertaken, this could result in a repayment claim by the relevant authorities.

Furthermore, investment grants or other subsidies already awarded may not be disbursed in full or in part, e.g. because the competent authority has not been allocated the required funds or because Vitesco Technologies has not complied with investment obligations.

### *1.5.11 Vitesco Technologies could be held liable for damages to natural resources, such as soil, water or groundwater contamination, or for risks related to hazardous materials.*

Many of the sites which Vitesco Technologies operates have been used for industrial purposes for many years, leading to risks of contamination and resulting in site restoration obligations. Under certain environmental laws, Vitesco Technologies could be held responsible, regardless of fault and without any caps on liability, for the remediation of any hazardous substance contamination at its past, present and future facilities and could also be held liable for damages to natural resources, such as soil, water and/or groundwater contamination, and any consequences arising out of human exposure to such substances or other environmental damage. Vitesco Technologies could also be held responsible for the remediation of areas adjacent to the Group's sites if these areas were contaminated due to Vitesco Technologies' activities. As a result, Vitesco Technologies may be required to pay for clean-up costs (and in specific circumstances, for aftercare costs) for any contaminated property it owns or uses as operator or has owned or used in the past. For instance, soil, water and/or groundwater impact has been discovered at some of the sites operated by Vitesco Technologies in the past and at present, including Burlington (Canada) and Salto (Brazil), and performs remediation in compliance with local laws.

The cost of environmental claims and related measures relating to Vitesco Technologies' sites, products and operations, including the handling or disposal of waste and environmental remediation, if required, is difficult to accurately predict and could be significant, including related governmental fines or other sanctions and third-party claims for decontamination, property damages or personal injury. In addition, with respect to plants and sites that Vitesco Technologies has acquired in the past, it may have failed to properly identify and assess potential risks in this regard. In such a case, Vitesco Technologies might not succeed in claiming damages or indemnification against the relevant seller. If any contamination were to become a subject of public discussion, there is a risk that Vitesco Technologies' reputation or relations with its customers could be adversely affected.

Furthermore, at some of the sites at which Vitesco Technologies operates, hazardous materials may have been used in the past. The health and safety of persons (such as former employees) may have been affected and could still be affected and Vitesco Technologies could therefore be exposed to related damage claims in the future. Vitesco Technologies faces similar risks with respect to former sites which have already been sold. Even if Vitesco Technologies has contractually excluded or limited its liability in connection with the sale of such properties, Vitesco Technologies could be held responsible for currently unknown contamination on properties which Vitesco Technologies previously owned or used.

### *1.5.12 Violations of export control laws, existing embargos or other sanctions may adversely affect Vitesco Technologies' business.*

As a result of Vitesco Technologies' international activities, it is subject to the laws and regulations of the various countries in which it does business. Certain of the countries in which Vitesco Technologies does business, including Russia, the Ukraine and China, are subject to economic sanctions, restrictions and export control laws imposed by the U.S.A., the United Nations, the UK and the EU. Furthermore, the export of goods can be subject to authorizations or prohibitions. Despite its awareness, oversight and CMS, Vitesco Technologies cannot predict the development and enforcement policies of the U.S.A., EU, China or other countries in which Vitesco Technologies does business with respect to economic sanctions and export controls, and it is possible that the relevant authorities will take a different view regarding the status of Vitesco Technologies or the compliance measures it has taken.

Laws, regulations or licensing policies on economic sanctions or export controls could change in a way that could require Vitesco Technologies to reduce, or to cease altogether, its business in and/or with these countries. Given the challenging political situation in some parts of the world, there is a risk that legal sanctions against countries such as Russia, in particular those enacted by the EU and the U.S.A., will be broadened or that new sanctions will be imposed.

### *1.5.13 Vitesco Technologies is involved in legal, administrative and arbitration proceedings and may be obligated to pay substantial damages or incur additional costs.*

Companies of Vitesco Technologies are involved in a number of legal, administrative and arbitration proceedings and could become involved in additional legal, administrative and arbitration proceedings in the future. These proceedings or potential proceedings could involve substantial claims for damages or other payments, particularly in the U.S.A. Based on judgments or settlement agreements, Vitesco Technologies could be obligated to pay substantial damages. Vitesco Technologies' litigation costs and those of third parties could also be significant. In addition, these proceedings could also lead to other adverse actions, such as authorities issuing orders against companies of Vitesco Technologies compliance of which could require significant expenses. Please also see "*1.5.2 Vitesco Technologies may be obliged to pay significant compensation and may incur significant costs in connection with investigations related to the alleged use of illegal defeat devices in diesel engines*".

### *1.5.14 Vitesco Technologies' tax burden could increase due to changes in tax laws and regulations or their application or interpretation or as a result of current or future tax audits.*

The Vitesco Technologies companies operate in nearly all countries of the world and therefore are subject to many different tax regulations. Vitesco Technologies´ tax burden could increase due to changes in tax laws or their application or interpretation, or as a result of current or future tax audits. Furthermore, these changes could particularly impact Vitesco Technologies´ tax receivables and tax liabilities as well as deferred tax assets and deferred tax liabilities. In addition, the uncertain legal environment in some regions could limit the ability to enforce Vitesco Technologies´ rights. As a globally operating organization, Vitesco Technologies conducts business in countries subject to complex tax rules, which may be interpreted in different ways.

The Company and many German as well as foreign companies of Vitesco Technologies are subject to routine tax audits by the competent tax authorities. For example, the last tax audit conducted by the competent tax authorities regarding all material German subsidiaries that existed prior to the Carve-Out covered the fiscal years from 2014 up to and including 2016. The respective tax assessments after this tax audit are final and binding (*bestandskräftig*) and the results have been analyzed and accounted for by the Company and its subsidiaries. Future tax audits for Vitesco

Technologies GmbH and Vitesco Technologies Germany GmbH have been announced for the years 2018 and 2019.

As a result of ongoing or future tax audits or other reviews by the tax authorities or tax disputes, (i) material additional taxes could be imposed on the Company and other companies of Vitesco Technologies that exceed the provisions by Vitesco Technologies and are also not covered by indemnity claims of Vitesco Technologies against a Continental Group company under the agreements implementing the Carve-Out and/or (ii) tax claims against the respective competent tax authorities shown in Vitesco Technologies´ financial statements might not be realized.

As a consequence of the Romanian tax audit for the years 2013 to 2019, for example, the tax authorities challenge the Group's qualification of Vitesco Technologies Romania SRL as an entrepreneur for transfer pricing purposes and argue that Vitesco Technologies Romania SRL should be treated as a so-called routine-company. This re-qualification of Vitesco Technologies Romania SRL for transfer pricing purposes could lead to significant additional Romanian tax payments and an effective double taxation of the relevant income in Romania and Germany for the audit period and such payments might exceed the provisions by Vitesco Technologies and potential indemnity claims against a Continental Group company under the agreements implementing the Carve-Out. Also, if this re-qualification were to be upheld for the years following the current tax audit, this could lead to a higher tax burden for Vitesco Technologies in the future in the region of a low to middle single digit million euro amount per year. Further, in South Korea, in the tax audit for the years 2015 to 2019, the Korean tax authorities challenged in particular the treatment of intra-group payments as service charges and requalified these payments into royalties subject to withholding tax in Korea which led to additional tax payments for the past. The underlying withholding tax notices have been challenged in appeal which is still pending. Should the view of tax authorities prevail in the appeal proceedings and is applied also for future years, this could lead to a higher tax burden for Vitesco Technologies in the future in the region of a low single digit million euro amount per year. Furthermore, some companies of the Vitesco Technologies Group have been and are still significantly benefitting from a preferential tax treatment, such as the preferential tax status of certain of the Group's Chinese subsidiaries which, under Chinese tax law, are classified as "high and new technology enterprise" (HNTE) and thus are eligible for a lower income tax rate. If a preferential tax treatment was denied with retroactive effect or is no longer granted in the future, this could result in significant additional tax payments.

Vitesco Technologies GmbH and other domestic and foreign members of Vitesco Technologies have considerable tax losses and tax loss carryforwards which are available to offset future taxable income, some of which have been capitalized as deferred tax assets. The utilization of tax losses and tax loss carryforwards may, however, be restricted under applicable tax laws, for instance, if they cannot be carried forward indefinitely or if they forfeit upon occurrence of a certain event (e.g., a direct or indirect transfer of shares or a change of control). If and to the extent that the utilization of tax losses or tax loss carryforwards were denied by the tax authorities, this would generally increase Vitesco Technologies' tax burden and may require a write-off of the deferred tax assets. For the specific Spin-off related risk with respect to tax losses, tax loss carryforwards and interest carryforwards of Vitesco Technologies GmbH and certain of its German subsidiaries, see "*1.6.8 As a consequence of the Spin-off, the German unutilized current tax losses and tax loss carry forwards of Vitesco Technologies GmbH and certain of its German subsidiaries could be forfeited.*"

### *1.5.15 If Vitesco Technologies fails to maintain an effective system of internal controls over financial reporting, it may not be able to detect fraud or report its financial results accurately or timely.*

An effective internal control environment is necessary for Vitesco Technologies to produce reliable financial reports and is an important part of the Vitesco Technologies' effort to prevent financial fraud. Until Spin-off, Vitesco Technologies is integrated in Continental group's internal control environment. After the Spin-off, Vitesco Technologies is prepared to periodically evaluate the effectiveness of the design and operation of its internal controls over financial reporting. Based on these evaluations, Vitesco Technologies may conclude that enhancements, modifications, or changes to internal controls are necessary or desirable. As a result of becoming a listed company, Vitesco Technologies may also be required to make additional changes to its system of internal controls in order to comply with the additional requirements that will be applicable to it, and there can be no guarantee that it will be able to respond to these additional requirements without difficulties or inefficiencies that could cause it to incur additional costs and/or expose it to regulatory or civil litigation or penalties.

While management evaluates the effectiveness of Vitesco Technologies' internal controls on a regular basis, these controls may not always be effective. There are inherent limitations on the effectiveness of internal controls, including fraud, collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate business risks.

If Vitesco Technologies fails to maintain an effective system of internal controls, it may be unable to produce reliable financial reports or prevent fraud. In addition, Vitesco Technologies may be subject to sanctions or investigation by regulatory authorities. Any such actions could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of Vitesco Technologies' financial statements.

### *1.5.16 Vitesco Technologies is subject to several regulations, technical standards and governmental policies, and its business, results of operations, cash flows and financial position could be affected by the regulatory frameworks in different ways.*

The industries in which Vitesco Technologies operates is subject to extensive governmental regulations worldwide. The cost of compliance with these regulations is significant and new or more comprehensive or stringent legislation could result in significant additional expenses for Vitesco Technologies in the future, which could have a material adverse effect on its business, results of operations, cash flows and financial position.

The Group is subject to extensive laws and regulations governing e.g. emissions, environmental protection, occupational health and safety, employment standards, and other matters, including social, ethical or governance-related matters. Complying with these varied and often diverging regulations across the countries where the Group is active, requires extensive efforts. Inadequate compliance with health and safety regulations and standards can lead to serious accidents or work-related illnesses and, thus, substantial damages claims as well as a loss in reputation, in particular as certain customers have a high corporate awareness for health and safety concerns and competent authorities become more stringent in adopting administrative measures to ensure compliance.

In particular, as a result of the COVID-19 Pandemic, the requirements and standards for safety and health at work have increased in many countries resulting in increasing costs. The Group has taken extensive measures to meet the requirements and to protect its employees. However, there is a liability risk if health or life of employees is injured due to an infection as a result of a breach of work safety regulations.

Moreover, Vitesco Technologies globally faces increasing requirements regarding matters of corporate responsibility and sustainability management and transparency, not only with respect to expectations from internal stakeholders, customers, investors and the general public, but also with respect to legal requirements such as the German Non-financial Reporting Directive Implementation Act to Strengthen Non-Financial Reporting of Companies in their Management Reports (*Gesetz zur Stärkung der nicht-finanziellen Berichterstattung der Unternehmen in ihren Lage- und Konzernlageberichten*) (with the directive currently being under review), and recent regulations regarding human rights and environmental due diligence (such as the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*) or the planned EU-Directive on supply chain due diligence, based on the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, as well as other related national legislation). Rules and regulations regarding corporate responsibility, sustainability and transparency have been enacted worldwide, including regions where Vitesco Technologies conducts its business, such as the U.S.A. and China, and are expected to be further developed and expanded in the future. Although Vitesco Technologies has designed processes to observe relevant human rights and other similar regulations and standards, any potential violation thereof, or the perception of such non-observance, could have a particularly negative effect on its reputation and result, potentially, in sanctions and fines.

### *1.5.17 Vitesco Technologies depends, with respect to certain activities, on permits, licenses, approvals, certifications, exemptions and exceptions, and there can be no assurance that Vitesco Technologies will be able to obtain or renew all necessary licenses, certifications and similar permits required for the Group's operations in a timely manner.*

Certain of Vitesco Technologies' activities depend on permits, licenses, approvals, certifications and/ or exemptions in different jurisdictions in order to operate its business. For example, Vitesco Technologies is exposed to permitting risks associated with approvals when building and operating production facilities. Furthermore, Vitesco Technologies requires certain certifications (e.g., ISO (International Organization for Standardization)) for its plants, which must be regularly renewed. Vitesco Technologies' customers increasingly require that Vitesco Technologies obtains additional certifications in order to consider engaging it as a supplier. The necessary validation and certification processes are often complex, time-consuming, lengthy and costly, and may be influenced by factors that are beyond Vitesco Technologies' control. Relevant regulatory authorities may not grant licenses, approvals, certifications, exemptions and exceptions as quickly as anticipated, which may result in project delays or unused capacities.

There can also be no assurance that Vitesco Technologies will be able to obtain or renew permits, licenses, approvals, certifications, exemptions and exceptions upon their expiration within the required timeframe or at all. Moreover, there can be no assurance that any exemption or exception Vitesco Technologies currently relies on for its business operations will continue to exist in the future. In addition, licenses, approvals, certifications, exemptions and exceptions currently held may be challenged in court by third parties or local authorities, which may lead to their revocation or operating restrictions. Granted permits, licenses, approvals, exemptions and/or exceptions may also be subject to amendments and/or additional conditions being imposed on Vitesco Technologies.

Vitesco Technologies aimed that in the course of the Carve-Out all required permits have been transferred or have been reapplied for, given the size of the Carve-Out in several jurisdictions, individual permits may not have been transferred.

The introduction of any new and/or more stringent laws, regulations, licenses, approvals, certifications, exemptions and exceptions requirements relevant to Vitesco Technologies' business operations may incur significant additional investments and maintenance costs or may preclude Vitesco Technologies from continuing with its existing operations or some areas of its business activities or may limit or preclude Vitesco Technologies from expanding its business. A violation of applicable regulations could lead to the imposition of penalties, fines, damages, restrictions on or revocations of the permits and licenses, restrictions on or prohibitions of business.

### *1.5.18 Risk factors regarding Vitesco Technologies ADRs.*

The specific treatment of American Depositary Receipts (***ADR***) in Germany is based on domestic German tax laws, including, but not limited to, circulars issued by German tax authorities, which, e.g., are not binding on the German courts, and the income tax treaty between the U.S. and Germany (the ***US-Germany Treaty***). The pertinent laws are subject to change, possibly with retroactive effect.

If, e.g., the Vitesco Technologies ADRs were determined not to fall within the scope of application of the circular issued by the German Federal Ministry of Finance (*BMF-Schreiben*), dated May 24, 2013 (reference number IV C 1-S2204/12/10003), as amended by the circular dated December 18, 2018 (reference number IV C 1-S2204/12/10003), in respect of the taxation of ADRs on domestic shares (the ***ADR Tax Circular***), or a German tax court did not follow the ADR Tax Circular, and profit distributions made with respect to the Vitesco Technologies ADRs were not treated as a dividend for German tax purposes, a holder of the Vitesco Technologies ADRs might not be entitled to a refund of any taxes withheld on the dividends under German tax law and profit distributions made with respect to the Vitesco Technologies ADRs may be effectively taxed twice.

Furthermore, the applicable German withholding tax rate can, e.g., be reduced to the rate provided in the US-Germany Treaty, which in the vast majority of cases should be 15%, if, among others, the applicable taxpayer is eligible for such treaty rate and files an application supplemented by a specific German tax certificate with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). If such a tax certificate cannot be delivered to the (future) Vitesco Technologies ADR holder such holder may be unable to benefit from the double tax treaty relief and may be unable to claim a credit of withholding tax in excess of the applicable treaty rate in its jurisdiction of residence. Moreover, the payment made to the (future) Vitesco Technologies ADR holder equal to the net dividend may qualify, under the tax law applicable to the (future) Vitesco Technologies ADR holder, as taxable income that is in turn subject to withholding, which could mean that a dividend is effectively taxed twice.

### 1.6 Risks related to the Spin-off

#### *1.6.1 The withdrawal from Continental Group may lead to the loss of synergies in shared services and infrastructure scale as well as higher purchasing costs.*

In the past, the Group was to a certain extent using shared services provided by the Continental Group and able to take advantage of cost savings due to higher scale. Examples of those shared services are IT services, financing and accounting, insurance, pension plans, recruiting, purchasing functions, legal and audit services. In addition, the Group was using to a certain extent shared infrastructure, e.g. servers, buildings, manufacturing plants and/or laboratories. Also, the Group (at this time materially the Powertrain business area of Continental Group) has historically been able to take advantage of Continental Group's size and organization in procuring goods like production material and non-production material. Following the separation from Continental Group, the Group is a smaller and less diversified company than the Continental Group. As a separate, stand-alone company, the Company or the Group may be unable to obtain goods, technology and services at prices and on terms as favorable as those available prior to the separation from Continental Group. In addition, incorporation of own shared services or infrastructure internally, externally or via service agreements may be more expensive.

#### *1.6.2 Vitesco Technologies is exposed to risks arising from indemnities which have been granted to the Continental Group in connection with the separation from the Continental Group.*

In the course of the Carve-Out process the business activities primarily related to the former Powertrain business area of Continental Group were transferred substantially by share and/or asset deal from the relevant owning legal entities to Vitesco Technologies GmbH and/or to existing or newly formed legal entities in the respective jurisdiction. In general, those shares, assets, rights, liabilities and contracts were subject to the specific transfers which were related to the Powertrain business area. In case of asset transfers, the relevant asset purchase agreements contained a clause pursuant to which the relevant purchasing legal entity indemnified the relevant selling legal entity and held it harmless from and against any existing or future (known or unknown actual or contingent) liability or obligation arising in connection with the conduct of the transferred business. As a consequence of this concept, Vitesco Technologies GmbH will have to indemnify Continental AG and the relevant affected companies of the Continental Group from and against any expenses and liabilities resulting from the investigations in connection with the use of illegal defeat devices in VW diesel engines (see "*1.5.2 Vitesco Technologies may be obliged to pay significant compensation and may incur significant costs in connection with investigations related to the alleged use of illegal defeat devices in diesel* engines.").

In addition, under the Group Separation Agreement, the Company, Vitesco Technologies GmbH and Continental AG agree that the indemnity obligations agreed in the course of the Carve-Out continue to apply. In case no such obligations have been agreed in the course of the Carve-Out, the Company and its subsidiaries are, in principle, obligated to indemnify and hold harmless Continental AG and its subsidiaries (excluding the Group) from any claims (and costs in connection with such claims) which relate to the business operations of the Group prior to the Spin-off becoming effective.

These indemnity obligations could lead to substantial liabilities of the Vitesco Technologies entities towards the respective Continental Group entities.

#### *1.6.3 The creation of administrative, financial and other functions and services that were provided to date by the Continental Group could be delayed, fail to succeed, or lead to unforeseen costs.*

As a business area of the Continental Group, the Group historically has relied on financial, administrative and other resources, assets, IT systems and other infrastructure of Continental Group to operate its business (including in the area of financing and accounting, insurance, pension plans, recruiting, purchasing functions, legal tax and audit services and R&D). In connection with the separation from Continental Group, the Group is in the process to create its own financial, administrative and other support systems and functions or contract with third parties to replace functions and services previously provided by Continental Group. The Company has entered into agreements with Continental AG or certain of its subsidiaries under which Continental AG or certain of its subsidiaries will provide various transitional services to the Group for a period of maximum 24 months. However, these services may not be sufficient to meet the Group's needs, and, after these agreements with Continental AG or certain of its subsidiaries expire, the Group may not be able to replace these services at all or obtain these services at prices and on terms as favorable as currently or the creation and/or adequate staffing of its own support systems and functions may not be possible or delayed.

In addition, the financial statements included in this Prospectus for periods prior to the Spin-off may not fully reflect the additional costs of the Group operating independently. The Company may incur increased administrative expenses as a stand-alone company, including expenses for services that will continue to be provided by the Continental Group pursuant to service agreements at prices intended to correspond to those obtainable from third parties as well as for hiring of new personnel to set up the functions needed to operate as a stand-alone company and which may be provided by the Continental Group. As a substantially smaller group, Vitesco Technologies may also lose the benefit of some economies of scale that Continental Group was able to achieve with respect to administrative operations. It is possible that these increased costs will be materially higher than anticipated. Vitesco Technologies plans to enter into a purchasing cooperation with Continental Group, however, such cooperation may not yield the benefits that the Group anticipates or can be cancelled by either party. In the future, the Group will also no longer benefit from funding previously provided by the Continental Group or from external financing supported by collateral provided by Continental Group (e.g. guarantees). Without further support activities of Continental Group and dependent on the credit standing of the Group, future financing and providing guarantees as security for contractual obligations towards third parties will become more difficult and more expensive as an independent company.

#### *1.6.4 Due to its complex financial history, the Company has prepared combined financial statements for this Prospectus. The financial information presented in this Prospectus may not be fully representative of the results as an independent company.*

Vitesco Technologies Group Aktiengesellschaft was founded in 2019. A legal group of companies within the meaning of the International Financial Reporting Standards as adopted by the EU (***IFRS***) with Vitesco Technologies Group Aktiengesellschaft as parent company will only be created when the Spin-off becomes effective (which is expected on September 15, 2021). Therefore, the Company is an issuer with a complex financial history and combined financial statements have been prepared for this Prospectus. The audited annual combined financial statements for the fiscal years ended December 31, 2020, 2019 and 2018 and the unaudited condensed combined interim financial statements as of and for the six months ended June 30, 2021 are based on a series of assumptions and estimates which affect the recognition and amount of income, expenses, assets and liabilities that are attributable to the economic operations of Vitesco Technologies. Further assumptions and estimates were made with regard to the allocation of expenses and the appropriate and consistent application in the reporting periods. Accordingly, the historical financial information included in this Prospectus does not necessarily fully reflect changes that have occurred or will occur when the Company operates as a separate company and are also not indicative of the results of operations of Vitesco Technologies for any future period. The use of assumptions and estimates in the combined financial statements presented in this Prospectus include the risk that these may prove incorrect or that the combined financial statements are likely not to be fully representative of what the Group's financial position, results of operations and cash flows would have been had the Company been a fully stand-alone entity during the periods presented.

#### *1.6.5 Vitesco Technologies will continue contract manufacturing with Continental Group. The separation or ramp-up of production and other capacities after the Spin-off could be delayed or fail to succeed.*

A significant volume of products of the Group will after the Spin-off continue to be manufactured in plants of Continental Group (volume equaling €1,005.3 million in fiscal year 2020) and, vice versa, a comparable volume of products of Continental Group will after the Spin-off continue to be manufactured in plants of the Group (equaling €1,099.3 million sales in fiscal year 2020) until completion of the full separation of all production facilities and equipment. The Company has entered into contract manufacturing agreements with Continental AG or certain of its subsidiaries. The contract manufacturing with Continental Group also includes prolongations of the term of payment for the Group and an advance payment to Vitesco Technologies in the amount of up to USD 100 million which will be offset against certain payments due by Continental Group as consideration for the delivery of products until the end of 2024, starting in January 2024. Should a termination (ordinary or for cause) of the underlying agreements and/or certain product clusters occur or should the actual phase out of the contract manufacturing differ from the planned volume changes, this could cause the advance payment to become due for repayment (in whole or in part) before the end of 2024 which could affect the available liquidity of Vitesco Technologies.

However, contract manufacturing services provided by Continental Group may face quality issues or other interruptions or delays. Should Continental Group not be in a position to fulfill its contractual obligations concerning contract manufacturing, the Group might not be able to deliver products as agreed with its customers or might be exposed to additional costs or subject to defaults by Continental Group. Also, the Group may not be able to separate or take over the relevant production equipment, or ramp up its own or external production capacities, within the agreed timelines and/or at costs and on terms comparable to the costs or terms currently agreed. In turn, contract manufacturing services provided by the Group may also face quality issues or other interruptions or delays, exposing the Group to claims by or cost reimbursement to Continental Group.

### *1.6.6 The Group will only have limited access to the intellectual property rights of Continental Group.*

In the past, the Group had broad access to the intellectual property rights and know-how controlled by Continental Group on the basis of intragroup pooling and cross-license agreements. While these agreements will automatically terminate as of the Spin-off, the Group will retain licenses to use certain intellectual property rights and know-how of Continental Group to the extent incorporated in the existing products of the Group (as well as for certain evolutionary developments of these products), base functional units and manufacturing processes that were in use already before the Spin-off provided that the Continental Group retains these intellectual property rights. Also, the Group will be allowed to make limited use of the “Continental” trademarks and logos after the Spin-off during certain sell-off and re-branding periods (in particular on tools and reusable packaging) subject to the terms and conditions of a trademark license agreement. According to the agreement, rebranding of tools needs to be completed at the latest by the end of 2030 and rebranding of reusable packaging by the end of 2025. However, if the Group requires any other use of intellectual property rights or know-how of Continental Group after the Spin-off, the Group may have to negotiate licenses (and respective terms and conditions) with Continental Group on a case-by-case basis.

### *1.6.7 Carve-out related tax risks.*

Vitesco Technologies has acquired the Powertrain business from members of the Continental Group via asset deals and share deals, except for some parts which it will still acquire. The tax treatment of this Carve-Out could be challenged by the tax authorities. The transfer of the assets and shares resulted (or will result), as a rule, in a realization of the hidden reserves included in the sold assets and shares. As a rule, the relevant transferring entity is liable for the payment of taxes on these hidden reserves (if any). If taxes on the hidden reserves are assessed in a higher amount than initially declared, especially as a result of tax audits, such taxes will generally be borne by the transferring entity. Furthermore, if and to the extent such additional taxes can potentially result in tax benefits for the acquiring entity, the discounted net present value of such tax benefits is to be paid by the acquiring entity under the Group Separation Agreement between inter alia the Company and Continental AG irrespective of whether or when the Company or its subsidiaries can actually cash-effectively realize such tax benefits. Finally, the transfer agreements provide, as a rule, that the relevant acquiring entity is liable for the payment of real estate transfer taxes (and similar transaction taxes) incurred as a result of the transfer of the assets and shares. Hence, if real estate transfer taxes (and similar transaction taxes) are assessed in a higher amount than initially declared, especially as a result of tax audits, such taxes, as a rule, will be borne by the acquiring entity. Thus, additional taxes in connection with the Carve-Out could lead to additional payment obligations of Vitesco Technologies.

### *1.6.8 As a consequence of the Spin-off, the German unutilized current tax losses and tax loss carry forwards of Vitesco Technologies GmbH and certain of its German subsidiaries could be forfeited.*

Pursuant to Section 8c (1) of the German Corporate Income Tax Act (*Körperschaftsteuergesetz,* ***KStG***), the Spin-off would in principle give rise to a forfeiture of current tax losses and tax loss carryforwards at Vitesco Technologies GmbH and certain of its German subsidiaries because (indirectly) more than 50% of the shares are transferred to a single acquirer (Vitesco Technologies Group Aktiengesellschaft) within a five-year period (harmful acquisition of shares, *schädlicher Beteiligungserwerb*). On the basis of preliminary calculations, Vitesco Technologies GmbH and certain of its German subsidiaries are expected to have current tax losses and tax loss carryforwards in the mid three digit million euro range at the relevant time.

However, in the view of the Company these unused losses should not become forfeited due to the application of the so-called "corporate group clause" (*Konzernklausel*) under Section 8c (1) sentence 4 KStG as the economic ownership (which is relevant for the purposes of Section 8c KStG) in the partnership interests held by Continental AG in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG is transferred to Vitesco Technologies Group Aktiengesellschaft prior to the registration of the Spin-off, i.e. at a time at which Continental AG still holds 100% of the shares in Vitesco Technologies Group Aktiengesellschaft. Accordingly, Vitesco Technologies GmbH has received a binding ruling from the competent tax authority confirming that its unused losses would not become forfeited. The binding effect of the ruling is subject to the correct implementation of the facts on which the binding ruling issued by the competent tax authority was based and limited to the unused losses of Vitesco Technologies GmbH.

Furthermore, it is expected that the issuance of new shares in Vitesco Technologies Group Aktiengesellschaft as a result of the Spin-off will neither give rise to a forfeiture of tax losses at Vitesco Technologies GmbH and certain of its German subsidiaries as likely no acquirer (within the meaning of Section 8c (1) sentences 1 and 2 KStG) or related party will, directly or indirectly, acquire more than 50% of the shares in Vitesco Technologies GmbH or certain of its German subsidiaries.

The possibility that the tax authorities take the view that current tax losses and tax loss carryforwards at Vitesco Technologies GmbH and certain of its German subsidiaries are forfeited as a consequence of the Spin-off (e.g. by challenging the correct implementation of the facts on which the binding ruling issued by the tax office was based) can however not be ruled out.

### *1.6.9 Vitesco Technologies will continue to receive various general services and R&D services from Continental Group and will rely on Continental Group to continue to provide those services.*

Vitesco Technologies will after the Spin-off continue to receive various general services, in particular in the area of IT and infrastructure from Continental Group. In addition, Vitesco Technologies will continue to receive certain R&D services from Continental Group after the Spin-off, including services for prototype development, software related services as well as services provided by certain R&D, testing and certification facilities (the ***Automotive Quality Labs*** or ***AQL***) operated by Continental Group. As part of the Carve-Out, certain of these Automotive Quality Labs operated by companies of Continental Group in Germany, the U.S.A. and China were, in whole or in part, transferred to Vitesco Technologies. In countries and locations where such Automotive Quality Labs will remain with Continental Group, Vitesco Technologies will receive services from these Automotive Quality Labs (including product validation and testing services) from Continental Group after the Spin-off until the end of 2025, based on a mutually agreed capacity planning (per location and discipline) in order for Vitesco Technologies to ramp-up its own R&D capacities in this respect. Should Continental Group no longer be able to provide these general services and R&D services, the Group might be forced to build up its own capabilities or purchase service from external providers which entails the risk that the Group could incur additional costs.

### *1.6.10 If the Spin-off does not qualify as a reorganization for U.S. federal income tax purposes, U.S. Holders will be treated as receiving their Company shares or Vitesco Technologies ADRs in a taxable distribution.*

Continental AG has received a private letter ruling from the United States Internal Revenue Service (the ***IRS***) regarding the U.S. federal income tax treatment of the Carve-Out (the ***IRS Ruling***), including a ruling substantially to the effect that the steps required to implement the Carve-Out that involve U.S. subsidiaries or assets and the distribution of the Company shares in the Spin-off will, for U.S. federal income tax purposes, qualify as tax-free reorganizations within the meaning of Section 368(a)(1)(D) and as a tax-free distribution under Section 355 of the United States Internal Revenue Code of 1986, as amended (the ***Internal Revenue Code***). Accordingly,

(i) No gain or loss will be recognized by (and no amounts will be included in the income of) a U.S. Holder of Continental AG shares or American Depositary Receipts of Continental AG (***Continental ADRs***) upon the receipt of the Company shares or American Depositary Receipts representing shares in Vitesco Technologies Group Aktiengesellschaft (***Vitesco Technologies ADRs***) in the Spin-off.

(ii) The aggregate tax basis of of a U.S. Holder in the stock of Continental AG or Continental ADRs and the Company shares or Vitesco Technologies ADRs issued in the Spin-off will equal the aggregate adjusted basis of the Continental AG shares or Continental ADRs held by such U.S. Holder immediately prior to the Spin-off, with the basis in separate blocks of Continental AG shares or Continental ADRs acquired at different times or at different cost basis determined on a block-by-block basis.

(iii) The holding period of the Company shares or Vitesco Technologies ADRs received by a U.S. Holder in the Spin-off will include such U.S. Holder's holding period of the Continental AG shares or Continental ADRs with respect to which the distribution of the Company shares or Vitesco Technologies ADRs is made.

The IRS Ruling relies upon certain representations, assumptions and undertakings, and the IRS Ruling may not be relied upon if such representations, assumptions and undertakings were incorrect.

If the Spin-off fails to qualify for tax-free treatment, U.S. Holders receiving Company shares or Vitesco Technologies ADRs in the Spin-off generally would be subject to tax as if they had received a taxable distribution equal to the fair market value of the Company shares or Vitesco Technologies ADRs distributed to them.

### *1.6.11 As a legal consequence of the Spin-off, Vitesco Technologies Group Aktiengesellschaft is exposed to existing claims against Continental AG and depends on Continental AG's ability to provide indemnification and the Group might have to provide security to its creditors.*

In accordance with the provisions of the German Transformation Act (*Umwandlungsgesetz*), Vitesco Technologies Group Aktiengesellschaft is jointly and severally liable for liabilities of Continental AG which came into existence before the Spin-off becomes effective, if (i) such liabilities become due before the expiry of five years after the Spin-off and (ii) a claim against the Company is submitted to a court or established in another manner specified in Section 133 German Transformation Act (*Umwandlungsgesetz*). Continental AG and the Company have agreed in the spin-off and assumption agreement (*Abspaltungs- und Übernahmevertrag*) that the Company shall be indemnified in case claims relating to existing liabilities of Continental AG are submitted against the Company. If existing creditors of Continental AG submit such existing claims against the Company and Continental AG is not in the financial position to meet its indemnification obligation, this could have material adverse effects on the Group's business, financial position and results of operations. In addition, under the German Transformation Act (*Umwandlungsgesetz*), creditors of the Company may, within six months after publication of registration of the Spin-off in the commercial register of the Company, ask the Company to provide security to the extent such creditors cannot obtain satisfaction of their claims and can demonstrate probable cause that the fulfillment of their claims will be jeopardized by the Spin-off.

### 1.7 Risks related to the Company's shareholder structure

#### *1.7.1 The IHO Shareholders will be able to control Vitesco Technologies upon completion of the Spin-off, and the interests of the IHO Shareholders may conflict with the interests of other shareholders or those of Vitesco Technologies.*

Georg F.W. Schaeffler and Maria-Elisabeth Schaeffler-Thumann, Herzogenaurach, via indirect shareholdings in IHO Verwaltungs GmbH, Herzogenaurach and IHO Beteiligungs GmbH, Herzogenaurach (together the ***IHO Shareholders***) hold 46% of Continental AG's shares and voting rights prior to the Spin-off and will therefore hold 46% of the Company's Shares upon completion of the Spin-off. With this 46% shareholding, the IHO Shareholders could block decisions proposed by the Company to its shareholders, in particular those requiring a three-quarter majority. Such decisions include, but are not limited to, corporate actions (such as capital increases) and certain reorganizations. Moreover, this shareholding may provide the IHO Shareholders with a majority of the votes present at the Company's general shareholders' meetings (assuming that not more than 90% of the Company's share capital will be present at such general shareholders' meetings). Therefore, the IHO Shareholders may be in a position to have resolutions passed which only require a simple majority. This enables the IHO Shareholders to exert considerable influence in the Company's general shareholders' meetings and, therefore, also on decisions submitted for the vote of the general shareholders' meeting (including resolutions electing the shareholder appointed members of the Company's supervisory board (the ***Supervisory Board***) or resolutions to determine the allocation of profit and hence the Company's dividend policy). As the IHO Shareholders can determine the future composition of the Supervisory Board they may also, indirectly, influence the future composition of the board of management (the ***Management Board***). The IHO Shareholders' could thus decide on certain resolutions that require the majority of votes cast or implement measures that are in their own interest and/or not supported by or in the best interest of other shareholders or of Vitesco Technologies.

Depending on the representation of the other shareholders in the Company's shareholders' meeting, the IHO Shareholders might also adopt certain resolutions on other significant matters which under German company law require the approval of at least three-quarters of the share capital represented at the time a vote is taken. Such resolutions are for example creating authorized or conditional capital, changing the corporate purpose (*Unternehmensgegenstand*), mergers, spin-offs or conversions to a different form of legal entity. The interests of the IHO Shareholders and its further participations (such as the holdings in Schaeffler AG and in Continental AG) could conflict with the interests of the other shareholders or the Company's strategy, policies and objectives. The IHO Shareholders may increase their stake in the future without the requirement to make a mandatory takeover offer to all other shareholders. Furthermore, also as a consequence of this potential influence, the Company will be deemed a dependent company of the IHO Shareholders according to Section 17 of the German Stock Corporation Act (*Aktiengesetz*).

The IHO Shareholders' mere potential to exert influence and especially actual voting at the Company's shareholders' meeting or the exertion of influence in a way that conflicts with the interests of the Company's other shareholders may have a significant adverse impact on the price of the Company's Shares. Furthermore, any capital increase requires the cooperation of the IHO Shareholders, which may limit the Company's ability to raise further capital or allow the Company to do so only on unfavorable terms. Even if the IHO Shareholders agree to a future capital increase, if they do not participate in such capital increase, it could be more difficult for the Company to raise new capital in that capital increase.

#### *1.7.2 Membership of the same persons on several boards may result in conflicts of interest between Vitesco Technologies, Continental AG and Schaeffler AG or other companies affiliated with any of them.*

Some members of the Supervisory Board of the Company are also members of the supervisory or management board, as the case may be, of Continental AG and Schaeffler AG and certain of their affiliated companies (***Dual Mandates***), which is common practice in comparable corporate structures.

It cannot be excluded that there may be a conflict of interest in engaging in and structuring business relations between Vitesco Technologies, Continental AG and Schaeffler Technologies AG & Co. KG or companies affiliated with any of them. The German Stock Corporation Act (*Aktiengesetz*) and the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) contain provisions aimed at protecting companies from the negative effects of potential conflicts of interest in case of personnel overlap. Members of the boards of a German stock corporation (*Aktiengesellschaft*) such as the Company have a legal duty to act solely in the interests of their respective companies. In the case of Dual Mandates, this duty can mean that board members are not permitted to vote on certain decisions in one or both of the companies. Persons holding Dual Mandates are not allowed to make any decisions that are not in the Company's interests. Despite these regulations, the Company cannot exclude the possibility that in some cases conflicts of interest may arise which are resolved to the detriment of Vitesco Technologies. In particular, it cannot be excluded that the persons holding Dual Mandates will be acting in the interests of these other companies.

## 1.8 Risks related to the Company's Shares and the commencement of trading of the Shares

### *1.8.1 Substantial sales of Shares in the Company may occur in connection with the Spin-off or in the future, which could depress the market price of the Shares.*

As a result of the Spin-off, current shareholders of Continental AG will automatically receive Shares of the Company pursuant to Section 123 (2) no. 1 of the German Transformation Act (*Umwandlungsgesetz*), as allocated to them in accordance with the allocation ratio. Such Shares are expected to be credited to Continental AG shareholders' securities accounts on the first day of trading of the Shares of the Company, which is expected to take place on September 16, 2021. As their shareholding in the Company following the listing of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the ***Listing***) will not be the result of an active investment decision, but rather of the automatic acquisition of the Shares of the Company, such shareholders may not be interested in an investment in the Company on a stand-alone basis and, as a result, it is likely that a number of shareholders will sell Shares following the Listing, which could lead to a decline of the share price of the Company. Reasons for such a fall in the share price could be that shareholders sell the Shares because they do not wish to invest in the activities which have been spun off, which might especially be true for institutional investors such as investment funds, because applicable rules and guidelines regulating their investments and shareholdings may not allow for a stake in the Company as a stand-alone listed company, and new investors do not buy the Shares to the same extent, one reason being that no experience has yet been gained with Vitesco Technologies Group Aktiengesellschaft on a stand-alone basis. In particular, unlike the shares of Continental AG, the Shares of Vitesco Technologies Group Aktiengesellschaft are likely not to be listed in the DAX; this means that all existing investors who are limited to invest in stocks of DAX companies as a result of their investment guidelines or other reasons would have to sell the Shares. There are no lock-up agreements of shareholders, other than the lock-up of six-months agreed by IHO Holding GmbH & Co. KG. The IHO Shareholders, whose interests may not be aligned with those of other shareholders of the Company, may dispose of its Shares in the Company following the expiration of the lock-up period. If this happens, or if one or more of the Company's other shareholders effect a sale or sales of a substantial number of the Company's Shares at any time following the Listing of the Shares, or if the market believes that such sales might take place, this could have a material adverse effect on the share price of the Company's Shares and could impair the Company's ability to raise capital through the sale of additional equity securities. Therefore, it is not unlikely that considerable selling pressure will develop immediately after the Company's Shares are admitted to trading.

### *1.8.2 The combined value of the Shares and the shares of Continental AG following the Spin-off may not equal or exceed the value of Continental AG shares prior to the Spin-off.*

As a result of the Spin-off, the shareholders of Continental AG will receive Shares of the Company, as allocated to them in accordance with the allocation ratio, by way of book-entry into their securities account. Following the Spin-off, the shares of Continental AG will continue to be listed. As a result of the Spin-off and the Listing, the current shareholders of Continental AG will be shareholders of two publicly listed companies, Continental AG and Vitesco Technologies Group Aktiengesellschaft. Following the first trading day after the Spin-off enters into effect, the share price of Continental AG will take the Spin-off into account and may decline (ex Spin-off trading) as the business of Vitesco Technologies will, following the Spin-off, no longer be a part of the Continental Group. As the market capitalization of a company is calculated by multiplying the total number of such company's outstanding Shares by the current market price of the share, the market capitalization depends on the development of the share price. Therefore, in case of a declining share price, the combined value of the Continental AG and Vitesco Technologies Group Aktiengesellschaft reflecting the respective market capitalization of these listed entities following the Spin-off and the Listing may be lower than the market capitalization of Continental AG prior to the completion of the Spin-off. Until the market has fully evaluated the business of the Continental Group excluding the business of Vitesco Technologies as well as the business of Vitesco Technologies on a stand-alone basis, the shares of Continental AG and the Company may be subject to significant fluctuations, and this could have adverse economic effects on an investment in the Shares.

#### *1.8.3 The Company's ability to pay dividends depends, among other things, on the Company's results of operations, financial investment needs, the availability of distributable profit and overall financial position.*

The Company's general shareholders' meeting will decide on matters relating to the payment of future dividends. These decisions will be based on the particular situation of the Company at the time. The Company's ability to pay dividends depends upon, among other things, its results of operations, financing and investment requirements, as well as the availability of distributable profit. Prior balance sheet losses have to be made up and certain reserves must be established by law and must be deducted when calculating the distributable profit. In addition, the Company's existing multicurrency revolving facilities agreement includes restrictions on the Company's business and ability to pay dividends. The Company may only pay dividends if, at the time the dividend proposal, the management board resolves that the cash flow (in respect of the testing period of twelve months ending on the last day of a quarter) taking into account the relevant dividend payment on a pro forma basis and deducting the amount of any capital expenditure made in cash during such testing period is positive. Future debt financing arrangements or other agreement may also impose restrictions on the Company's business and on its ability to pay dividends under certain circumstances. Any of these factors, individually or in combination, could restrict the Company's ability to pay dividends. Given that the Company's Shares are, and any dividends to be paid in respect of them will be, denominated in euro, an investment in the Company's Shares by an investor whose principal currency is not the euro in addition exposes the investor to foreign currency exchange rate risk.

#### *1.8.4 The market price and trading volume of the Company's Shares may fluctuate significantly, in which case investors could lose some or all of their investment.*

Following the Listing of the Company's Shares and any future offerings, the trading volume and share price of the Company's Shares may fluctuate significantly. The Company's share price will be affected primarily by the supply and demand for its Shares and could fluctuate significantly in response to numerous factors, many of which are beyond the Company's control. These factors include, among others, fluctuations in actual or projected results of operations, changes in projected earnings or failure to meet securities analysts' earnings expectations, the absence of analyst coverage on the Company's Shares, changes in trading volumes in the Company's Shares, changes in macroeconomic conditions, including fluctuations in foreign currencies, the activities of competitors and suppliers, changes in the market valuations of similar companies, changes in investor and analyst perception of the Company or its industry, changes in the statutory framework in which the Company operates and other factors. The materialization of any of the risks described above could cause the price of the Company's Shares to fall, in which case investors could lose some or all of their investment.

#### *1.8.5 The Shares of the Company have not been publicly traded, and there can be no assurance that a liquid trading market for the Company's Shares will develop.*

Prior to the Listing of the Company's Shares, there has been no public trading in the Shares of the Company and they have never been offered to the public. There is no assurance that an active, liquid trading market for the Shares will develop or be sustained following the Listing of the Company's Shares and the share liquidity may not be as high as if the Shares had been offered publicly. Furthermore, low liquidity of the Company's Shares may also entail high volatility regarding share price.

Investors may not be able to sell their Shares quickly or at the market price if there is no active trading in the Company's Shares. If an active market for the Shares does not develop after the Listing, the liquidity and market price of the Shares may be adversely affected.

### *1.8.6 Future capitalization measures may lead to significant dilution (i.e., a reduction in the value of the Company's Shares and the control rights of existing shareholders' interests in the Company). Future offerings of debt or equity securities may adversely affect the market price of the Company's Shares.*

The Company may require additional capital in the future to finance its business operations and growth or to fulfil regulatory requirements. Therefore, the Company may seek to raise capital through offerings of debt securities (possibly including convertible debt securities) or additional equity securities. Although the Company has currently no authorized or contingent capital, this might change and an issuance of additional equity securities or securities with a right to convert into equity, such as convertible bonds or option bonds could adversely affect the market price of the Company's Shares and would dilute the economic and voting interests of existing shareholders, if made without granting subscription rights to existing shareholders. Even if existing shareholders were granted subscription rights, investors in certain jurisdictions (particularly in the U.S.A.) may not be able to acquire and/or exercise any subscription rights due to local laws.

Because the timing and nature of any future offering will depend on market conditions, it is not possible to predict or estimate the amount, timing or nature of future offerings. In addition, the acquisition of other companies or investments in companies in exchange for newly issued Shares of the Company could lead to a dilution of the economic and voting interests of existing shareholders. Furthermore, a proposal to the general shareholders' meeting to take any of the abovementioned measures, with dilutive effects on the existing shareholdings, or any other announcement thereof, could adversely affect the market price of the Company's Shares.

### *1.8.7 Shareholders of the Company in jurisdictions outside Germany may not be able to participate in future issues of Company's shares unless the Company decides to take additional steps to comply with applicable local laws and regulations of such jurisdictions.*

In the case of certain increases in the Company's issued share capital, the Company's existing shareholders are generally entitled to subscribe to the new shares issued unless such subscription rights are specifically excluded. Shareholders outside Germany may not be able to exercise their subscription rights unless the Company decides to comply with applicable local laws and regulations. The Company cannot assure any shareholders outside Germany that steps will be taken to enable them to exercise their subscription rights, or to permit them to receive any proceeds or other amounts relating to their subscription rights.

### *1.8.8 The Company may fail to comply with the additional requirements that will be applicable to it as a public company.*

Following the admission to trading of the Company's Shares, the Company will for the first time be directly subject to the legal requirements of German companies listed on a regulated stock market. The Company's management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities, financial reporting, environmental, social and governance (***ESG***) and non-financial reporting as well as investor relations issues. There can be no guarantee that the Company will be capable of responding to these additional requirements, to implement the necessary procedures to account for the status as listed company, including the creation and staffing of its own functions to ensure compliance with the aforementioned requirements, without difficulties and inefficiencies could cause it to incur significant additional costs and/or could expose it to regulatory or civil litigation or penalties.

As a publicly traded company, the Company will incur additional legal, accounting and other expenses that the Company did not incur as a business area of Continental Group. This increase will be due to the increased accounting support services, filing annual and quarterly reports, increased audit fees, investor relations, directors' fees, legal fees and stock exchange listing fees, which the Company expects to incur after the consummation of the Spin-off. In addition, the Company expects that complying with the legal capital market requirements will increase its legal and financial compliance costs and make activities more time-consuming and costly. Further, the Company will incur additional costs associated with its publicly traded corporation reporting requirements.

## 2. GENERAL INFORMATION

### 2.1 Responsibility for the Contents of the Prospectus.

Vitesco Technologies Group Aktiengesellschaft, with its registered seat in Hanover, Germany, and its registered business address at Siemensstraße 12, 93055 Regensburg, Germany, a stock corporation (*Aktiengesellschaft*) organized under German law and registered with the commercial register (*Handelsregister*) of Hanover, under the number HRB 219172, telephone +49 941 2031–8823 or +49 941 2031–6381 (the ***Company***, and together with its subsidiaries, the ***Group***, the ***Vitesco Technologies Group*** or ***Vitesco Technologies***), together with BofA Securities Europe SA, 51 rue La Boétie, 75008 Paris, France, LEI: 549300FH0WJAPEHTIQ77 (***BofA Securities***), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany, LEI: 7LTWFZYICNSX8D621K86 (***Deutsche Bank***) and J.P. Morgan AG, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Germany, LEI: 549300ZK53CNGEEI6A29 (***J.P. Morgan*** and together with BofA Securities and Deutsche Bank, the ***Lead Financial Advisors*** or the ***Listing Agents***) and Banco Bilbao Vizcaya Argentaria, S.A., Plaza San Nicolas 4, 48005 Bilbao, Spain, LEI: K8MS7FD7N5Z2WQ51AZ71, Citigroup Global Markets Europe AG, Reuterweg 16, 60323 Frankfurt am Main, Germany, LEI: 6TJCK1B7E7UTXP528Y04, COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI: 851WYGNLUQLFZBSYGB56, Crédit Agricole Corporate and Investment Bank, 12, Place des Etats-Unis, CS 70052, 92547 Montrouge Cedex, France, LEI: 1VUV7VQFKUOQSJ21A208, DBS Vickers Securities (UK) Ltd, 1 London Wall, EC2Y 5EA London, United Kingdom, LEI: 21380011TCD1B8OL2898, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60325 Frankfurt am Main, Germany, LEI: 529900HNOAA1KXQJUQ27, Landesbank Hessen-Thüringen Girozentrale, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, Germany, LEI: DIZES5CFO5K3I5R58746, ING Bank N.V., Bijlmerdreef 106, 1102 CT Amsterdam, The Netherlands, LEI: 3TK20IVIUJ8J3ZU0QE75, Landesbank Baden-Württemberg (LBBW), Am Hauptbahnhof 2, 70173 Stuttgart, Germany, LEI: B81CK4ESI35472RHJ606, SMBC Nikko Capital Markets Europe GmbH, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, Germany, LEI: 5493008794GM6YH5G766 and UniCredit Bank AG, Arabellastrasse 12, 81925 Munich, Germany, LEI: 2ZCNRR8UK83OBTEK2170 (the ***Co-Advisors***, and together with the Listing Agents, the ***Banks***), have assumed responsibility for the contents of this prospectus (the ***Prospectus***) pursuant to Section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), and declare, to the best of their knowledge, that the information contained in this Prospectus is correct and that the Prospectus makes no material omission likely to affect its import.

This Prospectus has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – ***BaFin***), Marie Curie Straße 24-28, 60439 Frankfurt am Main, Germany (telephone +49 228 4108 0; website: www.bafin.de), as competent authority under Regulation (EU) 2017/1129. BaFin only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129 and such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Company's Legal Entity Identifier (LEI) is: 529900CCDMZ7UCYYS252.

The Company's website is (www.vitesco-technologies.com). Information contained on the Company's website is not incorporated by reference in this Prospectus and is not part of this Prospectus.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the ***EEA***).

### 2.2 Subject Matter of the Prospectus

The subject matter of the Prospectus for the purpose of admission to trading relates to 40,021,196 registered shares (*auf den Namen lautende Aktien*) in the Company with no-par value (the ***Shares***), each Share with a notional interest in the share capital of the Company of €2.50 (entire share capital upon effectiveness of the capital increase in connection with the spin-off of an indirect 100% shareholding in Vitesco Technologies GmbH by way of a transfer of *inter alia* 100% of the limited partnership interests in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG and the shares in their respective general partners, Vitesco Technologies 1. Verwaltungs GmbH and Vitesco Technologies 2. Verwaltungs GmbH, to Vitesco Technologies Group Aktiengesellschaft and the issue of 99.95% of the shares in Vitesco Technologies Group Aktiengesellschaft to the shareholders of Continental AG). For further details on the Spin-off of the Company please see "*3 The Spin-off*".

References in this Prospectus to the "Company", the "Group" or "Vitesco Technologies" refer to the Company and, where applicable, its combined subsidiaries as it will exist upon the completion of the Spin-off (please see "*3 The Spin-off*"). The Spin-off will be completed after the date of this Prospectus but before any Shares in the Company are delivered to investors. As a consequence, the Company and the Group are presented in this Prospectus as if the Spin-off had already occurred, unless indicated otherwise.

### 2.3 Validity of this Prospectus

**The validity of this Prospectus will expire with the beginning of the trading of the Shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), which is expected to occur on September 16, 2021, and no obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will apply when this Prospectus is no longer valid.**

### 2.4 Forward-Looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on the Company's future earnings capacity, plans and expectations regarding the Company's business growth and profitability, and the general economic conditions to which the Company is exposed. In some cases, forward-looking statements can be identified by the use of forward-looking terminology or subjective assessments, which may include words such as "anticipate", "believe", "contemplate", "continue", "could", "expect", "intend", "plan", "potential", "predict", "project", "should", "target" and "would" or the negative of these words or other similar terms or expressions.

The forward-looking statements in this Prospectus are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Company's actual results, including the financial condition and profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. These expressions can be found in several sections in this Prospectus, particularly in the sections of this Prospectus describing risk factors, markets and competition, the Company's business and recent developments and outlook, and wherever information is contained in this Prospectus regarding the Company's intentions, beliefs, or current expectations relating to its future financial condition and results of operations, plans, liquidity, business outlook, growth, strategy and profitability, as well as the economic and regulatory environment to which the Company is subject. See "*7 Management's Discussion and Analysis of Financial Condition and results of Operations*", "*8 Markets and Competition*", "*9 Business*", "*10 Regulatory and Legal Environment*" and "*20 Recent Developments and Outlook*".

In light of these uncertainties and assumptions, it is also possible that the future events mentioned in this Prospectus will not occur. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (for more information on the third-party sources used in this Prospectus, see "*2.5 Third Party and Market Information*").

For a description of risks relating to Vitesco Technologies and the Shares, please see "*1 Risk Factors*".

Moreover, it should be noted that neither the Company nor any of the Banks assumes any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments. The Company may not actually achieve the plans, intentions or expectations disclosed in the forward-looking statements, and one should not place undue reliance on these forward-looking statements. These forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

### 2.5 Third Party and Market Information

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which the Group operates are based on the Company's assessments and estimates, using underlying data from independent third parties. The Company obtained market data and certain industry forecasts used in this Prospectus from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications or commissioned reports, including reports, publications and data compiled by:

- ACEA, publications regarding new registrations of passenger cars per fuel type in the European Union published in February 2020 (available via https://www.acea.be/uploads/press_releases_files/20200206_PRPC_fuel_Q4_2019_FINAL.pdf) and in February 2021 (available via https://www.acea.be/uploads/press_releases_files/20210204_PRPC_fuel_Q4_2020_FINAL.pdf);
- ADAC, "Kostenvergleich Elektro, Benzin oder Diesel: Lohnt es sich umzusteigen?", published in July 2020 (available via https://web.archive.org/web/20210225200108/https://www.adac.de/rund-ums-fahrzeug/auto-kaufen-verkaufen/autokosten/elektroauto-kostenvergleich/);
- ADAC, "Audi e-tron quattro: So gut ist der Elektro-SUV", published in January 2021 (available via https://www.adac.de/rund-ums-fahrzeug/autokatalog/marken-modelle/audi/audi-e-tron-quattro/)
- ADAC, "Elektroautos auf der Langstrecke: Wie kann das funktionieren", published in February 2020 (available via https://www.adac.de/rund-ums-fahrzeug/tests/elektromobilitaet/schnellladen-langstrecke-ladekurven/)
- Autobild, "E-Autos und deren Reichweite: Reichweitenangst, aufladen, liegenbleiben", January 2021 (available via https://www.autobild.de/artikel/e-autos-und-ihre-reichweite-reichweitenangst-aufladen-liegen-bleiben-18660301.html);
- Boston Consulting Group, "Who will drive electric cars to the tipping point?", published in January 2020 (available via https://www.bcg.com/en-us/publications/2020/drive-electric-cars-to-the-tipping-point);
- Boston Consulting Group, "Why Electric Cars Can't Come Fast Enough", published in April 2021 (available via https://www.bcg.com/publications/2021/why-evs-need-to-accelerate-their-market-penetration);
- Continental Mobility Study 2020, (Electric) Mobility During the COVID-19 Pandemic (available via https://www.continental.com/fileadmin/__imported/sites/corporate/_international/english/hubpages/10_20press/03_initiatives_surveys/mobility_20studys/2020/brosch_c3_bcre_20_7c_20report_20wave_201_20_28en_29/report_20pdf_20_28en_29.pdf; cited: Continental Mobility Study 2020);
- ICCT, "Passenger car $CO_2$ emissions and fuel consumption, normalized to NEDC", update May 2020 (available via https://theicct.org/sites/default/files/plot_nedc_pc_SAFEGHG_web.png);
- IHS Markit, "Automotive Light Vehicle Powertrain Forecast", October 2020, February 2021 and July 2021 (cited: IHS Markit, Light Vehicle Powertrain Forecast);
- IHS Markit, "Automotive Light Vehicle Production Forecast", July 2021 (cited: IHS Markit, Light Vehicle Production Forecast, July 2021);
- IHS Markit, "Automotive Light Vehicle Sales Forecast", June 2021 (cited: IHS Markit, Light Vehicle Sales Forecast, June 2021);
- McKinsey, Center for Future Mobility, "Reboost", published in October 2019 (available via https://www.mckinsey.com/~/media/McKinsey/Industries/Automotive and Assembly/Our Insights/Reboost A comprehensive view on the changing powertrain component market and how suppliers can succeed/Reboost-a-comprehensive-view.pdf);
- Ministry of Industry and Information Technology of People's Republic of China, "Development Plan for the New Energy Vehicles Industry", published November 2020;

- Roland Berger, study extract published in February 2021 and entitled "Powertrain market outlook 2030" (cited: Roland Berger, Powertrain market outlook 2030);
- Roland Berger, "The car will become a computer on wheels" published in January 2020. (available via https://www.rolandberger.com/en/Insights/Publications/The-car-will-become-a-computer-on-wheels.html).

In addition, certain market, economic and industry data, in particular statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and markets, have been derived and extrapolated from reports provided by IHS Markit as well as the Company's analysis and best estimates, which are in turn based upon multiple sources such as internal surveys, customer feedback as well as third party sources, including IHS Markit data and services commissioned by the Company from Roland Berger GmbH (***Roland Berger***) in December 2020 entitled "Powertrain market" (cited: Roland Berger, Powertrain market).

The IHS Markit reports, data and information referenced herein (the ***IHS Markit Materials***) are the copyrighted property of IHS Markit Ltd. and its subsidiaries (***IHS Markit***) and represent data, research, opinions or viewpoints published by IHS Markit, and are not representations of fact. The IHS Markit Materials speak as of the original publication date thereof and not as of the date of this document. The information and opinions expressed in the IHS Markit Materials are subject to change without notice and IHS Markit has no duty or responsibility to update the IHS Markit Materials. Moreover, while the IHS Markit Materials reproduced herein are from sources considered reliable, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses which are based upon it. IHS Markit is a trademark of IHS Markit. Other trademarks appearing in the IHS Markit Materials are the property of IHS Markit or their respective owners.

It should be noted in particular that reference has been made in this Prospectus to information concerning markets and market trends. Such information was obtained, where so specified, from the above-mentioned sources. The Company has accurately reproduced information that has been sourced from a third party and, as far as it is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. For example, market studies are often based on information or assumptions that may be inaccurate or inappropriate, and their methodology is inherently predictive and speculative. Neither the Company nor the Banks have independently verified the figures, market data or other information on which third parties, including Roland Berger, have based their studies.

The Prospectus also contains estimates of market and other data and information derived from such data, which was not and cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on the Company's own market observations, the evaluation of industry information (from conferences, sector events, etc.) or internal assessments. The Company's management believes that its estimates of market and other data and the information it has derived from such data assists potential investors in gaining a better understanding of the industry in which companies of the Group operate and the Group's position therein.

The Company's internal market observations and estimates are derived from various sources, including, among others, requests for projects from customers and potential customers, industry publications, studies conducted by third parties as well as available information on the Group's competitors and customers. The Company has compiled its estimates for the relevant markets and competitive data in part on the basis of available historical data, and in part on the basis of internal assessments and forecasts, using assumptions and methodologies which the Company believes to be reasonable, as well as various sources that the Company believes to be reliable. In light of the absence, to a large extent, of publicly available market data for the specific market segments that Vitesco Technologies addresses, information on certain areas of the Group's addressable markets for specific products (including the respective market definitions as well as the data on market sizes, projected growth rates and competitive position) is largely based on the businesses the Group operates and the main products it offers for which the Company believes a market can be reasonably assessed. The Company's own estimates and internal market assessments used in the Prospectus have not been checked or verified externally. The Company nevertheless assumes that its own market observations are reasonable. However, they should be viewed with caution and may differ from estimates made by competitors of Vitesco Technologies or from (future) studies conducted by market research institutes or other independent sources (which may also use a different market definition, product-based split and/or methodology). The Company and the Banks give no warranty that estimates mentioned in the Prospectus are accurate and do not differ materially from actual events.

Information contained on any website mentioned in this Prospectus, including the Company's website, is not incorporated by reference in this Prospectus and is not part of this Prospectus.

## 2.6 Currency presentation and presentation of figures

In this prospectus, "euro", "EUR" and "€" refer to the single European currency adopted by certain participating Member States of the European Union (the ***EU***) (the ***Eurozone***), including Germany.

Where financial data in this Prospectus is labeled "audited", this means that it has been taken from the Annual Combined Financial Statements (as defined under the immediately following subheading "Presentation of Financial Information"). The label "unaudited" is used in this Prospectus to indicate financial data that has been taken from the Interim Combined Financial Statements (as defined under the immediately following subheading "Presentation of Financial Information") or taken or derived from the Company's accounting records or internal reporting systems. All of the financial data presented in this Prospectus are shown in millions of euros (EUR or € million), except as otherwise stated.

Individual figures (including percentages) stated in this Prospectus have been rounded using the common commercial method (*kaufmännische Rundung*). The sum totals or interim totals contained in the tables may possibly differ from the non-rounded figures contained elsewhere in this Prospectus due to this rounding. Furthermore, figures that have been rounded may possibly not exactly add up to the interim totals or sum totals contained in the tables or stated elsewhere in this Prospectus. With respect to financial data set out in this Prospectus, a dash ("—") signifies that the relevant figure is not applicable, while a zero ("0") signifies that the relevant figure is available but is or has been rounded to zero.

## 2.7 Presentation of Financial Information

This Prospectus includes (i) the audited combined financial statements of the Company as of and for the fiscal years ended December 31, 2020, 2019 and 2018 prepared in accordance with International Financial Reporting Standards as adopted by the EU (***IFRS***) (the ***Annual Combined Financial Statements***), (ii) the unaudited condensed combined interim financial statements of the Company as of and for the six months ended June 30, 2021 including the comparable figures for the six months ended June 30, 2020, prepared in accordance with IFRS for interim financial reporting (IAS 34) (the ***Interim Combined Financial Statements***) and (iii) the audited unconsolidated financial statements of the Company as of and for the fiscal year ended December 31, 2020 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch,* ***German GAAP***).

The Annual Combined Financial Statements and the unconsolidated financial statements of the Company were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, Germany (***KPMG***) with business address at Prinzenstraße 23, 30159 Hanover, Germany, as stated in their independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

Although KPMG issued an unqualified independent auditor's report with respect to the Annual Combined Financial Statements, the auditor's report included a sub-section entitled "Emphasis of matter", whose text is reproduced here in its entirety:

"We draw attention to Notes 2 and 3 of the Notes to the Combined Financial Statements, which describe their basis of preparation, including the approach to and the purpose for preparing them, and the fact that the Vitesco Business has not operated as a separate group of entities. Consequently, the Combined Financial Statements may not necessarily be indicative of the financial performance that would have been achieved if the Vitesco Business had operated as an independent group of entities, nor may they be indicative of the results of operations of the Vitesco Business for any future period.

Our opinion is not modified in respect of this matter."

## 2.8 Alternative Performance Measures

This Prospectus contains certain financial measures (***APMs***), including adjusted sales, operating result (***EBIT***), adjusted EBIT, earnings before interest, tax, depreciation and amortization (***EBITDA***), adjusted EBITDA, research and development expenses (net), capex (***capex***), capital expenditure (***capital expenditure***), cash flow before financing activities (***free cash flow***), adjusted EBIT margin, adjusted EBITDA margin, gearing ratio, equity ratio, return on capital employed (***ROCE)***, order intake, book-to-bill ratio, order backlog and net debt, that are not required by, or presented in accordance with, IFRS, German GAAP or any other generally accepted accounting principles (***GAAP***). These APMs are measures of the Group's historical or future performance, financial position or cash flows that contain adjustments that exclude or include amounts that are included or excluded, as the case may be, from the most directly comparable measure calculated and presented in accordance with IFRS in the Group's Annual Combined Financial Statements and Interim Combined Financial Statements and are alternative performance measures as defined in the guidelines issued by the European Securities and Markets Authority (***ESMA***) on October 5, 2015 on alternative performance measures (the ***ESMA Guidelines***). The Company presents APMs because they are used by management in monitoring, evaluating and managing its business and management believes these measures provide an enhanced understanding of the Group's underlying results and related trends.

The definitions of the APMs may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should, therefore, not be considered in isolation or as a substitute for analysis of the Group's operating result as reported under IFRS or German GAAP. APMs are not measurements of the Group's or the Company's performance or liquidity under IFRS or German GAAP and should not be considered as alternatives to results for the period or any other performance measures derived in accordance with IFRS, German GAAP or any other GAAP or as alternatives to cash flow from operating, investing or financing activities. For a reconciliation of APMs to results or any other performance measures derived in accordance with IFRS, see "*7.4 Key Performance Indicators and Alternative Performance Measures*".

The Company has defined each of the following APMs as follows:

| APM | Definition | Relevance of its use |
|---|---|---|
| ***Adjusted EBIT*** | Adjusted EBIT is calculated as EBIT before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of combination, and special effects (e.g. impairment, restructuring and gains and losses from disposals of companies and business operations). | The Company discloses adjusted financial figures because it believes that a more insightful assessment of the Group's performance can be obtained by making certain adjustments to its reported results. The adjustment eliminates one-off effects and can be used to compare operational profitability between periods. |
| ***Adjusted EBIT margin*** | Adjusted EBIT margin is calculated as adjusted EBIT divided by adjusted sales multiplied by 100. | Therefore, the Company believes that adjusted EBIT, adjusted EBIT margin, adjusted EBITDA, adjusted EBITDA margin and adjusted sales are of relevance for the evaluation of the Group's performance and business activities over time. |
| ***Adjusted EBITDA*** | Adjusted EBITDA is calculated as operating result before depreciation and amortization (EBITDA) before changes in the scope of combination, and special effects (e.g. restructuring and gains and losses from disposals of companies and business operations). | The Company discloses adjusted EBIT, adjusted EBITDA and adjusted sales as APMs, as it believes they are meaningful measures to evaluate the performance of the Group's business activities over time, without being affected by special items, corresponding to a normalized result of operations. |
| ***Adjusted EBITDA margin*** | Adjusted EBITDA margin is calculated as adjusted EBITDA divided by adjusted sales multiplied by 100. | |

| APM | Definition | Relevance of its use |
|---|---|---|
| ***Adjusted sales*** . . . | Adjusted sales is calculated as sales adjusted for changes in the scope of combination. | The Company believes that the presentation of adjusted EBIT margin and adjusted EBITDA margin provides useful information on how the Group's business developed in its markets under a normalized perspective. |
| ***Book-to-bill ratio*** . . | Book-to-bill ratio is calculated as the ratio of order intake over sales (excluding CM). | The Company discloses book-to-bill ratio as APM because this is a potential reference point usable as an indication for future development. |
| ***Capex*** . . . . . . . . . | Capex relates to additions to property, plant and equipment, and software. Capex equals to capital expenditure excluding right of use assets. | The Company discloses capex as a relevant key figure in combination with other key figures. For example, the Company believes capex in combination with sales or depreciation can be used to measure the performance of investments. Capex can be used as a meaningful result to compare companies within the industry and to assess the market position. |
| ***Capital expenditure*** | Capital expenditure relates to additions to property, plant and equipment, and software, as well as additions to respective right-of-use assets accounted for based on IFRS 16 – Leases, and capitalized borrowing costs in line with IAS 23 – Borrowing Costs. | The Company discloses capital expenditure as a relevant key figure in combination with other key figures. For example, the Company believes capital expenditure in combination with sales or depreciation can be used to measure the performance of investments. Capital expenditure can be used as a meaningful result to compare companies within the industry and to assess the market position. |
| ***EBITDA*** . . . . . . . . | Earnings before interest, tax, depreciation and amortization. In the Group's financial reports this abbreviation is defined as earnings before financial result, tax, depreciation and amortization. It equals the sum of operating result (EBIT); depreciation of property, plant and equipment; amortization of intangible assets; and impairment, excluding impairment on financial investments. | EBITDA is used to assess operational profitability.<br><br>The Company discloses EBITDA as an APM, as it believes it is a meaningful measure to evaluate the performance of the Group's business activities over time. The Company is of the opinion that this measure is used by investors in assessing the Group's performance. |
| ***Equity ratio*** . . . . . | The equity ratio is calculated as total equity divided by total assets. | The equity ratio measures the amount of assets that are financed by shareholder's investments by comparing the total equity to the total assets of the Group.<br><br>The Company discloses equity ratio as an APM because it believes it is a high-level indicator of the solidity of the capital structure. |

| APM | Definition | Relevance of its use |
|---|---|---|
| ***Free cash flow*** . . . | Free cash flow is the sum of cash flow arising from operating activities and cash flow arising from investing activities. It is also referred to as cash flow before financing activities. | Free cash flow is used to assess financial performance.<br><br>The Company discloses free cash flow as APM because it demonstrates the Group's ability to reduce debt financing and distribute funds to shareholders. |
| ***Gearing ratio*** . . . . | The gearing ratio is calculated as net indebtedness divided by equity. It is also known as the debt-to-equity ratio. Net indebtedness is defined as the net amount of interest-bearing financial liabilities as recognized in the combined statement of financial position, the fair values of the derivative instruments, cash and cash equivalents, as well as other interest-bearing investments. | This key figure is used to assess the financing structure.<br><br>The Company discloses gearing ratio as APM because it believes it is a useful indicator for financial risk related to the Group. |
| ***Net debt*** . . . . . . . | Net debt is defined as short-term indebtedness plus long-term indebtedness less cash and cash equivalents and short-term interest-bearing investments (being "short-term derivative instruments and interest-bearing investments" as included in the Company's Annual Combined Financial Statements and Interim Combined Financial Statements, but excluding derivative instruments and non-Continental Group debt instruments hold to collect (short-term)). | The Company believes that the presentation of net debt provides useful information to investors because the Company's management reviews the measure as part of the management of its liquidity, financial flexibility, capital structure and leverage. Furthermore, the Company understands that certain business partners and stakeholders may monitor the Company's net debt as part of their assessment of Vitesco Technologies' business. |
| ***Operating result (EBIT)*** . . . . . . . . | Earnings before interest and tax. In the Group's financial reports this abbreviation is defined as earnings before financial result and tax. | Operating result (EBIT) is the result of ordinary business activities and is used to assess operational profitability.<br><br>The Company discloses operating result (EBIT) as APM, as it believes it is a meaningful measure to evaluate the performance of the Group's business activities over time. The Company is of the opinion that this measure is broadly used by investors in assessing the Group's performance. |
| ***Order backlog*** . . . . | Order backlog is calculated as the sum of the cumulative order intake which has not yet been booked as sales. | The Company discloses order backlog as APM because this is a potential reference point usable as an indication for future development. |
| ***Order intake*** . . . . . | Order intake is calculated as the sum of estimated lifetime sales acquired within the respective fiscal year. | The Company discloses order intake as APM, because this is a potential reference point usable as an indication for future development. |

| APM | Definition | Relevance of its use |
|---|---|---|
| ***Research and development expenses (net)*** . . | Research and development expenses (net) are defined as expenses for research and development less reimbursements and subsidies that the Group received in this context. | The Company discloses research and development expenses (net) as an APM because the Company believes it is a measure in analyzing EBIT. |
| ***Return on capital employed (ROCE)*** | ROCE is calculated as the ratio of operating result (EBIT) to average operating assets for the fiscal year. ROCE corresponds to the rate of return on the capital employed.<br>Operating assets are defined as the assets less liabilities as reported in the combined 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.<br><br>Average operating assets are calculated as at the end of the quarterly periods and correspond to the capital employed. | ROCE is used to assess the Group's profitability and efficiency. The Company discloses ROCE as an APM because it shows the ability to finance the coverage of average cost of capital. |

## 2.9 Documents available for Inspection

For the period during which this Prospectus is valid, the following documents will be available for inspection on the Company's website www.vitesco-technologies.com:

- the Company's articles of association (the ***Articles of Association***);
- the audited combined financial statements of the Company as of and for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018;
- the audited unconsolidated financial statements of the Company as of and for the fiscal year ended December 31, 2020;
- the unaudited condensed combined interim financial statements of the Company as of and for the six-month period ended on June 30, 2021.

The Company's future consolidated annual and interim financial statements and unconsolidated annual financial statements will be available from the Company's website and from the German Company Register (*Unternehmensregister*) (www.unternehmensregister.de). The Company's future consolidated annual and interim financial statements and unconsolidated annual financial statements will also be published in the German Federal Gazette (*Bundesanzeiger*).

## 2.10 Enforcement of civil liabilities

The Company is a stock corporation (*Aktiengesellschaft*) governed by German law and all or a substantial portion of its assets are located primarily outside the United States of America (the ***U.S.A.*** or the ***U.S.***). In addition, other than Mr. Georg F.W. Schaeffler, the members of the Company's management board (*Vorstand*) (the ***Management Board***) and the Company's supervisory board (*Aufsichtsrat*) (the ***Supervisory Board***) are non-residents of the U.S.A. and all or most of their assets are located outside the U.S.A. As a result, it may not be possible for investors to effect service of process within the U.S.A. upon the Company or such persons or to enforce against them or the Company judgments of courts of the U.S.A., whether or not predicated upon the civil liability provisions of the federal securities laws of the U.S.A. or other laws of the U.S.A. or any state thereof.

The U.S.A. and Germany do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for payment of money rendered by a federal or state court in the U.S.A. based on civil liability, whether or not predicated solely upon U.S. federal securities laws, may not be enforceable, either in whole or in part, in Germany. However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the U.S.A. Under such circumstances, a judgment by a federal or state court of the U.S.A. against the Company or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates, and a German court may choose to re-hear the dispute. In addition, awards of punitive damages in actions brought in the U.S.A. or elsewhere may be unenforceable in Germany.

### 2.11 ISIN/WKN/Common Code/Trading Symbol

| | |
|---|---|
| International Securities Identification Number (ISIN) | DE000VTSC017 |
| German Securities Code (Wertpapierkennnummer, WKN) | VTSC01 |
| Common Code | 229694715 |
| Trading Symbol | VTSC |

### 2.12 Information to Distributors

Each distributor is responsible for undertaking its own target market assessment with respect to the Shares and determining appropriate distribution channels. Solely for the purposes of the product governance requirements contained within: (a) Directive 2014/65/EU of May 15, 2014 on markets in financial instruments, as amended (***MiFID II***); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the ***MiFID II Product Governance Requirements***), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturers" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process by the Banks. As a result, it has been determined that such Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the ***Target Market Assessment***). Notwithstanding the Target Market Assessment, any person subsequently offering, selling or recommending the Shares (a "distributor" for the purpose of the MiFID II Product Governance Requirements) should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling and transfer restrictions in relation to any subsequent offering or resale of the Shares and does not constitute (i) an assessment of suitability or appropriateness for the purposes of MiFID II or (ii) a recommendation to any investor or group of investors to invest in, purchase, or take any other action whatsoever with respect to, the Shares.

In addition, other restrictions may apply in other jurisdictions in relation to any subsequent offering, transfer or resale of the Shares. Potential investors or distributors should make their own assessment on the suitability, appropriateness and lawfulness of any such offering, transfer or resale and as to their own investment decision and, if appropriate, seek professional advice for the relevant jurisdiction or jurisdictions. In particular, it may be unlawful in certain jurisdictions to make Shares available to others, including through a resale, allotment, delivery or transfer, without a registration or the publication of a disclosure document approved or otherwise endorsed by the competent authority in such jurisdictions unless an exemption or waiver applies.

## 3. THE SPIN-OFF

In view of the fundamental changes taking place in the automotive industry, the executive board of Continental AG resolved in 2018, with the consent of the supervisory board of Continental AG, on a strategic realignment which included the operational and organizational separation of the business of the former Powertrain division (since January 1, 2020, the (former) Powertrain division comprised the business activities of the group sector Powertrain Technologies and of the Powertrain business area) of Continental Group (Continental AG together with its consolidated subsidiaries ***Continental Group***) by way of a carve-out (please see "*3.1 The Carve-Out*"). In 2019, the executive board of Continental AG, with the consent of the supervisory board of Continental AG, took the strategic decision to spin-off by way of absorption (*Abspaltung zur Aufnahme*) in accordance with the German Transformation Act (*Umwandlungsgesetz*) the business activities of Vitesco Technologies (primarily former Powertrain division of the Continental Group (since January 1, 2020, divisions are being called business areas)) to the Company, with around 99.95% of the shares in the Company being transferred to the shareholders of Continental AG in the same proportion as their shareholding in Continental AG upon the spin-off (the ***Spin-off***). The executive board of Continental AG decided on October 22, 2019 to submit a spin-off and transfer agreement (*Abspaltungs- und Übernahmevertrag*), subject to prior approval of the supervisory board, to the annual shareholders' meeting of Continental AG for resolution. Initially, it was expected that the shareholders' meeting would adopt the resolution still in 2020. Due to the COVID-19 Pandemic and the ongoing economic uncertainty caused by it, the executive board of Continental AG decided on April 30, 2020 not to implement the Spin-off in the year 2020 but to continue preparing the Spin-off. The executive board of Continental AG resolved on March 1, 2021 to pursue the Spin-off in the form originally planned and the supervisory board of Continental AG approved this resolution on March 16, 2021.

By way of a spin-off by absorption (*Abspaltung zur Aufnahme*), Continental AG will transfer 100% of the limited partnership interests in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG and the shares in their respective general partners, Vitesco Technologies 1. Verwaltungs GmbH and Vitesco Technologies 2. Verwaltungs GmbH, to Vitesco Technologies Group Aktiengesellschaft. Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG in turn hold all of the shares in Vitesco Technologies GmbH. Vitesco Technologies GmbH is the current operating parent company of the powertrain business of Continental Group and will be the operating parent company of Vitesco Technologies after the Spin-off has taken effect, subject to future internal reorganization measures post Spin-off.

The Spin-off is based on a spin-off and transfer agreement dated March 18, 2021 between Continental AG and the Company (the ***Spin-off and Transfer Agreement***), which was approved by the general shareholders' meeting of Continental AG on April 29, 2021 and by the general shareholders' meeting of the Company on March 23, 2021. In addition, on March 23, 2021, the general shareholders' meeting of the Company resolved on the implementation of the share capital increase required for purposes of the Spin-off.

The Spin-off is intended to have retroactive economic effect as of January 1, 2021, 0:00 hrs. The Spin-off becomes effective upon the registration of the Spin-off with the competent commercial registers of Continental AG and the Company in Hanover, whereby the later registration with the commercial register of Continental AG, expected to occur on September 15, 2021, is determinative. With respect to the reasons for the Spin-off, see "*4. Reasons for the Spin-off and Cost of Spin-off and Listing*". For a description of the Spin-off and Transfer Agreement, see "*15.1.11 Spin-off and Transfer Agreement*".

### 3.1 The Carve-Out

The former Powertrain division (since January 1, 2020, divisions are being called business areas) was, prior to the operational and organizational separation of its business, one of Continental Group's five business areas which has been operationally separated and transferred to Vitesco Technologies GmbH and became independent in terms of operation and organization (the ***Carve-Out***). While the large majority of the Powertrain business area's business was conducted by direct or indirect subsidiaries of Continental AG, the former Powertrain business area also comprised two joint ventures (in India and South Korea) as well as a minority shareholding in Germany. The Powertrain business area encompassed not only production and distribution of goods but also research and development (***R&D***) activities.

The Powertrain business area conducted business in 19 countries worldwide (Germany, France, Italy, the United Kingdom (***UK***), the Czech Republic, Hungary, Romania, Russia, Brazil, Canada, Mexico, U.S.A., Taiwan, the People's Republic of China (***China***), Japan, South Korea, India, Singapore, Thailand). In some countries the Powertrain business area was organized in separate legal entities and separated from Continental Group's other business areas. However, in the majority of countries mentioned above neither a legal separation from the remaining business areas of the Continental Group, nor a physical segregation was in place.

In the course of the Carve-Out process the business activities primarily related to the former Powertrain business area were transferred substantially by share and/or asset deal from the relevant owning legal entities to Vitesco Technologies GmbH and/or to existing or newly formed legal entities in the respective jurisdiction. In general, those shares, assets, rights, liabilities and contracts were subject to the specific transfers which were related to the Powertrain business area. In the course of the transfers, the relevant specific structures, the relevant applicable local law as well as the relevant regulatory provisions of the relevant country were observed.

The decisions for (i) share transfers, (ii) asset transfers (iii) a combination of both instruments or (iv) other instruments were based on a comprehensive assessment of economical, tax, human resources (***HR***) as well as the legal impacts of the particular transaction. For example, structures such as dividends in kinds, spin-offs, de-mergers, contributions to equity or similar corporate actions were chosen.

As a rule, a share transfer was used if a specific legal entity was fully related to the Powertrain business area. In contrast, an asset transfer was used if the majority of the business operated by a legal entity was non-powertrain business. The valuations of the entities (in case of a share deal) and/or assets (in case of an asset deal) involved were carried out by independent auditors using internationally acknowledged valuation methods.

For share transfers all shares of the respective legal entity were sold and transferred. To the extent permissible under the relevant local law, the selling entity granted a tax indemnification in favor of the purchaser regarding, inter alia, the filing of all required tax returns and the payment of all relevant taxes for the time period prior to the transfer. In addition, the seller represented to the purchaser that the seller held legal and beneficial title to the shares, free and clear of any encumbrances and that there were no pre-emptive rights, rights of first refusal, options or other rights of any third party to purchase or acquire all or part of the shares. In general, no representations, warranties or similar instruments were agreed in addition to those described above.

For asset transfers all substantial assets related to the Powertrain business area were transferred. These assets comprised all current and fixed assets including several trademarks, patents, customer contracts of the local entities and liabilities. As an exemption from this, trade receivables or trade payables were principally not transferred. No representations or warranties were made by the relevant selling legal entity. Furthermore, the relevant purchasing legal entity indemnified the relevant selling legal entity and held it harmless from and against any existing or future (known or unknown actual or contingent) liability or obligation arising in connection with the conduct of the transferred business.

In a low number of cases the instrument of a reverse carve-out was used. In doing so, legal entities hosting primarily powertrain business were transferred to Vitesco Technologies via share deal in a first step. As a second step, the businesses not related to the Powertrain business area were thereafter (re-)transferred from such entities to entities belonging to the Continental Group by the use of asset transfers.

The vast majority of all transfers (share deals, asset deals, a combination of both instruments or other instruments) was made with legal and economic effect as to January 1, 2019. Deviating arrangements were made in cases in which a transfer as to January 1, 2019 was not possible due to local circumstances. Such circumstances comprised regulatory or law restrictions of the relevant country or restrictions inherent to the business activities.

As part of the Carve-Out the contracts of employment of the employees related to the powertrain business were transferred with effect from January 1, 2019, or later in case of some jurisdictions, to other existing or newly established local entities within Vitesco Technologies. Generally, all long-term employee benefits, like pensions, were, to the extent permissible by the relevant local law, also transferred.

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

This mainly concerns the completion of the Carve-Out in South Korea. The activities attributable to Vitesco Technologies and further business activities of the Continental Group in South Korea were combined in a joint venture with a South Korean partner. The sales volume generated by this joint venture was around €499.3 million in 2019, of which roughly one half were generated by activities attributable to Vitesco Technologies and the other half by the further business activities of the Continental Group in South Korea. All shares held by the Continental Group in this joint venture (65% of the South Korean company) were transferred to Vitesco Technologies as part of the Carve-Out. The remaining 35% of the shares in the joined venture continued to be held by the South Korean partner. By purchase agreement dated August 28, 2020, Continental AG acquired this 35% stake from the partner. The acquisition of the stake was closed on September 11, 2020. By agreement dated November 26, 2020 with closing on December 18, 2020, Continental AG sold this 35% stake on to Vitesco Technologies. As a result, Vitesco Technologies now holds 100% of the shares in Vitesco Technologies Korea Jusik Hoesa (***Vitesco Technologies Korea***). Finally, by way of several asset deals dated November 26, 2020, the business activities of Vitesco Technologies Korea attributable to the Continental Group and the business activities of further companies of the Continental Group in South Korea attributable to Vitesco Technologies were transferred to companies of the Continental Group and Vitesco Technologies, as applicable, with effect as of January 1, 2021. As a result, the Carve-Out in South Korea has been fully completed since January 1, 2021.

Until December 16, 2020, Continental Automotive GmbH held a 20% stake in IAV GmbH Ingenieurgesellschaft Auto und Verkehr (***IAV***). The business activities of IAV relate both to Vitesco Technologies and to the automotive business of the Continental Group. Consequently, it is in the interest of Continental AG and in the interest of Vitesco Technologies that Continental Automotive GmbH and Vitesco Technologies will continue to hold stakes in IAV after the Spin-Off. Therefore, Continental Automotive GmbH sold a 10% stake in IAV to Vitesco Technologies GmbH by agreement dated December 8, 2020. The sale was closed on December 16, 2020. As a result, Continental Automotive GmbH and Vitesco Technologies GmbH each hold a 10% stake in IAV.

Finally, it was planned as part of the Carve-Out to transfer individual R&D, testing and certification facilities (the ***Automotive Quality Labs*** or ***AQL***) operated by companies of the Continental Group in Germany, the U.S.A. and China, in whole or in part, to Vitesco Technologies. This transfer was implemented by way of asset deals on the basis of separate Sale and Purchase Agreements for each location with effect as of January 1, 2021 for the locations Nuremberg, Auburn Hills, Tianjin and Wuhu. The (full or partial) transfer of the location Regensburg took place in July 2021, and the (full or partial) transfer of the locations Schwalbach and Changchun in June 2021.

### 3.2 Preparatory measures for the Spin-off

In preparation for the Spin-off, in the course of 2019 until 2021, the executive board of Continental AG laid the foundation to further pursue the separation of Vitesco Technologies. Beside the finalization of the outstanding the Carve-Out measures, the following measures have been or are being implemented to enable the Company to conduct its business as a stand-alone company:

- establishment of the corporate structure of Vitesco Technologies by transfer of business attributable to the former Powertrain business area of Continental Group essentially by share and/or asset deals from the relevant owning entities to Vitesco Technologies and/or to existing and newly formed subsidiaries of Vitesco Technologies;
- set-up of Vitesco Technologies' own treasury organization and measures to end Vitesco Technologies' participation in the financing structure of the Continental Group through intragroup financing and preparations to end its participation in cash poolings, other cash management, hedging transactions and replacement of bank and group guarantees, set-up of own programs;
- increase of Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG's and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG's equity in three steps by a total amount of €5.75 billion;

- organization and management of pensions plans for the employees of Vitesco Technologies;
- establishment of an own compliance management system (***CMS***), including sustainability and environmental, social and governance (***ESG***) related processes, which will be based on and largely continue the current system of Continental AG, but will be adapted to the particular risks Vitesco Technologies is exposed to;
- set-up of own global insurance programs, which adequately cover the risks of the Group, taking into account commercial aspects;
- transfer and management of respective intellectual property rights including the use of the name "Continental" and related logos and the creation of its own name and corporate identity;
- establishment of an own IT organization;
- termination of intra-group agreements and transitional services concluded in connection with the Carve-Out;
- entering into new agreements with Continental Group regarding, inter alia, contract manufacturing, R&D services and general services (please see "*15.1 Relationship with Continental Group*");
- economic transfer of state aid projects relating to the powertrain business;
- planning of taxes payable; and
- allocation of joint contracts with third parties between Vitesco Technologies and Continental Group.

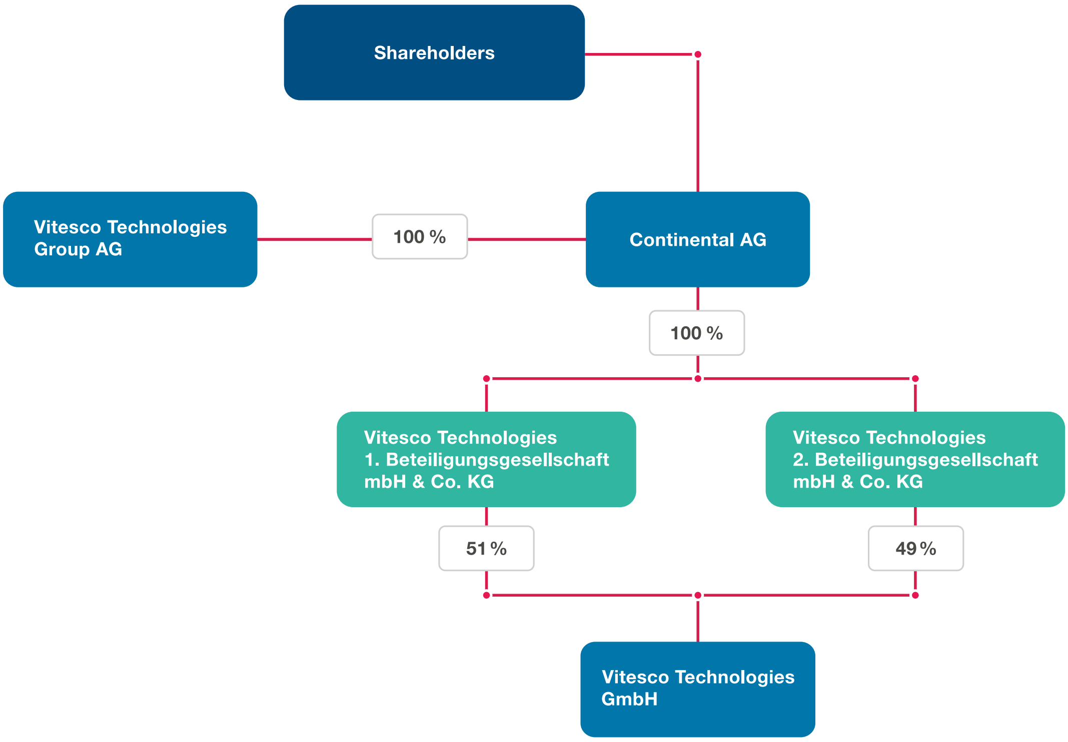
Moreover, a transformation program has been started and significant measures have been implemented in the fiscal years 2019 and 2020 already and reflected in the Group's Annual Combined Financial Statements and Interim Combined Financial Statements. This includes the announcement in August 2019 by Vitesco Technologies of its strategic focus on the electrification of the powertrain and the corresponding transformation of Vitesco Technologies towards electrification, also driven by more stringent $CO_2$ and pollutant emission regulations. Due to this transformation, certain restructuring measures were announced, including the phase-out of certain locations over the next four to seven years. However, these measures are ongoing and will especially weigh in the time period until 2023.

The strategic transformation towards electrification is accompanied by a structural transformation program. Vitesco Technologies seeks to enhance its operating performance and competitiveness on an ongoing basis through various cost reduction programs and restructuring plans with a view to the global automotive market development. This includes the adjustment of costs to lower automotive market volumes in 2020 caused by the COVID-19 Pandemic. Vitesco Technologies managed to achieve cost cutting measures in the fiscal year 2020 of approximately €320 million and a capital expenditure reduction of approximately €170 million. Further restructuring measures to adjust to a faster ramp down of Non-Core ICE Technologies and Contract Manufacturing (see sections "*9.1 Overview*" and "*9.4.2 Building an electrification specialist by implementing a clear strategic portfolio focus*") are planned. Within this program the number of production locations is planned to be reduced from 29 in 2020 to 24 production locations midterm. However, Vitesco Technologies cannot guarantee that it will be able to implement the structural program within the envisaged timeline or may not be able to implement all measures as planned, e.g. due to negotiation requirements by social partners such as unions. Should measures be delayed or not be possible at all or should the measures fail to have the envisaged impact, the costs involved in the structural program may increase or the program may not yield benefits that are sufficient to justify the risks and expenses Vitesco Technologies already incurred and is expected to incur in the future for the structural program.

In addition, a stake of 3.56% in Vitesco Technologies GmbH that was held by Continental Automotive France S.A.S. (***CA France***) has been transferred to Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG on June 22, 2021. The total purchase price of €121 million, that was paid by Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG to CA France, was agreed on the basis of the fair market value based on an appraisal report of Deloitte GmbH

Wirtschaftsprüfungsgesellschaft dated April 23, 2021. It should be noted, however, that such enterprise value could differ materially from a market capitalization of the Company following the Listing and should not be regarded as determinative in assessing the value of the Shares in the Company or its market capitalization following the Listing.

Following completion of the preparatory measures for the Spin-off and the reorganization of Continental Group, the corporate structure is as follows (in simplified form):

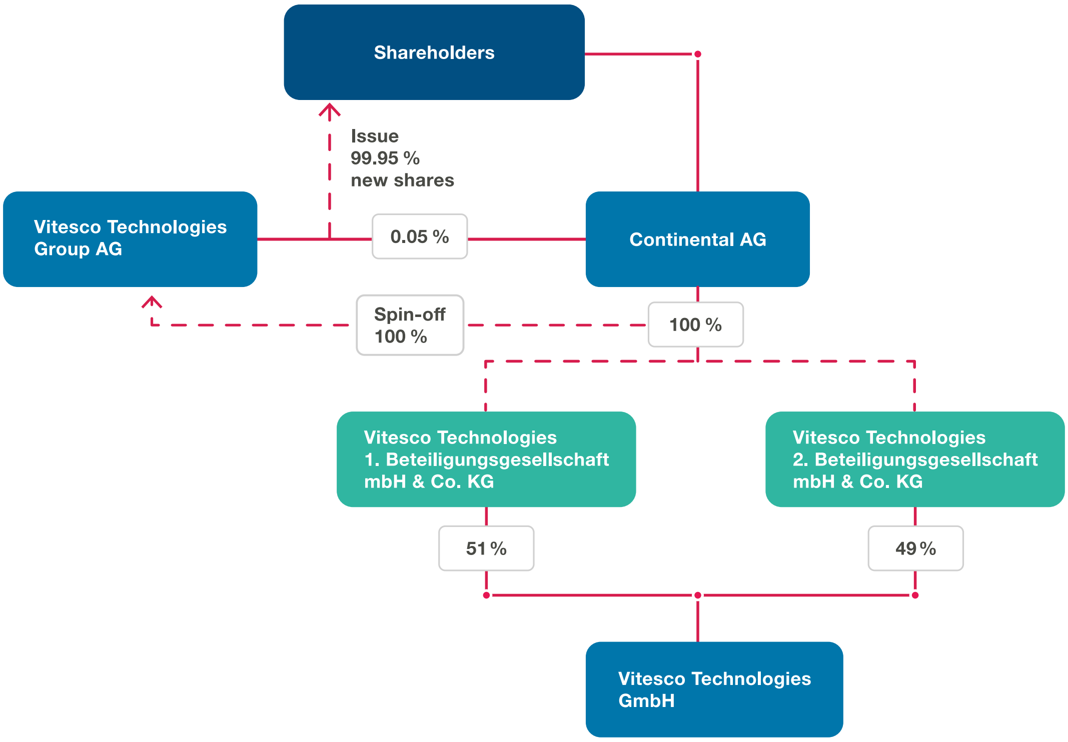



### 3.3 The Spin-off procedure

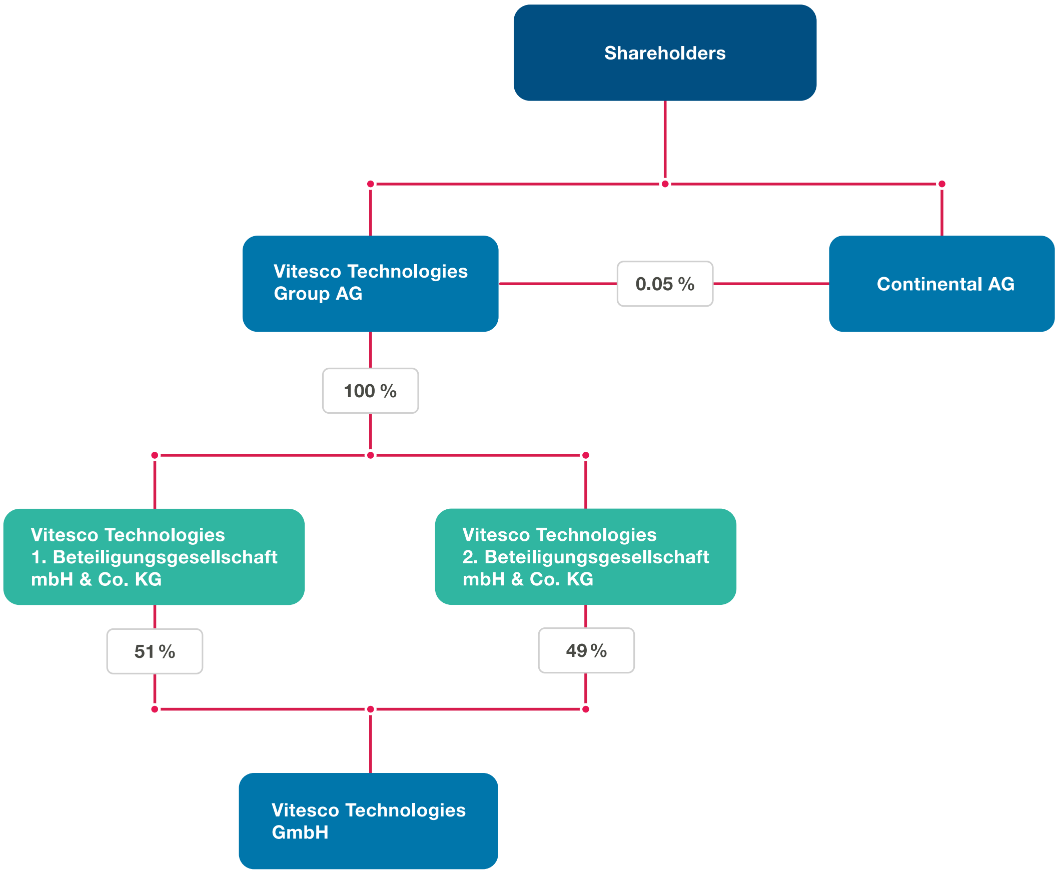
In the Spin-off, Continental AG will dispose of its participations in Vitesco Technologies and will transfer (as transferor) its limited partner interests in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG together with the shares in their general partners, Vitesco Technologies 1. Verwaltungs GmbH and Vitesco Technologies 2. Verwaltungs GmbH to Vitesco Technologies Group Aktiengesellschaft as transferee by way of spin-off by absorption (*Abspaltung zur Aufnahme*) in accordance with the German Transformation Act (*Umwandlungsgesetz*). Continental AG will retain 20,000 shares in Vitesco Technologies Group Aktiengesellschaft (equal to around 0.05% of the share capital after the Spin-off) which will not be spun off in the Spin-off. Continental AG intends to sell these shares in the market after the Spin-off.

As consideration for the Spin-off, the shareholders of Continental AG will receive shares in the Company in proportion (*verhältniswahrend*) to their participations in Continental AG. The shares required for this purpose will be created by a capital increase of Vitesco Technologies Group Aktiengesellschaft against contributions in kind. The share capital will increase from €50,000 by €100,002,990 to €100,052,990 by issuing 40,001,196 registered no-par value shares. It is intended that each share will represent a notional pro rata amount of €2.50 in the share capital. The allocation ratio (*Zuteilungsverhältnis*) is 5:1, i.e. shareholders of Continental AG receive one (1) share in the Company for every five (5) shares in Continental AG.

The following diagrams illustrate the mechanics of the Spin-off (in simplified form):




With the structure after implementation of the Spin-off being (in simplified form):




### 3.4 Statutory auditor for the Spin-off

At the joint request of the executive board of Continental AG and the Management Board, the Regional Court (*Landgericht*) of Hanover appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, Germany with business address at Prinzenstraße 23, 30159 Hanover, Germany as spin-off auditor by order of December 17, 2019. KPMG AG Wirtschaftsprüfungsgesellschaft as the spin-off auditor audited the Spin-off and Transfer Agreement and prepared a spin-off audit report.

### 3.5 Audit of non-cash contributions and post-formation audit

The issuance of new shares in Vitesco Technologies Group Aktiengesellschaft to the Continental AG shareholders against contribution of the interest in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & KG, Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Vitesco Technologies 1. Verwaltungs GmbH and Vitesco Technologies 2. Verwaltungs GmbH to Vitesco Technologies Group Aktiengesellschaft by way of spin-off by absorption is associated with a capital increase against contribution in kind (*Sachkapitalerhöhung*) at Vitesco Technologies Group Aktiengesellschaft. As less than two years have passed since the registration of Vitesco Technologies Group Aktiengesellschaft in the commercial register and the envisaged completion of the capital increase against contribution in kind, the supervisory board of Vitesco Technologies Group Aktiengesellschaft has reviewed the Spin-off and Transfer Agreement and prepared a post-formation report on March 18, 2021.

By decision of the local court (*Amtsgericht*) of Hanover dated December 18, 2019, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, Germany with business address at Prinzenstraße 23, 30159 Hanover, Germany was appointed as the auditor of the post-formation acquisition and the contribution in kind (*Sacheinlage- und Nachgründungsprüfer*). KPMG AG Wirtschaftsprüfungsgesellschaft prepared an audit report on the contribution in kind and the post-formation dated March 22, 2021.

### 3.6 Allocation ratio, trustee, allocation and settlement

Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany (***Deutsche Bank***) has been appointed as trustee for the Spin-off as required under the German Transformation Act (*Umwandlungsgesetz*). The trustee will, on behalf of the shareholders, take possession of the Vitesco Technologies Group Aktiengesellschaft shares to be issued to the shareholders of Continental AG prior to the Spin-off taking effect and will deliver these shares to the shareholders in a timely manner after the Spin-off has taken effect in accordance with the share allocation ratio (*Zuteilungsverhältnis*) of 5:1 set forth in the Spin-off and Transfer Agreement. Continental AG will retain 20,000 shares in Vitesco Technologies Group Aktiengesellschaft (equal to around 0.05% of the share capital after the Spin-off) which will not be spun off in the Spin-off. Continental AG intends to sell these shares in the market after the Spin-off.

In connection with the Spin-off, Deutsche Bank was also mandated as settlement agent.

The Company's Shares will be represented by one or more global share certificates (each a ***Global Share Certificate*** and together the ***Global Share Certificates***), which will be deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany (***Clearstream***).

The German language version of the notification of allotment (*Zuteilungsbekanntmachung*) set forth below is expected to be published on September 16, 2021 in the German Federal Gazette (*Bundesanzeiger*), subject to the correctness of the stated dates on the time of publication:

Continental Aktiengesellschaft, Hanover

**ISIN DE0005439004 // German Securities Identification Number (WKN) 543900**

– Allocation of Vitesco Technologies Group Aktiengesellschaft shares in the course of the spin-off ISIN DE000VTSC017 // WKN VTSC01 –

Continental Aktiengesellschaft as the transferring company and Vitesco Technologies Group Aktiengesellschaft as the receiving company entered into a spin-off and transfer agreement on March 18, 2021. Under this agreement, Continental Aktiengesellschaft transfers all limited partnership interests in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, which, in turn, hold 100% of the shares in Vitesco Technologies GmbH, together with the shares in their general partners, Vitesco Technologies 1. Verwaltungs GmbH and Vitesco Technologies 2. Verwaltungs GmbH by way of spin-off by absorption *(Abspaltung zur Aufnahme)* under section 123 (2) no. 1 of the German Transformation Act *(Umwandlungsgesetz)* to Vitesco Technologies Group Aktiengesellschaft. As consideration for the spin-off, the shareholders of Continental Aktiengesellschaft will receive shares in Vitesco Technologies Group Aktiengesellschaft in proportion (*verhältniswahrend*) to their participations in Continental Aktiengesellschaft. The shares required for this purpose will be created by a capital increase of Vitesco Technologies Group Aktiengesellschaft against contributions in kind. The allocation ratio (*Zuteilungsverhältnis*) is 5:1, i.e. shareholders of Continental Aktiengesellschaft receive one (1) share in Vitesco Technologies Group Aktiengesellschaft for every five (5) shares in Continental Aktiengesellschaft.

The shareholders' meetings of Continental Aktiengesellschaft and Vitesco Technologies Group Aktiengesellschaft approved the spin-off and transfer agreement dated March 18, 2021 on April 29, 2021 and March 23, 2021, respectively. Following registration of the spin-off and the share capital increase necessary to implement the spin-off in the commercial register of Vitesco Technologies Group Aktiengesellschaft at the local court (*Amtsgericht*) of Hanover on August 20, 2021, the spin-off will enter into effect by virtue of being recorded in the commercial register of Continental Aktiengesellschaft at the local court (*Amtsgericht*) of Hanover on September 15, 2021. Upon the spin-off taking effect, *i.e.*, upon its registration in the commercial register of Continental Aktiengesellschaft, 99.95% of the Vitesco Technologies Group Aktiengesellschaft shares are held by the shareholders of Continental Aktiengesellschaft. Continental Aktiengesellschaft will retain 20,000 shares in Vitesco Technologies Group Aktiengesellschaft (equal to around 0.05% of the share capital after the spin-off) which will not be spun off in the spin-off. Continental Aktiengesellschaft intends to sell these shares in the market after the spin-off.

To implement the spin-off, Vitesco Technologies Group Aktiengesellschaft is increasing its share capital of €50,000 by €100,002,990 to €100,052,990 by issuing 40,001,196 registered shares with no-par value, each share with a notional interest in the share capital of €2.50. These new shares in Vitesco Technologies Group Aktiengesellschaft created as a result of the share capital increase will be granted to the shareholders of Continental Aktiengesellschaft. All shares issued by Vitesco Technologies Group Aktiengesellschaft are entitled to participate in profits as from January 1, 2021.

### Allocation ratio

Upon the spin-off taking effect through its registration into Continental Aktiengesellschaft's commercial register, the shareholders of Continental Aktiengesellschaft will also become shareholders of Vitesco Technologies Group Aktiengesellschaft. In this regard, clause 10 of the spin-off and transfer agreement provides for an allocation ratio of 5:1. This means that a shareholder of Continental Aktiengesellschaft will receive per securities account

- for every five (5) bearer shares with no-par value in Continental Aktiengesellschaft (ISIN DE0005439004 / WKN 543900)
- one (1) registered share with no-par value in Vitesco Technologies Group Aktiengesellschaft (ISIN DE000VTSC017 / WKN VTSC01) with a notional interest in the share capital of €2.50 per share and conferring the right to participate in profits as from January 1, 2021.

Treasury shares of Continental Aktiengesellschaft are not eligible for allocation in connection with the spin-off and hence will not be taken into account when allocating the new shares of Vitesco Technologies Group Aktiengesellschaft granted for the purposes of implementing the spin-off.

### Trustee and settlement agent

Continental Aktiengesellschaft and Vitesco Technologies Group Aktiengesellschaft have appointed Deutsche Bank Aktiengesellschaft to handle the processing of the allocation and settlement and to act as trustee in accordance with sections 125 sentence 1, 71 (1) sentence 1 of the German Transformation Act *(Umwandlungsgesetz)* for receipt of the Vitesco Technologies Group Aktiengesellschaft shares to be granted and to deliver them to the eligible shareholders. Prior to the spin-off taking effect, Deutsche Bank Aktiengesellschaft, in its capacity as trustee, will take possession of the Vitesco Technologies Group Aktiengesellschaft shares to be granted to the shareholders of Continental Aktiengesellschaft and then distribute these shares to the shareholders without undue delay after the spin-off has taken effect.

**Implementation of allocation**

The allocation of Vitesco Technologies Group Aktiengesellschaft shares to the eligible shareholders of Continental Aktiengesellschaft will be effected via Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany (***Clearstream***) in a ratio of 5:1 on the basis of the individual securities accounts by the respective depositary bank by way of a securities account credit. Because the allocation of Vitesco Technologies Group Aktiengesellschaft shares, as a component of the spin-off, is in the interest of Continental Aktiengesellschaft, Continental Aktiengesellschaft will pay the Continental Aktiengesellschaft shareholders' depositary banks domiciled in Germany a fee to cover their processing expenses. Shareholders who hold their Continental Aktiengesellschaft shares in securities accounts outside of Germany might incur commissions and expenses on the basis of the existing agreements with the custodian institution. No assurance can be given that respective Continental Aktiengesellschaft shareholders will not be subject to additional charges by the respective depositary banks.

Since all shares in Continental Aktiengesellschaft are evidenced by global share certificates deposited with Clearstream and held in collective safe securities accounts, the shareholders of Continental Aktiengesellschaft do not need to take any action with regard to the allocation of Vitesco Technologies Group Aktiengesellschaft shares, except for a potential purchase or sale of fractional shares up or down to full shares (so-called settlement of fractional shares).

The shares in Vitesco Technologies Group Aktiengesellschaft will be allotted to the shareholders entitled thereto by crediting the shares to the securities account, which shall in principle occur on September 16, 2021, in accordance with their holdings of shares in Continental Aktiengesellschaft on (the evening of) September 15, 2021, taking into account any stock exchange transactions still outstanding. It may be expected that, in individual cases, depositary banks will effect, in analogy to the handling at Clearstream, such crediting only upon settlement of stock exchange transactions still outstanding, i.e. only on September 20, 2021. The articles of association of Vitesco Technologies Group Aktiengesellschaft exclude the right of the shareholders of Vitesco Technologies Group Aktiengesellschaft to demand share certificates, unless this is required by the rules of a stock exchange to which the Vitesco Technologies Group Aktiengesellschaft shares are admitted. The shares in Vitesco Technologies Group Aktiengesellschaft will be represented by global share certificates and deposited with Clearstream; Vitesco Technologies Group Aktiengesellschaft's shareholders will hold an interest as a co-owner in the collective holdings of shares corresponding to their respective interest. The processing of the above measures will be coordinated by Deutsche Bank Aktiengesellschaft.

Holders of American Depositary Receipts of Continental Aktiengesellschaft (***Continental ADRs***) will be provided American Depositary Receipts representing shares in Vitesco Technologies Group Aktiengesellschaft (***Vitesco Technologies ADRs***) in proportion to their holdings. Holders of Continental ADRs should note that the delivery of Vitesco Technologies ADRs might occur later than the delivery of the shares to shareholders that are holding the Continental Aktiengesellschaft share directly. To the extent holders of Continental ADRs are, due to the share allocation ratio under the spin-off and the terms of the Continental Aktiengesellschaft sponsored ADR program, not entitled to full Vitesco Technologies ADRs, Deutsche Bank Trust Company Americas as depositary (or a representative) will sell the shares in Vitesco Technologies Group Aktiengesellschaft attributable to the Continental ADRs on the stock exchange after commencement of trading and distribute the proceeds, net of applicable taxes, fees, charges and expenses, pro rata to such holders of the Continental ADRs. In connection with any such sale of shares, Deutsche Bank Trust Company Americas as depositary (or any representative) shall not have any liability for the price received in connection with any such sale, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale.

Because the shareholders of Continental Aktiengesellschaft will receive one (1) share in Vitesco Technologies Group Aktiengesellschaft for every five (5) shares in Continental Aktiengesellschaft, the shareholders of Continental Aktiengesellschaft whose securities account holdings in shares of Continental Aktiengesellschaft are not a multiple of five will receive fractional shares in Vitesco Technologies Group Aktiengesellschaft (ISIN code DE000VTSC0T1 / WKN VTSC0T). These fractional shares generally do not carry any shareholder rights (see section 213 (2) of the German Stock Corporation Act (*Aktiengesetz*)). A rounding of the fractional shares to full shares (so-called settlement of fractional shares *(Spitzenregulierung))* by the respective depositary bank requires that a corresponding buy or sell order be issued by the shareholder to its depositary bank. Those shareholders of Continental Aktiengesellschaft holding fractional Vitesco Technologies Group Aktiengesellschaft shares even after the depositary banks have effected the book-transfer of fractional shares in Vitesco Technologies Group Aktiengesellschaft shares have the opportunity to instruct their depositary bank as soon as possible,

**but no later than presumably October 5, 2021,**

to purchase or sell fractional shares for the purpose of creating full shares. Upon request, Deutsche Bank Aktiengesellschaft or any of its affiliated companies, together with the custodian banks will endeavor to achieve a settlement between the holders of the fractional shares so as to give them the opportunity to sell fractional shares or to purchase additional fractional shares in order to acquire a full entitlement. Where no settlement of fractional shares is effected, upon expiry of October 10, 2021, the fractional shares attributable to the allocated Vitesco Technologies Group Aktiengesellschaft shares will be combined into full shares and sold via the depositary banks and the central issuing agent. The proceeds from this sale will be credited to the relevant shareholders in cash in proportion to the fractional shares attributable to them, likely by October 13, 2021. It has to be expected in individual cases that depositary banks, in particular in foreign countries, will not cooperate in a settlement of fractional shares or will not accept corresponding orders.

Because the settlement of fractional shares, as a component of the spin-off, is in the interest of Continental Aktiengesellschaft, Continental Aktiengesellschaft will pay the Continental Aktiengesellschaft shareholders' depositary banks domiciled in Germany, a fee to cover their processing expenses. Shareholders who hold their Continental Aktiengesellschaft shares in securities accounts outside of Germany might incur commissions and expenses on the basis of the existing agreements with the custodian institution. No assurance can be given that respective Continental Aktiengesellschaft shareholders will not be subject to additional charges by the respective depositary banks for the allocation of shares in Vitesco Technologies Group Aktiengesellschaft or for the processing of an order to settle fractional shares with regard to Vitesco Technologies Group Aktiengesellschaft's shares. In addition, it cannot be excluded that the depositary banks will book the shares in Vitesco Technologies Group Aktiengesellschaft or the fractional shares with a delay.

The allocation of the acquisition costs between the Continental Aktiengesellschaft shares after the spin-off, on the one hand, and the new Vitesco Technologies Group Aktiengesellschaft shares, on the other hand, is generally to be based on the allocation ratio (*Zuteilungsverhältnis*). Shareholders are advised to seek their own professional advice in relation to the fact that the thus determined acquisition costs of the shares may not reflect the pro rata proportionate value of the shares.

**Stock exchange admission and commencement of listing**

The German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, **BaFin**)* approved Vitesco Technologies Group Aktiengesellschaft's prospectus for the exchange listing. BaFin only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129 and such approval should not be considered as an endorsement of the issuer that is the subject of the prospectus. Printed copies of the prospectus for the listing of Vitesco Technologies Group Aktiengesellschaft's 40,021,196 no-par value registered shares are available, free of charge, at Vitesco Technologies Group Aktiengesellschaft, Siemensstraße 12, 93055 Regensburg, Germany (e-mail: ir@vitesco.com; fax: +49 941 2031 - 1000).

Vitesco Technologies Group Aktiengesellschaft's 40,021,196 no-par value registered shares were admitted to the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with additional post-admission obligations (Prime Standard) on September 15, 2021.

Exchange trading in the shares of Vitesco Technologies Group Aktiengesellschaft is expected to start on September 16, 2021.

Presumably also on September 16, 2021, Continental Aktiengesellschaft's shares will be listed on the regulated markets of the stock exchanges in Frankfurt, Hamburg, Hanover, and Stuttgart with the notation "ex spin-off". The intention is that the Continental Aktiengesellschaft shares listed at other stock exchange markets in and outside the Federal Republic of Germany are, as far as possible, traded with a comparable notation. In any event, upon the spin-off taking effect, the Continental Aktiengesellschaft share only represents, in economic terms, a very limited participation in the business activities that have been spun off for transfer to Vitesco Technologies Group Aktiengesellschaft as Continental Aktiengesellschaft will only retain 20,000 shares in Vitesco Technologies Group Aktiengesellschaft (equal to around 0.05% of the share capital after the spin-off). Continental Aktiengesellschaft intends to sell these shares in the market after the spin-off so that after such sale Continental Aktiengesellschaft intends to no longer hold any shares in Vitesco Technologies Group Aktiengesellschaft.

Hanover, in September 2021 Continental Aktiengesellschaft

*The Executive Board*

### 3.7 ADR Program

In the U.S.A., Continental AG shares are traded on the OTC (over the counter) market in the form of a sponsored American Depositary Receipts (***ADR***) Program (the ***Continental ADRs***). Under the deposit agreement between Continental AG and Deutsche Bank Trust Company Americas, as depositary, the depositary shall, in the case of non-cash distributions made by Continental AG (excluding subscription rights and Continental AG shares), after consultation with Continental AG, be entitled under certain circumstances to distribute the net proceeds from the sale of the relevant securities instead of the securities themselves to the holders of the Continental ADRs. The depositary shall be entitled to do this if a distribution of securities is not lawful or practicable. The Company has arranged for the establishment of a sponsored ADR program shortly after the Spin-off with Deutsche Bank Trust Company Americas as depositary and ADRs representing Shares in the Company (the ***Vitesco Technologies ADRs***) may be traded on the OTC (over the counter) market in the U.S.A. after the Spin-off. Holders of Continental ADRs will be provided Vitesco Technologies ADRs in proportion to their holdings. Holders of Continental ADRs should note that the delivery of Vitesco Technologies ADRs may, under certain circumstances, occur later than the delivery of the Shares in the Company to shareholders (over the counter) that are holding Continental AG shares directly.

To the extent a holder of Continental ADRs is, due to the share allocation ratio under the Spin-off and the terms of the Continental AG sponsored ADR program, not entitled to full Vitesco Technologies ADRs, Deutsche Bank Trust Company Americas (or a representative of the depositary) will sell the Shares in the Company attributable to the Continental ADRs on the stock exchange after commencement of trading and distribute the proceeds, net of applicable taxes, fees, charges and expenses, pro rata to such holders of the Continental ADRs.

In the event that the delivery of Vitesco Technologies ADRs is illegal or not practicable for any reasons, Deutsche Bank Trust Company Americas (or a representative of the depositary) will sell the Shares in the Company attributable to the Continental ADRs on the stock exchange after commencement of trading and distribute the proceeds, net of expenses, pro rata to the respective holders of the Continental ADRs.

### 3.8 Admission to the Frankfurt Stock Exchange and Commencement of Trading

The Company will apply for admission of its Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with additional post-admission obligations (Prime Standard) on or about September 7, 2021. Application will be made together with Deutsche Bank, acting on behalf of the Listing Agents for the purpose of the admission to trading. The listing approval (admission decision) for the Company's Shares is expected to be granted on or about September 15, 2021. Trading in the Company's Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (the ***Listing***) is planned to commence on or about September 16, 2021, as the next exchange trading day.

Trading in the Vitesco Technologies Group Aktiengesellschaft Shares will not be possible on the date on which the Spin-off enters into effect by virtue of the entry in the commercial register of Continental AG and the Continental AG shares will still be trading "cum Vitesco Technologies".

### 3.9 Timetable for spin-off and admission to trading

The Spin-off and the admission to trading on the stock exchange will take place according to the following anticipated timetable:

| | |
|---|---|
| September 7, 2021 . . . . . . | Approval of the Prospectus by the BaFin. |
| | Publication of the Prospectus on the Company's website (www.vitesco-technologies.com) |
| by September 15, 2021 . . . | Registration of Spin-off and the share capital increase with the competent commercial registers; capital increase in connection with the Spin-off becoming effective. |
| September 15, 2021 . . . . . | Listing order (*Zulassungsbeschluss*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and publication of the listing order. |
| September 16, 2021 . . . . . | Credit of Shares in Vitesco Technologies Group Aktiengesellschaft to shareholders of Continental AG and booking of fractional shares to their securities account in line with the allocation ratio of the Spin-off (as per the securities account balances as of the evening of September 15, 2021) by the depositary banks. |
| September 16, 2021 . . . . . | First day of trading of the Shares; Continental AG shares will trade "ex Vitesco Technologies". |

The Prospectus will be published on the Company's website www.vitesco-technologies.com under the caption "Investors".

### 3.10 Designated Sponsor

Hauck & Aufhäuser Privatbankiers AG, Frankfurt am Main, Germany, has been mandated as designated sponsor of the Company's Shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Pursuant to the designated sponsor agreement expected to be concluded among the designated sponsor and the Company, the designated sponsor will, among other things, place limited buy and sell orders for the Company's Shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company's Shares. The designated sponsor is entitled to delegate its duties under the designated sponsor's agreement to third parties. In accordance with Sections 81 and 82 of the Rules of the Frankfurt Stock Exchange (*Börsenordnung für die Frankfurter Wertpapierbörse*), the designated sponsor's agreement stipulates the duties and responsibilities of the designated sponsor. Among other things, the designated sponsor shall be available during trading hours and, upon receipt of a request for a quote, shall promptly supply quotes and enter into transactions on such basis. In addition, the designated sponsor shall provide quotes throughout the auction.

### 3.11 Interest of participating parties in the Spin-off

In connection with the Spin-off and the admission to trading of the Shares, the Banks are in a contractual relationship with the Company and Continental AG. The Banks advise the Company and Continental AG on the Spin-off and the Listing of the Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and coordinate the structuring and execution of the Listing. Upon successful implementation of the Spin-off and admission to trading of the Shares, Vitesco Technologies Group Aktiengesellschaft has undertaken to pay the Banks a commission, see "*3.12 Listing Agreement, fees, indemnity, lock-up*". As a result of these contractual relationships, the Banks have a financial interest in the completion of the Spin-off and the admission to trading.

Vitesco Technologies GmbH promised to pay a retention bonus to a certain limited number of employees at the management levels below the Management Board of Vitesco Technologies Group Aktiengesellschaft who have special responsibility in connection with the Spin-off and the success of the independent operation of the business of Vitesco Technologies.

The retention bonus comprises a specific cash amount payable in two tranches, the second of which may increase depending on the future performance of the Company's share price once the Shares are listed. The first tranche of the fixed payment under the plan was a one-time special payment which was due and payable after the shareholders' meeting of Continental AG approved the Spin-off. In order to set a specific incentive also over the medium term, the second tranche of the payment, constituting the major part of the retention bonus, will be due and payable only upon expiry of a two-year vesting period starting from the date of commencement of trading in the Company's Shares. The payment amount under the second tranche depends on the performance of the Company's share price during this period. In case a beneficiary leaves Vitesco Technologies or is appointed as member of the Management Board prior to the expiry of the two-year vesting period, the second tranche of the retention bonus is automatically forfeited. The retention bonus plan (taking into account a possible increase of payments under the second tranche) has a total volume of approximately €20 million.

Continental AG has an interest in the Spin-off as it enables Continental AG to sell its participation in Vitesco Technologies Group Aktiengesellschaft in the amount of 20,000 shares on the market in a timely manner after the Listing of the Shares has taken effect. For the indirect benefits expected by Continental AG and Vitesco Technologies Group Aktiengesellschaft from the Spin-off see "*4 Reasons for the Spin-off and Cost of Spin-off and Listing*".

Some members of the Supervisory Board of the Company are also members of the supervisory or management boards of Continental AG and Schaeffler AG and certain of their affiliated companies (***Dual Mandates***), which is common practice in comparable corporate structures. Persons holding Dual Mandates are not allowed to make any decisions that are not in the Company's interests. Despite these regulations, the Company cannot exclude the possibility that in some cases conflicts of interest may arise which are resolved to the detriment of Vitesco Technologies.

Other than the interests described above, there are no material interests with respect to the Spin-off or the admission to trading of the Shares.

### 3.12 Listing Agreement, fees, indemnity, lock-up

In connection with the Spin-off and the Listing of the Shares, Continental AG, Vitesco Technologies Group Aktiengesellschaft and the Banks have entered into a listing agreement dated September 7, 2021. In addition, Continental AG and Vitesco Technologies Group Aktiengesellschaft have entered into a share settlement agreement with Deutsche Bank who will act as a trustee within the meaning of Sections 125 sentence 1, 71 (1) sentence 1 of the German Transformation Act (*Umwandlungsgesetz*). In these agreements, Vitesco Technologies Group Aktiengesellschaft has agreed to pay to the Banks and Deutsche Bank as trustee a commission in a total amount of €17,475,000.

The Company and Continental AG have agreed in the listing agreement to indemnify the Banks against certain liability obligations that may arise in connection with the Spin-off and the admission to trading. Internally, Vitesco Technologies Group Aktiengesellschaft and Continental AG have agreed to share certain indemnity risks in accordance with general principles of German civil laws.

The Company has agreed that, without the prior written consent of the Listing Agents, until 180 days after the date of the introduction to trading (*Einführung*) of the Shares on the Frankfurt Stock Exchange, it will not:

a) announce or effect an increase of the share capital of the Company out of authorized capital; or

b) submit a proposal for a capital increase to any meeting of the shareholders for resolution; or

c) announce to issue, effect or submit a proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; or

d) enter into a transaction or perform any action economically similar to those described in a) through c) above.

The Company may, however, offer, sell and issue options, warrants and shares of the Company (i) to directors and/or employees of the Company or any of its subsidiaries under present and future share purchase plans, stock awards and/or share option schemes or (ii) as partial or full consideration for a business acquired by the Company or for purposes of entering into a joint venture, provided that, with respect to (ii) only, the Company shall (i) consult with the Listing Agents prior to the issuance of the shares or other securities and (ii) use its best efforts to negotiate an undertaking of the recipient of the shares or such other securities of the Company to comply with the restrictions on the disposal of shares as described above.

IHO Holding GmbH & Co. KG (the holding company of Maria-Elisabeth Schaeffler-Thumann and Georg F.W. Schaeffler) committed itself on November 15, 2019, that IHO Beteiligungs GmbH, IHO Verwaltungs GmbH (both being 100% subsidiaries of IHO Holding GmbH & Co. KG), any of its affiliated companies, any of its officers and any person or persons that control IHO Beteiligungs GmbH or IHO Verwaltungs GmbH or any of its affiliates will not knowingly enter into any agreement, understanding, arrangement or substantial negotiations concerning the sale, exchange, a transfer by gift, of other disposition of any of the stock of either Continental AG or Vitesco Technologies Group Aktiengesellschaft during the twelve-month period that precedes and the six-month period following the Spin-off. Notwithstanding the foregoing, any disposition activity with respect to 5% or less of the outstanding stock of Continental AG prior to the public Spin-off or any direct or indirect grant of a security interest, pledge, lien or negative covenant with respect to any shares of Continental AG or the Company is not subject to the lock-up period.

### 3.13 Other relationships between the Banks, Continental AG and the Company

The Banks or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which Banks (or their affiliates) may from time to time acquire, hold or dispose of Shares in the Company. With respect to the syndicated facilities agreement see "*9.21.3 Financing*". None of the Banks intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so or as disclosed in this Prospectus.

The Banks or their affiliates may have business relations with the Vitesco Technologies Group (including lending activities), Continental Group and the IHO Shareholders or may perform services for the Vitesco Technologies Group, Continental Group and the IHO Shareholders in the ordinary course of business (see also "*3.11 Interest of participating parties in the Spin-off*").

## 4. REASONS FOR THE SPIN-OFF AND COST OF SPIN-OFF AND LISTING

### 4.1 Reasons for the Spin-off

As a diversified corporate group, Continental Group is responsible for regularly analyzing the strategic importance of the various fields of business as well as their potential for synergies with other areas in the group. During the course of this analysis the executive board of Continental AG decided to transform Vitesco Technologies into an independent group and to introduce it to the stock exchange.

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

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

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

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

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

- The direct access to the capital market will give Vitesco Technologies the flexibility to directly access external sources for financing. This will be made possible by the public listing of the Shares in Vitesco Technologies Group Aktiengesellschaft subsequent to the Spin-off. In the Continental Group, the raising of external capital is generally subject to the approval of the relevant group functions and, depending on the amount and duration of the financing, also requires the approval of the executive board and of the supervisory board of Continental AG. Therefore, Vitesco Technologies was not able to independently raise external capital and was dependent on the allocation of funds within the Continental Group. Direct access to the capital market will give Vitesco Technologies as an independent corporate group the general possibility to access financing in a manner appropriate for its situation and to decide on the uses of the financing without the constraints of a broad-based corporate group such as the Continental Group. In the course of the Spin-off preparation, the Company has been provided with a solid capital structure. It has not yet been decided whether or when Vitesco Technologies will apply for a credit rating.

## 4.2 Cost of Spin-off and Listing

Neither Continental AG nor Vitesco Technologies Group Aktiengesellschaft will raise proceeds in the Spin-off. Continental AG will retain 20,000 shares in Vitesco Technologies Group Aktiengesellschaft (equal to around 0.05% of the share capital after the Spin-off) which will not be spun off in the Spin-off. Continental AG intends to sell these shares in the market after the Spin-off.

With respect to costs and expenses in connection with the Spin-off, a distinction has to be made between (i) costs and expenses of preparing for the Spin-off by separating and establishing Vitesco Technologies as well as the costs and expenses of the actual Spin-off and (ii) the costs of the Listing of the Company. Further, a distinction must be made between external costs and taxes.

External expenses for the separation of shared systems, in particular in the areas IT, finance and other group functions, which incurred until the date of the Spin-off are allocated between the parties in accordance with a separate agreement, focusing at equal distribution of costs between both parties, so that approximately 50% are borne by each Continental Group and Vitesco Technologies Group, taking into account the practice pursued until then in the Continental Group. This cost split does not include local costs, e.g. for the constructional separation of shared workspaces, as well as local transaction taxes. These costs are not distributed but remain in the legal entity where they incur primarily. Those external expenses incurred after the date of the Spin-off will be borne by each party or their respective group company themselves.

The external one-time costs (including transaction taxes such as, in particular, real estate transfer tax) incurred for the years 2018 to 2020 in connection with the transformation of Vitesco Technologies into an independent group amounted, in total, to around €174 million as per December 31, 2020. The external one-time costs include, in particular, the expenses for the set-up of independent structures in the IT area in the amount of around €74 million and the costs for external advice (including but not limited to advice in the areas of strategy, finance, law and tax) and for personnel (in particular for the further qualification of employees) in the amount of around €67 million. In accordance with the agreement with Continental Group, approximately 50% of these costs have been borne by Vitesco Technologies Group. Furthermore, local costs in the amount of around €19 million were incurred for, in particular, the separation of shared spaces in manufacturing, R&D and administrative areas and for rebranding measures at individual sites. Other expenses amounted to around €14 million. An amount of around €12 million of these expenses was attributable to transaction taxes. In accordance with the agreement with Continental Group, the majority of these costs remain in the legal entity where they incurred primarily, whereby less than 50% of these costs incurred at Vitesco Technologies.

In addition to the costs incurred until December 31, 2020, the further external one-time costs (including transaction taxes) incurred by Continental AG and Vitesco Technologies in connection with making the Vitesco Technologies Group fully independent in organizational terms in the preparation and implementation of the Spin-off are estimated to amount, in total, to around €80 million until the date of the Spin-off.

- The external one-time costs until the date of the Spin-off include additional expenses for the development of independent structures in the IT area in the amount of around €35 million. In accordance with the agreement with Continental Group, approximately 50% of these costs will be borne by Vitesco Technologies Group. The costs incurred for the separation of shared spaces and rebranding measures, as well as for the reorganization and transfer of production lines and Automotive Quality Labs (see below "*9.7 Manufacturing*") until the date of the Spin-off are estimated to amount to around €17 million and will remain in the legal entity where they incurred primarily. External one-time costs after the date of the Spin-off are expected for the separation of shared spaces and rebranding measures, as well as for the reorganization and transfer of production lines and Automotive Quality Labs.
- The costs incurred for external advice and for personnel measures are estimated to amount to around €24 million and approximately 50% of these costs will be borne by Vitesco Technologies Group. Other expenses are expected to amount to €4 million including transaction taxes (in particular real estate transfer tax incurred as a result of the Spin-off).

In addition, after the completion of the Spin-off expenses occurring for Vitesco Technologies in connection with the Spin-off for the period until 2025 are planned in the amount of €56 million. These costs will be borne by Vitesco Technologies only.

Taxes incurred until December 31, 2020 in connection with the transformation into an independent group (excluding the aforementioned transaction taxes) recognized as expense in the balance sheet and the statement of financial position amounted to around €55 million. The sale of 3.56% of the shares in Vitesco Technologies GmbH held by CA France at market value to Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co KG prior to the Spin-off taking effect and transfers of Automotive Quality Labs by companies of the Continental Group to Vitesco Technologies (see below "*9.7 Manufacturing*"), which have been completed, are not expected to give rise to any substantial tax expense.

Furthermore, the expected costs for the planned Listing incurred in the years 2019, 2020 and 2021 amount to approximately €47 million, of which approximately €40 million are to be borne by Vitesco Technologies Group. These costs mainly include costs for external advice (in particular, for investment banks (see above "*3.12 Listing Agreement, fees, indemnity, lock-up*"), legal counsels and further advisors), audit costs (for auditors) and insurance as well as further costs related to the Listing.

## 5. DIVIDEND POLICY, RESULTS AND DIVIDENDS PER SHARE, USE OF PROFITS

### 5.1 General provisions relating to profit allocation and dividend payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. For a stock corporation (*Aktiengesellschaft*) under German law, such as the Company, the distribution of dividends for a given fiscal year (*Geschäftsjahr*) and the amount and payment date thereof, are resolved by the shareholders' meeting (*Hauptversammlung*) of the subsequent fiscal year. The shareholders' meeting must generally be held within the first eight months of each fiscal year. For shareholders' meetings held in 2021 the German Act on the Mitigation of the Consequences of the COVID-19 Pandemic in the Areas of Insolvency, Civil and Criminal Procedure Law (the ***Mitigation Act*** – *Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht* as amended by *Gesetz zur weiteren Verkürzung des Restschuldbefreiungsverfahrens und zur Anpassung pandemiebedingter Vorschriften im Gesellschafts-, Genossenschafts-, Vereins- und Stiftungsrecht sowie im Miet- und Pachtrecht*) allows to convene the shareholders' meeting virtually and/or to postpone it within the fiscal year. The Company may therefore decide that the shareholders' meeting is not to be held in the first eight months, but later in the course of the fiscal year. Proposals for the distribution of dividends will be issued by the Management Board and the Supervisory Board jointly or by the Management Board and the Supervisory Board separately, with the shareholders' meeting however not bound by those proposals.

Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's unconsolidated financial statements prepared in accordance with the requirements of the German Commercial Code (*Handelsgesetzbuch*). Accounting regulations under the German Commercial Code (*Handelsgesetzbuch*) differ from IFRS in material aspects.

When determining the distributable profit, net income or loss for the fiscal year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for profit/loss carry-forwards (*Gewinn-/Verlustvorträge*) from the prior fiscal year and releases of or allocations to reserves. Certain reserves are required to be set up by law and amounts mandatorily allocated to these reserves in the given fiscal year must be deducted when calculating the distributable profit. The Management Board must prepare unconsolidated financial statements (statement of financial position, income statement and notes to the unconsolidated financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the auditors and the Supervisory Board immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's distributable profits pursuant to Section 170 (2) of the German Stock Corporation Act (*Aktiengesetz*). According to Section 171 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board must review the unconsolidated financial statements, the Management Board's management report and the proposal for the allocation of the distributable profit and report to the shareholders' meeting in writing on the results. The Supervisory Board must submit its report to the Management Board within one month after the documents were received. If the Supervisory Board approves the financial statements after its review, these are deemed adopted unless the Management Board and the Supervisory Board resolve to assign adoption of the financial statements to the shareholders' meeting. If the Management Board and the Supervisory Board choose to allow the shareholders' meeting to adopt the financial statements, or if the Supervisory Board does not approve the financial statements, the Management Board must convene a shareholders' meeting without delay.

The shareholders' meeting's resolution on the allocation of the distributable profits requires a simple majority of the votes cast. If the Management Board and the Supervisory Board adopt the financial statements, they can allocate an amount of up to half of the Company's net income/loss for the year to other revenue reserves. Additions to the legal reserves and loss carry-forwards must be deducted in advance when calculating the amount of net income/loss for the year to be allocated to other revenue reserves. Pursuant to Section 22 (1) of the Articles of Association, the shareholders' meeting may also resolve to distribute the distributable profit by way of a dividend in kind in addition to or instead of a cash dividend, or it may allocate further amounts to revenue reserves or carry such amounts forward as profit in the resolution on the appropriation of the distributable profits. Pursuant to Section 22 (3) of the Articles of Association, the Management Board is authorized, subject to the consent of the Supervisory Board, to make an interim payment to the shareholders out of the prospective balance sheet profit in accordance with Section 59 of the German Stock Corporation Act

(*Aktiengesetz*) once the fiscal year has expired. Dividends resolved by the shareholders' meeting are due and payable on the third business day following the day of the relevant shareholders' meeting, unless a later due date is provided in the dividend resolution or the Articles of Association, in compliance with the rules of the respective clearing system. Since all of the Company's dividend entitlements will be evidenced by one or more Global Share Certificates deposited with Clearstream, Clearstream will transfer the dividends to the shareholders' custodian banks for crediting to their accounts and German custodian banks are under an obligation to distribute the funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank regarding the terms and conditions applicable in their case. Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) immediately after the shareholders' meeting. To the extent dividends can be distributed by the Company in accordance with the German Commercial Code (*Handelsgesetzbuch*) and corresponding decisions are taken, there are no restrictions on shareholder rights to receive dividends. Any dividends not claimed within the past three years become time-barred. If dividend payment claims expire, the Company becomes the beneficiary of the dividends. Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends, see "*16 Warning on Tax Consequences*".

### 5.2 Dividend Policy

Vitesco Technologies Group Aktiengesellschaft has been incorporated in November 2019. Prior to the Spin-off taking effect, Vitesco Technologies Group Aktiengesellschaft does not commence business operations and did not pay any dividends in the past. The Company's ability and intention to pay dividends in the future will depend on its financial position, results of operations, capital requirements, investment alternatives and other factors that the Management Board and Supervisory Board may deem relevant, and any proposals by the Management Board and Supervisory Board regarding dividend payments will be subject to the approval of the shareholders' meeting. The Company expects that the principal source of funds for the payment of dividends, if any, will be dividends and other payments received from its current and future subsidiaries, in particular Vitesco Technologies GmbH. The determination of each subsidiary's ability to pay dividends is made in accordance with applicable law.

The Company's future dividend policy is to distribute between 15% and 30% of consolidated net income attributable to common shareholders in accordance with IFRS in a given fiscal year as dividends assuming that the payment of such dividends is consistent with long-term and sustainable business development. For these purposes, the percentage calculation may take into account certain exceptional non-cash effects within income. The Company's ability to pay dividends in the future will depend on the amount of distributable profits. The Company can provide no assurance regarding the amounts of future distributable profits, if any, and consequently, it can provide no assurance that it will pay dividends in the future. Moreover, the results of operations set out in the Annual Combined Financial Statements and Interim Combined Financial Statements, respectively, may not be indicative of the amounts of future dividend payments.

The Facilities Agreement (please see "*9.21.3 Financing*") entered into by, among others, Vitesco Technologies GmbH and the Company contains the provision that payment of dividends, distributions or repayment of shareholder loans by the Company may only be made if, at the time the dividend proposal or distribution of shareholder loans is resolved by the management board, the cash flow (in respect of the most recent testing period) taking into account the relevant dividend payment on a pro forma basis and deducting the amount of any capital expenditure made in cash during such testing period is positive. Testing period means a period of twelve months ending on the last day of a quarter. Furthermore, it cannot be ruled out that future debt financings or other securities of Vitesco Technologies will include terms which may have an effect on the ability to pay dividends.

In the light of these aspects, it is currently not foreseen that a dividend may be paid for the fiscal years 2021 and 2022 and it is uncertain from what point in time a dividend payment will be proposed.

No distributions of profits or reserves were made to Continental AG by the Company's subsidiary Vitesco Technologies GmbH since the incorporation of Vitesco Technologies GmbH on July 25, 2018 up to the date of this Prospectus.

## 6. CAPITALIZATION, INDEBTEDNESS AND STATEMENT ON WORKING CAPITAL

The following tables set forth the Group's capitalization and indebtedness derived from the Interim Combined Financial Statements.

Investors should read this table in conjunction with section "*7 Management's Discussion and Analysis of Financial Condition and results of Operations*" as well as the Annual Combined Financial Statements and the Interim Combined Financial Statements, including the notes thereto, contained in the Prospectus.

### 6.1 Capitalization

| | As of June 30, 2021 |
|---|---|
| | **(Unaudited)** *(€ million)** |
| **Total current debt** (including current portion of non-current debt)[(1)] | **963.4** |
| Guaranteed | — |
| Secured | — |
| Unguaranteed / unsecured | 963.4 |
| **Total non-current debt** (excluding current portion of non-current debt)[(2)] | **192.7** |
| Guaranteed | — |
| Secured | — |
| Unguaranteed / unsecured | 192.7 |
| **Shareholder equity[(3)]** | **2,656.6** |
| Share capital[(4)] | 2,904.2 |
| Legal reserve(s) | — |
| Other reserves[(5)] | -247.6 |
| **Total[(6)]** | **3,812.7** |

* Columns may not add up due to rounding.

(1) "Total current debt" is referred to as "Short-term indebtedness" in the Company's Interim Combined Financial Statements and includes the current portion of bank loans and overdrafts, lease liabilities, other indebtedness and the negative fair values of derivative instruments due not later than one year.

(2) "Total non-current debt" is referred to as "Long-term indebtedness" in the Company's Interim Combined Financial Statements and includes the non-current portion of bank loans, lease liabilities, other indebtedness and the negative fair values of derivative instruments due later than one year.

(3) "Shareholder equity" is referred to as "total equity" in the Company's Interim Combined Financial Statements.

(4) "Share capital" is referred to as "invested equity attributable to Continental Group" in the Company's Interim Combined Financial Statements.

(5) "Other reserves" is referred to as "other comprehensive income" in the Company's Interim Combined Financial Statements.

(6) "Total" represents the sum of "Total current debt", "Total non-current debt" and "Shareholder equity".

## 6.2 Indebtedness

| | As of June 30, 2021 |
|---|---|
| | **(Unaudited)** *(€ million)** |
| A. Cash(1) | 645.6 |
| B. Cash equivalents(2) | 326.2 |
| C. Other current financial assets(3) | 764.7 |
| **D. Liquidity (A)+(B)+(C)** | **1,736.5** |
| E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)(4) | 963.4 |
| F. Current portion of non-current financial debt(5) | — |
| **G. Current financial indebtedness (E)+(F)** | **963.4** |
| **H. Net current financial indebtedness (G)–(D)** | **-773.1** |
| I. Non-current financial debt (excluding current portion and debt instruments)(6) | 192.7 |
| J. Debt instruments(7) | — |
| K. Non-current trade and other payables(8) | — |
| **L. Non-current financial indebtedness (I)+(J)+(K)** | **192.7** |
| **M. Total financial indebtedness (H)+(L)** | **-580.4** |

* Columns may not add up due to rounding.

(1) "Cash" includes all liquid funds and is presented in note 12 in the Company's Interim Combined Financial Statements. Cash is included in the line item "cash and cash equivalents" in the interim combined statement of financial position of the Company's Interim Combined Financial Statements.

(2) "Cash equivalents" are presented in note 12 in the Company's Interim Combined Financial Statements. Cash equivalents are included in the line item "cash and cash equivalents" in the interim combined statement of financial position of the Company's Interim Combined Financial Statements.

(3) "Other current financial assets" is referred to as "short-term derivative instruments and interest-bearing investments" in the interim combined statement of financial position of the Company's Interim Combined Financial Statements, however, excluding derivative instruments and non-Continental debt instruments hold to collect (short-term).

(4) "Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)" is referred to as "short-term indebtedness" in the interim combined statement of financial position of the Company's Interim Combined Financial Statements and includes short-term lease liabilities.

(5) "Current portion of non-current financial debt" means the portion of the non-current financial debt with is to be repaid within the next twelve months.

(6) "Non-current financial debt (excluding current portion and debt instruments)" is referred to as "long-term indebtedness" in the interim combined statement of financial position of the Company's Interim Combined Financial Statements and includes long-term lease liabilities.

(7) "Debt instruments" includes capital market debt, e.g. corporate bonds issued by the Company. As of June 30, 2021, no debt instruments have been issued by the Group.

(8) "Non-current trade and other payables" means long-term financial obligations. As of June 30, 2021, the Group had no such long-term financial obligations.

As of June 30, 2021, the Group's financial debt included liabilities related to leases. Current financial debt (as disclosed in item E. in the table above) included short-term lease liabilities in an amount of €40.8 million and non-current financial debt (as disclosed in item I. in the table above) included long-term lease liabilities in an amount of €192.7 million.

## 6.3 Contingent Liabilities

As of June 30, 2021, the Company had contingent liabilities amounting to €8.4 million. These contingent liabilities were primarily in connection with liabilities on warranties (€7.8 million). As of December 31, 2020, 2019 and 2018, the Company had contingent liabilities amounting on aggregate to €5.2 million, €14.3 million and €8.4 million, respectively. For further information on the Company's contingent liabilities, see also "*7.9.11 Contingent Liabilities and Other Financial Obligations*".

## 6.4 Statement on Working Capital

In the opinion of the Company, the Group's working capital (i.e. the Group's ability to access cash and other available liquid resources to meet its liabilities as they fall due) is sufficient to meet the Group's requirements over at least the next twelve months from the date of the Prospectus.

### 6.5 Statement regarding significant Changes

Other than as described in "*20.1 Recent developments*", between June 30, 2021 and the date of this Prospectus, no significant change in the financial performance or financial position of the Group described in the Interim Combined Financial Statements has occurred.

For information on current trading and management's view on future trends, see "*20 Recent Developments and Outlook*".

# 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information contained in the following sections and tables has been taken or derived from the Annual Combined Financial Statements and Interim Combined Financial Statements. The Annual Combined Financial Statements and Interim Combined Financial Statements were prepared in accordance with IFRS as adopted by the EU. KPMG has audited and issued an unqualified independent auditor's report with respect to the Annual Combined Financial Statements. These financial statements and the independent auditor reports are included in the Prospectus, beginning on page F-2. The financial information for the years ended December 31, 2020, 2019 and 2018 and for the six months ended June 30, 2021 and 2020 is presented in the form of the Annual Combined Financial Statements and Interim Combined Financial Statements to show the entire business of the Group as if the entire business was held by the Company as of January 1, 2018. Where financial data in the following tables is presented as "audited," it indicates that the financial data has been taken from the Annual Combined Financial Statements. The label "unaudited" is used in the following tables to indicate financial data that has been taken from the Interim Combined Financial Statements or taken or derived from the Company's accounting records or internal reporting systems.

The discussion and analysis below provide information that the Group believes is relevant to an assessment and understanding of the Group's historical financial position and results of operations. Prospective investors should read this discussion and analysis in conjunction with the sections entitled "*2.7 Presentation of Financial Information*".

The following discussion of the Group's results of operations also makes reference to certain non-IFRS financial measures. Prospective investors should bear in mind that these non-IFRS financial measures are not financial measures defined in accordance with IFRS, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating result as reported under IFRS. See "*2.8 Alternative Performance Measures*".

## 7.1 Overview

Vitesco Technologies focuses on the development and production of components and system solutions for the powertrain of hybrid and electric vehicles and for combustion engine-based vehicles. Its portfolio includes 48 Volt (***48V***) electrification solutions, electric drives, and power electronics for hybrid and battery electric vehicles. Furthermore, the product range counts electronic controls, sensors, actuators, turbochargers, hydraulic components and pumps as well as solutions for exhaust aftertreatment. Vitesco Technologies has, in total, 50 locations worldwide. Of those, eight locations are pure manufacturing sites, 22 locations conduct mainly R&D activities and 20 locations combine manufacturing and R&D activities. The Group is headquartered in Regensburg, Germany. As of June 30, 2021, Vitesco Technologies had around 40,000 employees worldwide.

Vitesco Technologies offers a broad and comprehensive range of powertrain systems and components for light vehicles (consisting of vehicles with a weight up to six metric tons such as passenger cars, crossover vehicles, sports utility vehicles, pick-ups, vans and light trucks), commercial vehicles (i.e. medium and heavy duty trucks with a weight over six metric tons and buses), two-wheelers and recreational and off-road (i.e. agriculture, construction) vehicles and serves almost all major automotive original equipment manufacturers (***OEM***). The management of Vitesco Technologies expects that demand for pure combustion engines will gradually decrease while the automotive industry will shift towards powertrains with lower $CO_2$, $NO_X$ and other pollutant emissions. Vitesco Technologies' management believes that its innovative and energy-efficient powertrain system solutions as well as modular components make powertrains more efficient, affordable and cleaner and put the Group into a strong position to exploit the opportunity presented by the shift to low- and no-emissions powertrain concepts, especially with regards to electrification.

The operations of Vitesco Technologies are managed in four business units that also represent its reporting segments under IFRS: Electronic Controls (***EC***), Electrification Technology (***ET***), Sensing & Actuation (***S&A***) and Contract Manufacturing (***CM***).

EC focuses on technologies, products and services ensuring the efficiency, performance and convenience of powertrains of light vehicles, commercial vehicles and two-wheelers. It offers technologies, products and services for (i) controlling of powertrains based on combustion engines, electric motors and a combination of both in hybrid vehicles and (ii) transmission control and actuation. In addition, high voltage boxes, consisting of on-board chargers (***OBC***) and direct current / direct current (***DC/DC***) converters for plug-in hybrid electric vehicles (***PHEV***) and battery electric vehicles (***BEV***), were recently added to the EC portfolio. ET covers a wide spectrum of electrification architectures for powertrains and offers technologies and products for PHEVs, BEVs as well as mild hybrid electric vehicles (mostly 48V) (***MHEV***). S&A focuses on technologies and products for the precise sensing and actuation in the powertrain. It offers a comprehensive product portfolio for combustion engines as well as the hybridization and the electrification of the entire powertrain. CM resulted from the Carve-Out of Continental Group's powertrain business to form Vitesco Technologies. It covers the business relationship between Vitesco Technologies and Continental Group where companies of Vitesco Technologies engage in manufacturing activities for customer orders of the contractual partners of Continental Group. Vitesco Technologies plans to gradually phase out CM over the long-term. Sales generated by CM are expected to fall by more than 50% until the end of 2023 and to be largely limited to three locations. The phasing out of CM should be substantially completed by 2025.

Within EC and S&A, the Group also manufactures certain technologies and products for internal combustion engine-based (***ICE***) vehicles which are considered today to only have limited market potential and therefore considered part of the Group's non-core technologies (***Non-Core ICE Technologies***), such as fuel injection equipment, fuel delivery, selective catalytic reduction systems as well as turbochargers. Vitesco Technologies plans to discontinue the development and manufacturing of Non-Core ICE Technologies products either by phase-out, i.e. that in general no business acquisition for next generation or new customer applications are sought and focus on fulfillment of existing customer obligations, or through other forms of an exit planned to be completed within the next decade, while one third is planned to be phased out in the mid-term.

In the fiscal year 2020, in its business excluding Non-Core ICE Technologies and CM (the ***Core Technologies***), Vitesco Technologies generated Core Technologies sales of €4,932.2 million (€2,742.2 million in the six-month period ended June 30, 2021) with a Core Technologies adjusted EBITDA margin[1] of 4.8% (6.6% in the six-month period ended June 30, 2021). The Group's Core Technologies order backlog[2] amounted to approximately €41.0 billion as of December 31, 2020. In the fiscal year 2020, in its business including Non-Core ICE Technologies and CM, Vitesco Technologies generated sales of €8,027.7 million (€4,396.9 million in the six-month period ended June 30, 2021). From those sales, 45.3% were generated by EC, 5.1% were generated by ET, 36.3% were generated by S&A and 13.7% were generated by CM.

Having invested €681.0 million net[3] or 8.5% of its total fiscal year 2020 sales into R&D (including R&D regarding Non-Core ICE Technologies and CM) focusing on systems and components for the electrification of the powertrain, the Group considers itself a technology leader in this field.

### 7.2 Preparation of the Annual Combined Financial Statements and Interim Combined Financial Statements

In 2018, Continental AG announced that it would be undergoing comprehensive reorganization. In July 2018, Continental AG's executive board and supervisory board approved the Carve-Out of Continental Group's powertrain business and created a new group of legal entities for the powertrain business headed by Vitesco Technologies GmbH and, following the Spin-off, the Group will begin operating as a legally independent group of companies with Vitesco Technologies Group Aktiengesellschaft as holding company. Vitesco Technologies GmbH will continue to be the operating parent company of Vitesco Technologies after the Spin-off has taken effect.

The financial information for the years ended December 31, 2020, 2019 and 2018 and for the six months ended June 30, 2021 and 2020 is presented in the form of the Annual Combined Financial Statements and Interim Combined Financial Statements to show the entire business of the Group as if the entire business was held by the Company as of January 1, 2018.

1 Adjusted EBITDA margin is calculated as adjusted EBITDA divided by adjusted sales multiplied by 100. Adjusted EBITDA is defined as EBITDA before changes in the scope of combination, and special effects.

2 "Order backlog" is defined as the sum of the cumulative order intake which has not yet been booked as sales. Order backlog represents a reference point for the resultant sales achievable, however may be subject to deviations if actual customer behavior and/or general market conditions change.

3 "R&D net" is defined as expenses for research and development less reimbursements and subsidies that the Group received in this context.

The Annual Combined Financial Statements (including opening balances as of January 1, 2018) and the Interim Combined Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable for the year ended December 31, 2020 and endorsed by the EU. The term IFRS also includes the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). All International Financial Reporting Standards mandatory for the fiscal year 2020 have been applied, subject to endorsement by the EU.

IFRS provide no guidelines for the preparation of the Annual Combined Financial Statements and Interim Combined Financial Statements. Therefore IAS 8.12 was used which requires the consideration of the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and recognized industry practices.

In the Annual Combined Financial Statements and Interim Combined Financial Statements, the predecessor accounting approach has been applied in accordance with accounting rules for business combinations under common control. Assets and liabilities of the businesses included in the Annual Combined Financial Statements and Interim Combined Financial Statements correspond to the historically reported amounts in the IFRS consolidated financial statements of the Continental Group. This includes the transfer of goodwill that can be allocated to the cash-generating units (CGUs) of Continental AG's Powertrain business area.

The financial information of businesses included in the Annual Combined Financial Statements and Interim Combined Financial Statements have been prepared using the same accounting policies and measurement principles that are used by Continental Group when preparing the consolidated financial statements in the respective reporting periods if not otherwise stated separately. As of January 1, 2019, the Company adopted IFRS 16 – Leases and, as of January 1, 2018, IFRS 9 – Financial Instruments, and IFRS 15 – Revenue from contracts with customers, in the preparation of the Annual Combined Financial Statements and Interim Combined Financial Statements using the modified retrospective approach. As a result, the Annual Combined Financial Statements and Interim Combined Financial Statements may not be fully comparable with one another.

### *7.2.1 Scope of Combination*

Until the Spin-off, the Group will be part of Continental Group and will not operate as an independent group. The legal reorganization that will be finalized with the Spin-off is reflected in the respective reporting periods 2020, 2019 and 2018 as well as the six months ended June 30, 2020 and 2021 in the Annual Combined Financial Statements and Interim Combined Financial Statements. Mainly included are assets, particularly land, production facilities, office buildings and other real estate that historically have been used by the Group or relate to the business of the Group including employee contracts. The scope of combination includes Vitesco Technologies GmbH, as well as its direct or indirect subsidiaries and its holding companies including Vitesco Technologies Group Aktiengesellschaft, Hanover, Germany, as parent company, Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG and their respective general partners, Vitesco Technologies 1. Verwaltungs GmbH and Vitesco Technologies 2. Verwaltungs GmbH.

### *7.2.2 Reconciliation from Continental AG's Powertrain segment to the Group*

Continental AG reports results for its Powertrain segment each quarter. The scope of these results is not identical and not directly comparable to the Group information presented in this Prospectus as a result of the Carve-Out and associated transfers and restructurings.

### *7.2.3 Basis of Preparation of the Annual Combined Financial Statements and Interim Combined Financial Statements*

The Group has prepared its Annual Combined Financial Statements in compliance with IFRS applicable for the year ended December 31, 2020. The Annual Combined Financial Statements and Interim Combined Financial Statements have been prepared in euros. Unless otherwise stated, all amounts are given in millions of euros (EUR or € million). All figures are shown rounded, so minor discrepancies may arise from addition of these amounts.

Proper and complete preparation of the Annual Combined Financial Statements and Interim Combined Financial Statements in accordance with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect assets, liabilities and disclosures in the notes, as well as the income and expenses for the period in the Annual Combined Financial Statements and Interim Combined Financial Statements. The estimates and assumptions for the reporting period are based on the information currently available at the date of the preparation of the Annual Combined Financial Statements and Interim Combined Financial Statements. The underlying information is regularly reviewed and updated to reflect actual developments as necessary. The estimates in accordance with the basis of preparation made in the Annual Combined Financial Statements and Interim Combined Financial Statements are consistent with estimates made for the same date in accordance with estimates with the IFRS reporting requirements as part of the consolidation group of the Continental AG. Where there is objective evidence that those estimates are not in accordance with IFRS on a stand-alone basis additional assumptions and estimates have been made.

The Combined Financial Statements have been prepared for the fiscal years from January 1, 2020 to December 31, 2020, January 1, 2019 to December 31, 2019 and January 1, 2018 to December 31, 2018 and for six months ended June 30, 2021 and 2020.

Prospective investors should read this discussion and analysis in conjunction with the Annual Combined Financial Statements and Interim Combined Financial Statements.

### *7.2.4 Segment Reporting*

In accordance with the provisions of IFRS 8 – Operating Segments, the Group'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 Group's reporting structure will be finalized with the Spin-off. This expected reporting structure was mapped retrospectively for the fiscal years 2020, 2019 and 2018. It is considered necessary to provide reliable financial data for all three years for purposes of the Spin-off of the Group. Therefore, IFRS 8 is fully applied for the voluntary segment report within the Annual Combined Financial Statements and Interim Combined Financial Statements.

Given the affinity of certain products, these have been combined as segments. This can mainly be seen in product requirements and market trends. The activities of the Group are divided into the following four reportable segments (i) EC, (ii) ET, (iii) S&A and (iv) CM.

"Other/consolidation" comprises centrally managed subsidiaries and affiliates, such as holding and financing companies, as well as the holding function of Vitesco Technologies Group Aktiengesellschaft 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 Group are based on IFRS. The Group measures the performance of its segments on the basis of their adjusted return on sales adjusted operating result (adjusted EBIT) divided by adjusted sales and the return on capital employed (ROCE), which represents the operating result (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 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 combined statements 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 combined statement of financial position.

Capital expenditure relates to additions to property, plant and equipment, and software, as well as additions to respective right-of-use assets accounted for based on IFRS 16 – Leases, and 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 equipement, and investment properties as well as the impairment on goodwill. This figure does not include impairment on financial investments.

Non-cash expenses / income mainly include the changes in provisions for pension liabilities (except for contributions to or withdrawals from the associated funds) and the profit or loss from impairment and reversal of impairment losses on the value of equity-accounted investees.

## 7.3 Key Factors Affecting the Results of Operations

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

### *7.3.1 General Economic Conditions*

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

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

Actual or anticipated improvements in economic conditions may result in higher production numbers from OEMs for passenger cars and light trucks, which may translate into higher business volume for the Group. Conversely, a weak or uncertain economic environment may discourage private car and fleet owners from replacing or expanding their car fleet, as is currently the case and was the case in fiscal year 2020 in connection with the negative macroeconomic impacts of the COVID-19 Pandemic and the economic crisis caused by it (also see "*7.3.4 Impacts of the COVID-19 Pandemic*" below).

In addition to the impacts of the COVID-19 Pandemic, since the second half of 2020, large scale shortages in the supply of semiconductors have negatively impacted and continue to negatively impact the vehicle production of Vitesco Technologies' OEM customers as well as Vitesco Technologies' production directly. Undersupply related to the shortages have also resulted in elevated costs, such as from inefficiencies in Vitesco Technologies' production activities, including additional logistic costs. Impacts on procurement activities have and will continue to be felt, including increasing prices for semiconductors or related components as well as more disadvantageous business framework conditions with semiconductor suppliers in the areas of payment terms, delivery terms and consignment contracts. With the shortages expected to continue for the remainder of 2021 as well as into 2022, such material adverse effects on profitability and cash flows are also expected to continue.

### *7.3.2 Market Developments and Market Share*

As of today, the Group is one of the global leading Tier-1 powertrain suppliers with particular focus on electronics and electrification technologies as well as on sensors and actuators. Vitesco Technologies is active in the automotive powertrain industry mainly for light vehicle on-road applications. Two areas of regulations have major influence on powertrain technology:

- $CO_2$ fleet emission regulations (also referred to as fuel economy regulations or fuel consumption regulation); and
- Pollutant emission regulations.

In light of increasingly more stringent targets and limits in these areas in Europe and Asia, this regulatory environment has caused a shift towards higher powertrain electrification of vehicles, meaning equipping the vehicles with an electric drive which either supplements the ICE ("hybrid vehicle") or propels the vehicle purely electric ("electric vehicle"). Also, with pollutant emissions standards becoming more stringent, the need for components of efficient systems to reduce pollutants has increased. The trend towards tighter $CO_2$ fleet and pollutant emission regulations is expected to continue.

The Group's sales development and its competitiveness depend on its ability to adapt to these changing powertrain market requirements and regulatory environment.

### *7.3.3 Sales volume*

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

The Group targets business acquisitions across all major OEMs in the relevant regions of Asia, Europe and North America, which helps soften special effects coming from the bad performance of particular OEMs (for example in connection with the manipulation of exhaust-gas treatment components in diesel engines (see "*1.5.2 Vitesco Technologies may be obliged to pay significant compensation and may incur significant costs in connection with investigations related to the alleged use of illegal defeat devices in diesel engines*")) or individual regions (for example the trade conflict between the U.S.A. and China). The diversified product portfolio of the Group comprises, for example, power electronics with high content per vehicle (***CPV***) but also sensors and actuators with a lower CPV but high penetration, which typically suffer less volume variation driven by market volatility. In addition, the Group uses its extensive knowledge of the market, vehicle and engine platforms and close contacts to its customers to secure orders for key projects and successful vehicle platforms, maximizing the chances of success and the profitability per project.

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

### *7.3.4 Impacts of the COVID-19 Pandemic*

The business operations of the Group have been severely affected by the COVID-19 Pandemic and the economic crisis caused by it since 2020. The economic impacts of the COVID-19 Pandemic also massively affected automotive manufacturers and automotive suppliers. The global production of light vehicles declined by 13.7 million units from 88.3 million units in the fiscal year 2019 to 74.6 million units in the fiscal year 2020. As a consequence, also Vitesco Technologies' results of operations in 2020 were indirectly (as a result of changes in the relevant sales and procurement markets) and directly (as a result of individual measures taken by the Vitesco Technologies Group) affected by the COVID-19 Pandemic.

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

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

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

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

### *7.3.5 Product Mix*

The results of operations of the Group are affected by the differences in the business opportunities and the resulting margins of the various products within the four segments of the Group. EC develops, produces and sells in its Core Technologies engine and transmission control units worldwide. Here, emissions and $CO_2$ legislation, which will become even more stringent in the future, is expected to continue to offer good business opportunities. EC recently expanded the portfolio in its Core Technologies to include e-mobility products. High voltage boxes allow the safe and fast charging of high voltage batteries for plugin and battery electric vehicles. Master controllers are needed to cope with the increasing complexity of the electrics/electronics (***E/E***) architecture of hybrid and battery electric vehicles. This helps the OEMs to manage the high amount of variants of different propulsion system in combination with the increasing amount of vehicle platforms per OEM. Transmission actuator modules for automatic transmissions contribute to reducing energy consumption (gasoline, diesel and traction electricity) in hybrid and electric vehicles and to increasing their range. For fuel injectors and pumps, the decision was made to phase those technologies out and to significantly reduce further investments in them. Similarly, the turbochargers business is no longer considered as a growth area. In the S&A segment, the future emissions and $CO_2$ legislation will offer additional business opportunities because the number and value of the components that are necessary for that purpose will increase. Also, the area of thermal management was developed in this segment in recent years. For electrified vehicles, thermal management significantly contributes to increasing the range of the vehicle, supports fast charging and prolongs the lifetime of components. In addition, thermal management is enhancing driving comfort by more efficient vehicle air conditioning. The ET segment, which develops products to address different types of electrification, has expanded its product line in the last four years to offer mild 48V hybrid applications and high voltage power electronics for plug-ins and electric vehicles. This expansion and the ramp-up of new projects in the area of axle drive systems has resulted in a sharp growth in sales revenues. This growth together with the margin improvement programs launched in prior years had a positive effect on margins. As growth continues, the Group expects that economies of scale will further improve margins and profitability in the field of electrification. The CM segment records the business relationship between Vitesco Technologies and Continental Group where companies of the Continental Group and of Vitesco Technologies each engage in manufacturing activities for customer orders of the contractual partners of Vitesco Technologies and, respectively, Continental Group.

### *7.3.6 Operational Efficiency Measures*

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

The Group seeks to enhance its operating performance through various cost reduction programs and restructuring plans. In particular, the Group's strategic transformation towards electrification is accompanied by a structural transformation program. In the short term, the current measures of the Group result in restructuring costs in the context of the phase-out of Non-Core ICE Technologies (for example, for severance payments, asset impairments and provisions) with a negative effect on the results of operations of the Group.

When these restructuring payments become cash effective, cash flows in the respective period will be negatively impacted. In the medium to long term, however, these measures aim at achieving increased efficiencies and lower costs and, as a consequence, improving the results of operations and cash flows of the Group.

Further, also in the light of lower automotive market volumes 2020 caused by COVID-19 Pandemic, Vitesco Technologies seeks to enhance its operating performance and competitiveness through various cost reduction programs and restructuring plans considering the global automotive market development. In the fiscal year 2020, Vitesco Technologies managed to achieve cost cutting measures of approximately €320 million and a capital expenditure reduction of approximately €170 million.

### *7.3.7 Prices for Production and Non-Production Materials*

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

Potential increases in the price of production materials (e.g. electronic, mechanical and plastic & rubber components) have a significant impact on the costs for the Group and its segments. The

Group tries to achieve lower prices for the production materials through annual price negotiations, adaption of supplier shares and implementation of material cost reduction programs in order to counteract potential price increases. Moreover, a decline of the value of the euro against the U.S. dollar may have an additional negative impact on the cost of production materials as a considerable portion of the production materials used by the Group are billed on a U.S. dollar basis.

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

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

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

In the six months ended June 30, 2021, the prices of production materials and for non-production materials decreased compared to the same period in 2020. The shortages in the supply of semiconductors (please also see "*1.3.2 Vitesco Technologies depends on a limited number of key suppliers for certain products and inability to source products from these suppliers, for example semiconductors, particularly due to supply interruptions, could adversely affect its operations.*"), however, has resulted and will continue to result in increasing prices for semiconductors or related components.

### *7.3.8 Specific Warranty Expenses, Provisions and Warranty Claims*

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

Similarly, claims and litigation can also cause large fluctuations in results. Non-warranty related claims from customers and suppliers against the Group generally have a negative impact on the results of the Group. To a certain extent the Group can reduce the number and magnitude of claims against it, thereby improving its profitability and financial condition. However, the Group is also asserting claims against its customers and suppliers, which may limit the negative effects on its results. For all product liability claims from customers the Group examins whether suppliers have caused the liability case and thus issues an active claim for re-imbursement. A significant percentage of events of damage in the past was due to issues with pumps and injectors. The decision was made to phase out those technologies and to significantly reduce further investments in them. Therefore, the percentage of those products in sales will constantly decrease, which should also have a positive effect on the events of damage.

### *7.3.9 Research and Development*

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

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

| | Fiscal year ended December 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **(Audited, unless otherwise noted)** *(€ million, unless otherwise noted)* | | |
| Total research and development expenses (net)[1] | 681.0 | 723.2 | 709.1 |
| Capitalization of research and development expenses | 35.4 | 72.1 | 55.5 |
| In % of research and development expenses[2][*] | 4.9 | 9.1 | 7.3 |
| Amortization of capitalized development expenses | 32.4 | 33.6 | 27.6 |

(*) Unaudited figures.

(1) Research and development expenses (net) are defined as expenses for research and development less reimbursements and subsidies that the Group received in this context. Capitalized research and development expenses are excluded.

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

### *7.3.10 Foreign Exchange Rate Fluctuations*

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

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

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

## 7.4 Key Performance Indicators and Alternative Performance Measures

In addition to its IFRS reporting, the Group tracks certain alternative performance measures, ratios and adjustments that are not required by, or presented in accordance with, IFRS or German GAAP. These are adjusted sales, operating result (EBIT), adjusted EBIT, EBITDA, adjusted EBITDA, research and development expenses (net), capex, capital expenditure, free cash flow, adjusted EBIT margin, adjusted EBITDA margin, gearing ratio, equity ratio, ROCE, order intake, book-to-bill ratio and order backlog. Management uses these alternative performance measures internally to benchmark performance over time and against peers/competitors. These alternative performance measures, however, are not defined under IFRS, German GAAP or similar GAAP and may be calculated differently within other industries and even by the Group's competitors within the automotive industry.

### *7.4.1 Group Key Performance Indicators and Alternative Performance Measures*

The following table presents certain key performance indicators and alternative performance measures the Group uses for years ended December 31, 2020, 2019 and 2018 and for the six months ended June 30, 2021 and 2020. A description of the calculation of each alternative performance measure is included in footnotes to the following tables.

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | **2021** | **2020** | **2020** | **2019** | **2018** |
| | **(Unaudited)** | | **(Audited, unless otherwise noted)** | | |
| | *(€ million, unless otherwise noted)* | | | | |
| **Sales** | **4,396.9** | **3,408.7** | **8,027.7** | **9,092.5** | **9,143.1** |
| growth in %(*) | 29.0 | — | -11.7 | -0.6 | — |
| Adjusted sales(1) | 4,396.9 | 3,408.7 | 8,027.7 | 9,092.5 | 9,143.1 |
| **Operating result (EBIT)** | **39.8** | **-300.6** | **-324.3** | **-635.2** | **184.2** |
| EBIT margin in %(2) | 0.9 | -8.8 | -4.0 | -7.0 | 2.0 |
| **Adjusted EBIT(3)** | **84.2** | **-218.1** | **-91.9** | **52.9** | **224.7** |
| Adjusted EBIT margin in %(4) | 1.9 | -6.4 | -1.1 | 0.6 | 2.5 |
| **EBITDA** | **344.0** | **-2.7** | **252.9** | **179.8** | **635.5** |
| EBITDA margin in %(*) | 7.8 | -0.1 | 3.2 | 2.0 | 7.0 |
| **Adjusted EBITDA(5)(*)** | **336.7** | **25.7** | **399.5** | **535.5** | **646.5** |
| Adjusted EBITDA margin in %(6)(*) | 7.7 | 0.8 | 5.0 | 5.9 | 7.1 |
| Research and development expenses (net)(7) | 384.8 | 349.7 | 681.0 | 723.2 | 709.1 |
| **Capital expenditure(8)** | **212.7** | **172.7** | **480.0** | **782.4** | **684.1** |
| % of sales | 4.8 | 5.1 | 6.0 | 8.6 | 7.5 |
| **Capex(9)(*)** | **146.0** | **161.7** | **428.4** | **595.5** | **684.1** |
| % of sales(*) | 3.3 | 4.7 | 5.3 | 6.5 | 7.5 |
| Cash flow before financing activities (free cash flow)(10) | 304.8 | -804.2 | -455.7 | 55.4 | 35.6 |
| Gearing ratio(*) | n/a | n/a | -15.3 | -28.9 | -37.4 |
| Equity ratio(*) | 32.0 | 36.7 | 32.9 | 37.8 | 56.3 |
| **ROCE(11)** | **n/a** | **n/a** | **-11.5** | **-22.7** | **5.2** |
| **Sales (Core Technologies)(*)** | **2,742.2** | **2,096.0** | **4,932.2** | **5,404.4** | **5,464.5** |
| growth in %(*) | 30.8 | — | -8.7 | -1.1 | — |
| **Adjusted EBIT (Core Technologies)(3)(*)** | **44.0** | **-110.6** | **-13.4** | **306.7** | **319.5** |
| margin in %(4)(*) | 1.6 | -5.3 | -0.3 | 5.7 | 5.8 |
| **Adjusted EBITDA (Core Technologies)(5)(*)** | **180.0** | **13.2** | **237.6** | **547.2** | **522.1** |
| margin in %(6)(*) | 6.6 | 0.6 | 4.8 | 10.1 | 9.6 |
| **Capital expenditure (Core Technologies)(8)(*)** | **168.1** | **132.7** | **382.5** | **541.6** | **368.6** |
| % of Core Technologies sales(*) | 6.1 | 6.3 | 7.8 | 10.0 | 6.7 |
| **Capex (Core Technologies)(9)(*)** | **107.2** | **122.6** | **342.8** | **369.6** | **368.6** |
| % of Core Technologies sales(*) | 3.9 | 5.8 | 7.0 | 6.8 | 6.7 |

(*) Unaudited figures.

(1) Before changes in the scope of combination.

(2) EBIT margin is calculated as EBIT divided by sales multiplied by 100.

(3) Adjusted EBIT is calculated as operating result (EBIT) before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of combination, and special effects (e.g. impairment, restructuring and gains and losses from disposals of companies and business operations).

(4) Adjusted EBIT margin is calculated as adjusted EBIT divided by adjusted sales multiplied by 100.

(5) Adjusted EBITDA is calculated as operating result before depreciation and amortization (EBITDA) before changes in the scope of combination, and special effects (e.g. restructuring and gains and losses from disposals of companies and business operations).

(6) Adjusted EBITDA margin is calculated as adjusted EBITDA divided by adjusted sales multiplied by 100.

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

(8) Capital expenditure on property, plant and equipment, and software. First-time adoption of IFRS 16 – Leases at January 1, 2019.

(9) Capex equals to capital expenditure on property, plant and equipment, and software excluding right of use assets.

(10) Cash flow before financing activities (free cash flow) is defined as the sum of the cash flow arising from operating activities and the cash flow arising from investing activities and calculated as follows:

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | | (Audited) | |
| | | | (€ million) | | |
| (A) Cash flow arising from operating activities | 345.8 | -641.4 | -5.9 | 692.5 | 679.6 |
| (B) Cash flow arising from investing activities | -41.0 | -162.8 | -449.8 | -637.1 | -644.0 |
| **(A+B) Cash flow before financing activities (free cash flow)** | **304.8** | **-804.2** | **-455.7** | **55.4** | **35.6** |

(11) ROCE is the ratio of operating result (EBIT) to average operating assets for the fiscal year. ROCE corresponds to the rate of return on the capital employed and is used to assess the company's profitability and efficiency. In general, average operating assets are calculated as at the end of the quarterly periods. However, average operating assets for the year 2018 are calculated as an average of the reporting dates December 31, 2018 and December 31, 2017. Operating assets are defined as the assets less liabilities as reported in the combined 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.

The following table presents order intake and book-to-bill ratio for the periods indicated.

| | Fiscal Year ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | | (Unaudited) | |
| | (€ million, unless otherwise noted) | | |
| **Order intake** | **8,560.5** | **9,923.0** | **11,431.5** |
| Book-to-bill ratio | 1.2x | 1.3x | 1.4x |
| **Order intake (Core Technologies)** | **7,461.7** | **8,775.8** | **8,906.5** |
| Book-to-bill ratio (Core Technologies) | 1.5x | 1.6x | 1.6x |

The table below provides, for the periods indicated, a reconciliation of operating result (EBIT) and adjusted EBIT to sales:

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | (Audited, unless otherwise noted) | | |
| | | | (€ million) | | |
| **Sales** | **4,396.9** | **3,408.7** | **8,027.7** | **9,092.5** | **9,143.1** |
| Cost of sales | -3,744.3 | -3,068.7 | -6,971.8 | -7,883.5 | -7,749.7 |
| Research and development expenses | -503.2 | -500.7 | -1,001.3 | -1,121.2 | -1,123.2 |
| Sales and administration expenses | -182.6 | -218.5 | -414.2 | -457.7 | -308.2 |
| Other income | 314.5 | 259.0 | 538.7 | 753.3 | 590.2 |
| Other expenses | -241.7 | -180.3 | -504.4 | -1,018.1 | -367.7 |
| Income from equity-accounted investees | 0.2 | -0.1 | 1.0 | -0.5 | -0.3 |
| Other income from investments | — | 0.0 | — | 0.0 | 0.0 |
| **Operating result (EBIT)** | **39.8** | **-300.6** | **-324.3** | **-635.2** | **184.2** |
| PPA amortization | 2.5 | 5.2 | 9.1 | 10.7 | 11.4 |
| Special effects | | | | | |
| Goodwill impairment | — | — | — | 223.5 | — |
| Impairment[1] | 49.0 | 43.4 | 69.7 | 43.5 | 14.8 |
| Restructuring[2] | -10.9 | 10.5 | 87.3 | 361.6 | 14.3 |
| Other[3] | 3.8 | 23.4 | 66.3 | 48.8 | — |
| **Adjusted EBIT** | **84.2** | **-218.1** | **-91.9** | **52.9** | **224.7** |

(1) 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.

(2) This includes impairment losses totaling €0.2 million for the six months ended June 30, 2021, €5.5 million for the six months ended June 30, 2020, €7.0 million for the fiscal year 2020, €54.6 million for the fiscal year 2019 and €3.3 million for the fiscal year 2018.

(3) This includes costs for the Carve-Out of the Group in an amount of €25.4 million for the six months ended June 30, 2021, €15.9 million for the six months ended June 30, 2020, €52.6 million for the fiscal year 2020 and €46.3 million for the fiscal year 2019.

The table below provides, for the periods indicated, a reconciliation of EBITDA and adjusted EBITDA to sales:

| | Six Months ended June 30 | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | (Audited, unless otherwise noted) *(€ million)* | | |
| **Sales** | **4,396.9** | **3,408.7** | **8,027.7** | **9,092.5** | **9,143.1** |
| Cost of sales | -3,744.3 | -3,068.7 | -6,971.8 | -7,883.5 | -7,749.7 |
| Research and development expenses | -503.2 | -500.7 | -1,001.3 | -1,121.2 | -1,123.2 |
| Sales and administration expenses | -182.6 | -218.5 | -414.2 | -457.7 | -308.2 |
| Other income | 314.5 | 259.0 | 538.7 | 753.3 | 590.2 |
| Other expenses | -241.7 | -180.3 | -504.4 | -1,018.1 | -367.7 |
| Income from equity-accounted investees | 0.2 | -0.1 | 1.0 | -0.5 | -0.3 |
| Other income from investments | — | 0.0 | — | 0.0 | 0.0 |
| **Operating result (EBIT)** | **39.8** | **-300.6** | **-324.3** | **-635.2** | **184.2** |
| Depreciation and amortization | 304.2 | 297.9 | 577.2 | 814.9 | 451.3 |
| **EBITDA** | **344.0** | **-2.7** | **252.9** | **179.8** | **635.5** |
| Restructuring | -10.9 | 10.5 | 87.3 | 361.6 | 14.3 |
| Less impairment included in restructuring | -0.2 | -5.5 | -7.0 | -54.6 | -3.3 |
| Other(1) | 3.8 | 23.4 | 66.3 | 48.8 | — |
| **Adjusted EBITDA (unaudited)** | **336.7** | **25.7** | **399.5** | **535.5** | **646.5** |

(1) This includes costs for the Carve-Out of the Group in an amount of €25.4 million for the six months ended June 30, 2021, €15.9 million for the six months ended June 30, 2020, €52.6 million for the fiscal year 2020 and €46.3 million for the fiscal year 2019.

### *7.4.2 Segment Data*

The following table presents certain key performance indicators and alternative performance measures the Group uses for its segments for years ended December 31, 2020, 2019 and 2018.

#### *7.4.2.1 2020 Segment Data*

| | **EC** | **ET** | **S&A** | **CM** | **Other/ consolidation** | **Group** |
|---|---|---|---|---|---|---|
| | **(Audited, unless otherwise noted)** *(€ million, unless otherwise noted)* | | | | | |
| Sales | 3,636.8 | 405.9 | 2,917.2 | 1,099.3 | -31.5 | 8,027.7 |
| Adjusted sales(1) | 3,636.8 | 405.9 | 2,917.2 | 1,099.3 | -31.5 | 8,027.7 |
| Operating result (EBIT) | -26.6 | -400.9 | 45.8 | 53.0 | 4.4 | -324.3 |
| EBITDA | 232.0 | -326.8 | 228.2 | 115.1 | 4.4 | 252.9 |
| Adjusted EBIT(2) | 85.6 | -345.7 | 110.3 | 53.5 | 4.4 | -91.9 |
| **Adjusted EBITDA(3)(*)** | **330.6** | **-323.2** | **272.5** | **115.3** | **4.3** | **399.5** |
| margin in %(4)(*) | 9.1 | -79.6 | 9.3 | 10.5 | — | 5.0 |
| **Capital expenditure(5)** | **174.5** | **121.5** | **164.3** | **19.6** | **0.1** | **480.0** |
| % of sales | 4.8 | 29.9 | 5.6 | 1.8 | — | 6.0 |
| **Capex(6)(*)** | **148.9** | **115.8** | **144.6** | **19.1** | **—** | **428.4** |
| % of sales(*) | 4.1 | 28.5 | 5.0 | 1.7 | — | 5.3 |
| Research and development expenses (net) | 290.7 | 189.1 | 187.4 | 13.8 | — | 681.0 |
| **ROCE(7)** | **-2.1** | **-303.5** | **3.9** | **21.2** | **—** | **-11.5** |
| Order intake(*) | 4,816.8 | 1,043.7 | 2,700.0 | — | — | 8,560.5 |
| Sales (Core Technologies)(*) | 2,320.7 | 405.9 | 2,237.1 | — | -31.5 | 4,932.2 |
| **Adjusted EBITDA (Core Technologies)(3)(*)** | **270.5** | **-323.2** | **286.0** | **—** | **4.3** | **237.6** |
| margin in %(4)(*) | 11.7 | -79.6 | 12.8 | — | — | 4.8 |
| **Capital expenditure (Core Technologies)(5)(*)** | **134.1** | **121.5** | **126.9** | **—** | **—** | **382.5** |
| % of Core Technologies sales(*) | 5.8 | 29.9 | 5.7 | — | — | 7.8 |
| **Capex (Core Technologies)(6)(*)** | **118.6** | **115.8** | **108.4** | **—** | | **342.8** |
| % of Core Technologies sales(*) | 5.1 | 28.5 | 4.8 | — | | 7.0 |
| Order intake (Core Technologies)(*) | 4,214.8 | 1,043.7 | 2,203.3 | — | — | 7,461.7 |

(*) Unaudited figures.

(1) Before changes in the scope of combination.

(2) Adjusted EBIT is calculated as operating result (EBIT) before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of combination, and special effects (e.g. impairment, restructuring and gains and losses from disposals of companies and business operations).

(3) Adjusted EBITDA is calculated as operating result before depreciation and amortization (EBITDA) before changes in the scope of combination, and special effects (e.g. restructuring and gains and losses from disposals of companies and business operations).

(4) Adjusted EBITDA margin is calculated as adjusted EBITDA divided by adjusted sales multiplied by 100.

(5) Capital expenditure on property, plant and equipment, and software. First-time adoption of IFRS 16 – Leases at January 1, 2019.

(6) Capex equals to capital expenditure on property, plant and equipment, and software excluding right of use assets.

(7) ROCE is the ratio of operating result (EBIT) to average operating assets for the fiscal year. ROCE corresponds to the rate of return on the capital employed and is used to assess the company's profitability and efficiency. The average operating assets are calculated as at the end of the quarterly periods. Operating assets are defined as the assets less liabilities as reported in the combined 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.

### 7.4.2.2 2019 Segment Data

| | EC | ET | S&A | CM | Other/ consolidation | Group |
|---|---|---|---|---|---|---|
| | (Audited, unless otherwise noted) (€ million, unless otherwise noted) | | | | | |
| Sales | 4,270.8 | 235.2 | 3,261.2 | 1,342.0 | -16.7 | 9,092.5 |
| Adjusted sales(1) | 4,270.8 | 235.2 | 3,261.2 | 1,342.0 | -16.7 | 9,092.5 |
| Operating result (EBIT) | -570.5 | -341.5 | 210.3 | 66.7 | -0.1 | -635.2 |
| EBITDA | -45.7 | -286.8 | 379.5 | 132.9 | -0.1 | 179.8 |
| Adjusted EBIT(2) | 3.7 | -298.4 | 280.8 | 67.0 | -0.1 | 52.9 |
| **Adjusted EBITDA(3)(*)** | **242.7** | **-275.0** | **435.1** | **132.9** | **-0.2** | **535.5** |
| margin in %(4)(*) | 5.7 | -116.9 | 13.3 | 9.9 | — | 5.9 |
| **Capital expenditure(5)** | **323.0** | **117.7** | **258.8** | **82.7** | **0.2** | **782.4** |
| % of sales | 7.6 | 50.0 | 7.9 | 6.2 | — | 8.6 |
| **Capex(6)(*)** | **218.2** | **91.9** | **204.9** | **80.4** | **0.1** | **595.5** |
| % of sales(*) | 5.1 | 39.1 | 6.3 | 6.0 | — | 6.5 |
| Research and development expenses (net) | 320.1 | 151.0 | 207.8 | 44.3 | — | 723.2 |
| **ROCE(7)** | **-40.3** | **-268.1** | **19.2** | **17.8** | **—** | **-22.7** |
| Order intake(*) | 4,376.8 | 1,764.1 | 3,782.1 | — | — | 9,923.0 |
| Sales (Core Technologies)(*) | 2,724.5 | 235.2 | 2,461.4 | — | -16.7 | 5,404.4 |
| **Adjusted EBITDA (Core Technologies)(3)(*)** | **387.7** | **-275.0** | **434.7** | **—** | **-0.2** | **547.2** |
| margin in %(4)(*) | 14.2 | -116.9 | 17.7 | — | — | 10.1 |
| **Capital expenditure (Core Technologies)(5)(*)** | **240.5** | **117.7** | **183.2** | **—** | **0.2** | **541.6** |
| % of Core Technologies sales(*) | 8.8 | 50.0 | 7.4 | — | — | 10.0 |
| **Capex (Core Technologies)(6)(*)** | **141.5** | **91.9** | **136.1** | **—** | **0.1** | **369.6** |
| % of Core Technologies sales(*) | 5.2 | 39.1 | 5.5 | — | — | 6.8 |
| Order intake (Core Technologies)(*) | 3,525.5 | 1,764.1 | 3,486.2 | — | — | 8,775.8 |

(*) Unaudited figures.

(1) Before changes in the scope of combination.

(2) Adjusted EBIT is calculated as operating result (EBIT) before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of combination, and special effects (e.g. impairment, restructuring and gains and losses from disposals of companies and business operations).

(3) Adjusted EBITDA is calculated as operating result before depreciation and amortization (EBITDA) before changes in the scope of combination, and special effects (e.g. restructuring and gains and losses from disposals of companies and business operations).

(4) Adjusted EBITDA margin is calculated as adjusted EBITDA divided by adjusted sales multiplied by 100.

(5) Capital expenditure on property, plant and equipment, and software. First-time adoption of IFRS 16 – Leases at January 1, 2019.

(6) Capex equals to capital expenditure on property, plant and equipment, and software excluding right of use assets.

(7) ROCE is the ratio of operating result (EBIT) to average operating assets for the fiscal year. ROCE corresponds to the rate of return on the capital employed and is used to assess the company's profitability and efficiency. The average operating assets are calculated as at the end of the quarterly periods. Operating assets are defined as the assets less liabilities as reported in the combined 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.

### *7.4.2.3 2018 Segment Data*

| | EC | ET | S&A | CM | Other/ consolidation | Group |
|---|---|---|---|---|---|---|
| | | | (Audited, unless otherwise noted) (€ million, unless otherwise noted) | | | |
| Sales | 4,567.9 | 196.8 | 3,226.0 | 1,224.7 | -72.3 | 9,143.1 |
| Adjusted sales(1) | 4,567.9 | 196.8 | 3,226.0 | 1,224.7 | -72.3 | 9,143.1 |
| Operating result (EBIT) | 239.6 | -369.2 | 247.2 | 64.6 | 2.0 | 184.2 |
| EBITDA | 456.9 | -339.0 | 394.0 | 121.6 | 2.0 | 635.5 |
| Adjusted EBIT(2) | 261.1 | -358.2 | 255.2 | 64.6 | 2.0 | 224.7 |
| **Adjusted EBITDA(3)(*)** | **467.8** | **-339.0** | **394.1** | **121.6** | **2.0** | **646.5** |
| margin in %(4)(*) | 10.2 | -172.3 | 12.2 | 9.9 | — | 7.1 |
| **Capital expenditure(5)** | **313.8** | **45.2** | **228.8** | **96.3** | **—** | **684.1** |
| % of sales | 6.9 | 23.0 | 7.1 | 7.9 | — | 7.5 |
| **Capex(6)(*)** | **313.8** | **45.2** | **228.8** | **96.3** | **—** | **684.1** |
| % of sales(*) | 6.9 | 23.0 | 7.1 | 7.9 | — | 7.5 |
| Research and development expenses (net) | 304.2 | 160.3 | 204.8 | 39.8 | — | 709.1 |
| **ROCE(7)** | **13.2** | **-268.7** | **18.9** | **21.6** | **—** | **5.2** |
| Order intake(*) | 5,661.2 | 1,969.2 | 3,801.1 | — | — | 11,431.5 |
| Sales (Core Technologies)(*) | 2,948.4 | 196.8 | 2,391.6 | — | -72.3 | 5,464.5 |
| **Adjusted EBITDA (Core Technologies)(3)(*)** | **440.5** | **-339.0** | **418.7** | **—** | **1.9** | **522.1** |
| margin in %(4)(*) | 14.9 | -172.3 | 17.5 | — | — | 9.6 |
| **Capital expenditure (Core Technologies)(5)(*)** | **156.2** | **45.2** | **167.3** | **—** | **-0.1** | **368.6** |
| % of Core Technologies sales(*) | 5.3 | 23.0 | 7.0 | — | — | 6.7 |
| **Capex (Core Technologies)(6)(*)** | **156.2** | **45.2** | **167.3** | **—** | **-0.1** | **368.6** |
| % of Core Technologies sales(*) | 5.3 | 23.0 | 7.0 | — | — | 6.7 |
| Order intake (Core Technologies)(*) | 3,891.1 | 1,969.2 | 3,046.2 | — | — | 8,906.5 |

(*) Unaudited figures.

(1) Before changes in the scope of combination.

(2) Adjusted EBIT is calculated as operating result (EBIT) before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of combination, and special effects (e.g. impairment, restructuring and gains and losses from disposals of companies and business operations).

(3) Adjusted EBITDA is calculated as operating result before depreciation and amortization (EBITDA) before changes in the scope of combination, and special effects (e.g. restructuring and gains and losses from disposals of companies and business operations).

(4) Adjusted EBITDA margin is calculated as adjusted EBITDA divided by adjusted sales multiplied by 100.

(5) Capital expenditure on property, plant and equipment, and software.

(6) Capex equals to capital expenditure on property, plant and equipment, and software.

(7) ROCE is the ratio of operating result (EBIT) to average operating assets for the fiscal year. ROCE corresponds to the rate of return on the capital employed and is used to assess the company's profitability and efficiency. In general, average operating assets are calculated as at the end of the quarterly periods. However, average operating assets for the year 2018 are calculated as an average of the reporting dates December 31, 2018 and December 31, 2017. Operating assets are defined as the assets less liabilities as reported in the combined 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.

### *7.5 Explanation of Income Statement Items*

**Sales** primarily includes revenue generated from the sale of products and services resulting from the ordinary business activities of the Group.

**Cost of sales** includes the production costs incurred to generate the sales revenue and the cost of goods purchased for resale. In addition to direct material costs, which represent the majority of cost of sales, non-staff overheads and personnel costs, production cost also includes production-related indirect costs, including depreciation of production facilities and general warranty costs.

**Gross margin on sales** is the difference between sales and cost of sales.

**Research and development expenses** are defined as expenses for research and development. They include research and development expenses not eligible for capitalization in the period. Amortization of capitalized research and development expenses are recorded under cost of sales.

**Sales and administration expenses** include costs incurred in operating and administering the business and consist primarily of expenses for salaries of non-production workers and headquarter expenses.

**Other income** mainly includes income from research and development, income from disposals of companies and business operations, compensation from customers and suppliers, income from the reimbursement of customer tooling expenses, income from the disposal of property, plant and equipment and other miscellaneous income.

**Other expenses** mainly include additions to specific warranty provisions and provisions for restructuring measures, additions to provisions for litigation and environmental risks, expenses from currency translations, compensation to customers and suppliers, impairments on property, plant and equipment, intangible assets and goodwill and other miscellaneous expenses.

**Income from equity-accounted investees** includes the share of earnings of companies accounted for using the equity method.

**Other income from investments** comprise the dividends received from investments in participations.

**Operating result (EBIT)** is defined as earnings before financial result and tax. It is calculated as the sum of gross margin on sales, research and development expenses, sales and administration expenses, other income, other expenses, income from equity-accounted investees and other income from investments.

**Interest income** consists of interest and similar income and expected income from long-term employee benefits and from pension funds.

**Interest expense** consists of interest and similar expenses, interest expenses on lease liabilities (in fiscal years 2018: finance lease expenses), interest expense from long-term employee benefits and interest expense for long-term provisions and liabilities.

**Effects from currency translation** consist of currency translation effects related to financing transactions.

**Effects from changes in the fair value of derivative instruments, and other valuation effects** include gains and losses from fair value changes of derivatives not included in hedge accounting as well as other valuation effects from the remeasurement of financial instruments.

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

**Earnings before tax** is the sum of operating result (EBIT) and financial result.

**Income tax expense** includes net current tax and net deferred tax.

**Net Income** is the sum of earnings before tax and income tax expense.

**Non-controlling interests** include the interest of minority shareholders in income.

**Net income attributable to Continental Group** is the sum of net income and non-controlling interests.

### 7.6 Results of Operations – Income Statement

The table below sets forth the Group's combined income statement for the fiscal years ended December 31, 2020, 2019 and 2018 and the six months ended June 30, 2021 and 2020:

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | | (Audited) | |
| | | | (€ million) | | |
| **Sales** | **4,396.9** | **3,408.7** | **8,027.7** | **9,092.5** | **9,143.1** |
| Cost of sales | -3,744.3 | -3,068.7 | -6,971.8 | -7,883.5 | -7,749.7 |
| **Gross margin on sales** | **652.6** | **340.0** | **1,055.9** | **1,209.0** | **1,393.4** |
| Research and development expenses | -503.2 | -500.7 | -1,001.3 | -1,121.2 | -1,123.2 |
| Sales and administration expenses | -182.6 | -218.5 | -414.2 | -457.7 | -308.2 |
| Other income | 314.5 | 259.0 | 538.7 | 753.3 | 590.2 |
| Other expenses | -241.7 | -180.3 | -504.4 | -1,018.1 | -367.7 |
| Income from equity-accounted investees | 0.2 | -0.1 | 1.0 | -0.5 | -0.3 |
| Other income from investments | — | 0.0 | — | 0.0 | 0.0 |
| **Operating result (EBIT)** | **39.8** | **-300.6** | **-324.3** | **-635.2** | **184.2** |
| Interest income | 9.7 | 12.5 | 20.6 | 37.0 | 13.4 |
| Interest expense | -13.5 | -19.0 | -33.7 | -49.4 | -26.7 |
| Effects from currency translation | 15.5 | -33.9 | -14.8 | -20.7 | 5.4 |
| Effects from changes in the fair value of derivative instruments, and other valuation effects | -2.3 | -2.7 | 0.9 | 1.8 | -1.8 |
| **Financial result** | **9.4** | **-43.1** | **-27.0** | **-31.2** | **-9.7** |
| Earnings before tax | 49.2 | -343.7 | -351.3 | -666.4 | 174.5 |
| Income tax expense | -80.7 | 42.4 | -11.9 | 26.5 | -68.0 |
| **Net income** | **-31.5** | **-301.3** | **-363.2** | **-639.9** | **106.5** |
| Non-controlling interests | — | -3.6 | -13.5 | -20.0 | -20.0 |
| Net income attributable to the Continental Group | -31.5 | -304.9 | -376.7 | -659.9 | 86.5 |

#### *7.6.1 Sales Revenue*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Sales revenue increased by €988.2 million, or 29.0%, to €4,396.9 million in the six months ended June 30, 2021 from €3,408.7 million in the six months ended June 30, 2020. This increase was primarily due to the market recovery after the COVID-19 Pandemic which had a significant negative impact on the sales of all segments in the six months ending June 30, 2020.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Sales revenue decreased by €1,064.8 million, or 11.7%, to €8,027.7 million in the fiscal year ending on December 31, 2020 from €9,092.5 million in the fiscal year ending on December 31, 2019. This decrease was due to the impact of the COVID-19 Pandemic, which led to a decline in sales across all segments except for ET, where the sales increased in total. This growth in sales in ET resulted from higher sales volumes of high voltage power electronics, 48V drive systems and high voltage axle drive systems.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Sales revenue decreased by €50.6 million, or 0.6%, to €9,092.5 million in the fiscal year ending on December 31, 2019 from €9,143.1 million in the fiscal year ending on December 31, 2018. This decrease was due to the decline in sales in EC while all other segments increased their sales.

#### *7.6.2 Cost of Sales*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Cost of sales increased by €675.6 million, or 22.0%, to €3,744.3 million in the six months ended June 30, 2021 from €3,068.7 million in the six months ended June 30, 2020. Higher sales led to an increase of the cost of sales while further cost reduction measures, the phase-out of the hydraulic business as well as other mix effects in product sales positively impacted the cost of sales. However, due to the semiconductor shortage the cost of sales increased by a mid-double digit million euro amount.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Cost of sales decreased by €911.7 million, or 11.6%, to €6,971.8 million in the fiscal year ending on December 31, 2020 from €7,883.5 million in the fiscal year ending on December 31, 2019. With 86.8%, the ratio of cost of sales to revenues remained stable in the fiscal year 2020 compared to 86.7% in the fiscal year 2019, despite the decline in sales revenues by 11.7%. One of the main reasons for this development was the implementation of the CAP Measures which led to a reduction in personnel costs and material costs and, due to the restrictive capital expenditure policy, resulted in depreciation and amortization remaining stable in the fiscal year 2020 compared to the fiscal year 2019. In addition, the phase-out of the product line "Hydraulics" (pumps and injectors) in the EC segment resulted in savings of fixed costs of sales. By contrast, the increase in revenues in the areas of high voltage power electronics and high voltage axle drive systems in the ET segment led to an increase in cost of sales.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Cost of sales increased by €133.8 million, or 1.7%, to €7,883.5 million in the fiscal year ending on December 31, 2019 from €7,749.7 million in the fiscal year ending on December 31, 2018. This increase in the cost of sales was primarily due to an increase in depreciation and amortization and negative exchange-rate effects on materials purchase prices. Cost of sales decreased as a result of reduced volumes; however, the percentage of products with high cost of sales increased while the percentage of products with low cost of sales decreased.

### *7.6.3 Gross margin on sales*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Gross margin on sales increased by €312.6 million, or 91.9%, to €652.6 million in the six months ended June 30, 2021 from €340.0 million in the six months ended June 30, 2020. This increase was due to higher sales and positive impacts on the cost of sales resulting in an improvement of the margin by 4.8 percent points in the six months ended June 30, 2021 (14.8%) compared to the six months ended June 30, 2020 (10.0%). Negative impacts on the gross margin on sales resulted from the semiconductor shortage.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Gross margin on sales decreased by €184.4 million, or 13.2%, to €1,209.0 million in the fiscal year ending on December 31, 2019 from €1,393.4 million in the fiscal year ending on December 31, 2018. The gross margin percentage decreased from 15.2% in the fiscal year 2018 to 13.3% in the fiscal year 2019. The decline in the gross margin on sales was primarily due to the increase in cost of sales.

### *7.6.4 Research and development expenses*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Research and development expenses increased by €2.5 million, or 0.5%, to €503.2 million in the six months ended June 30, 2021 from €500.7 million in the six months ended June 30, 2020. In the ET segment the expenses increased due to investments in future platforms as well as in S&A segment due to new European requirements regarding vehicle emission (Euro7). However, in the EC segment the expenses decreased due to the stepwise phase-out of the hydraulic business and in the

CM segment due to the sale of Vitesco Technologies Korea's Automotive Business to the Continental Group.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Research and development expenses decreased by €2.0 million, or 0.2%, to €1,121.2 million in the fiscal year ending on December 31, 2019 from €1,123.2 million in the fiscal year ending on December 31, 2018. The decrease of research and development expenses is primarily due to a decline in the activities relating to injectors, pumps and transmission control units in EC. In S&A, research and development expenses were almost at the same level as in the previous year. Research and development expenses in the ET segment increased due to the basic development of new high voltage engines and the further development of existing high voltage engines for new customers. The increase in research and development expenses in CM was due to activities of customers (business areas) of the Continental Group.

### *7.6.5 Sales and administration expenses*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Sales and administration expenses decreased by €35.9 million, or 16.4%, to €182.6 million in the six months ended June 30, 2021 from €218.5 million in the six months ended June 30, 2020. The decrease in sales and administration expenses was mainly due to the ongoing cost reduction measures and the ongoing organizational separation of Vitesco Technologies from Continental AG, which resulted in a lower volume of reciprocal supplies and services.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Sales and administration expenses increased by €149.5 million, or 48.5%, to €457.7 million in the fiscal year ending on December 31, 2019 from €308.2 million in the fiscal year ending on December 31, 2018. The increase in sales and administration expenses was especially due to the takeover of central functions from the Continental Group. Additional expenses were incurred as a result of the transformation into an independent group and the separation from the Continental Group and for services provided by external advisers.

### *7.6.6 Other income*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Other income increased by €55.5 million, or 21.4%, to €314.5 million in the six months ended June 30, 2021 from €259.0 million in the six months ended June 30, 2020. Other income was mainly increased because of the proceeds from the sale of Vitesco Technologies Korea's Automotive Business to the Continental Group and the income from the reversal of provisions. This increase was partially offset by the development of income from research and development.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Other income increased by €163.1 million, or 27.6%, to €753.3 million in the fiscal year ending on December 31, 2019 from €590.2 million in the fiscal year ending on December 31, 2018. The increase in other income is primarily due to the charging of services provided by the Group to companies of the Continental Group. Moreover, other income increased as a result of income from the reversal of specific warranty provisions. This increase was partially offset by the development of compensation from customers and suppliers, income from the disposal of property, plant and equipment, income from the reimbursement of customer tooling expenses, and income from research and development.

### *7.6.7 Other expenses*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Other expenses increased by €61.4 million, or 34.1%, to €241.7 million in the six months ended June 30, 2021 from €180.3 million in the six months ended June 30, 2020. This increase was primarily due to additions to specific warranty provisions and cost for the Spin-off and Listing of Vitesco Technologies.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Other expenses increased by €650.4 million to €1,018.1 million in the fiscal year ending on December 31, 2019 from €367.7 million in the fiscal year ending on December 31, 2018. This increase is primarily due to additions to specific warranty provisions and provisions for restructuring measures, and impairment on goodwill. Impairment on property, plant and equipment, and intangible assets also increased, while compensation to customers and suppliers decreased.

### *7.6.8 Income from equity-accounted investees*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Income from equity-accounted investees increased by €0.3 million to €0.2 million in the six months ended June 30, 2021 from €-0.1 million in the six months ended June 30, 2020.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Income from equity-accounted investees increased by €1.5 million to €1.0 million in the fiscal year ending on December 31, 2020 from €-0.5 million in the fiscal year ending on December 31, 2019.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Income from equity-accounted investees decreased by €0.2 million, or 66.7%, to €-0.5 million in the fiscal year ending on December 31, 2019 from €-0.3 million in the fiscal year ending on December 31, 2018, and thus remained almost stable.

### *7.6.9 Other income from investments*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

No other income from investments was generated in the six months ended June 30, 2021.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Other income from investments remained stable in the fiscal year 2019 compared to the previous year.

### *7.6.10 Operating result (EBIT)*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Operating result (EBIT) increased by €340.4 million to €39.8 million in the six months ended June 30, 2021 from €-300.6 million in the six months ended June 30, 2020. This increase was primarily due to the increase of the gross margin and the decrease of the sales and administration expenses.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

The operating result (EBIT) increased by €310.9 million, or 49.0%, to €-324.3 million in the fiscal year ending on December 31, 2020 from €-635.2 million in the fiscal year ending on December 31, 2019. Despite the decrease in the gross margin on sales due to the decline in sales revenues and the decline in other income compared to the fiscal year 2019, an increase in the operating result (EBIT) was achieved by the reduction in research and development expenses, sales and administration expenses and other expenses.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

The operating result (EBIT) decreased by €819.4 million to €-635.2 million in the fiscal year ending on December 31, 2019 from €184.2 million in the fiscal year ending on December 31, 2018. This decrease in the operating result (EBIT) compared to the previous year was primarily due to additions to specific warranty provisions and provisions for restructuring measures, impairment on goodwill, impairment on property, plant and equipment, and intangible assets, as well as expenses incurred as a result of the transformation into an independent group and the separation from the Continental Group. Moreover, the increase in the cost of sales had a negative impact on the operating result (EBIT).

### *7.6.11 Interest income*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Interest income decreased by €2.8 million, or 22.4%, to €9.7 million in the six months ended June 30, 2021 from €12.5 million in the six months ended June 30, 2020. This decrease in interest income was primarily due to a lower volume of deposits made under the intragroup financing of the Continental Group and lower income from fund assets relating to long-term employee benefits.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Interest income increased by €23.6 million to €37.0 million in the fiscal year ending on December 31, 2019 from €13.4 million in the fiscal year ending on December 31, 2018. The increase in interest income resulted from transactions with companies of the Continental Group. Income from long-term employee benefits were at the same level as in the previous year.

### *7.6.12 Interest expense*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Interest expense decreased by €5.5 million, or 29.0%, to €13.5 million in the six months ended June 30, 2021 from €19.0 million in the six months ended June 30, 2020. This decrease in interest expense resulted primarily from a lower volume of loans taken out under the intragroup financing of the Continental Group.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Interest expense increased by €22.7 million, or 85.0%, to €49.4 million in the fiscal year ending on December 31, 2019 from €26.7 million in the fiscal year ending on December 31, 2018. The increase in interest expense resulted primarily from the business with companies of the Continental Group.

### *7.6.13 Effects from currency translation*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Effects from currency translation resulted in a positive contribution to earnings of €15.5 million in the six months ended June 30, 2021 after an expense from €33.9 million in the six months ended June 30, 2020.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Effects from currency translation resulted in a negative contribution to earnings of €20.7 million in the fiscal year ending on December 31, 2019 after an income of €5.4 million in the fiscal year ending on December 31, 2018.

### *7.6.14 Effects from changes in the fair value of derivative instruments, and other valuation effects*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Effects from changes in the fair value of derivative instruments, and other valuation effects resulted in expenses of €2.3 million in the six months ended June 30, 2021 compared to expenses of €2.7 million in the six months ended June 30, 2020.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Effects from changes in the fair value of derivative instruments, and other valuation effects resulted in earnings of €1.8 million in the fiscal year ending on December 31, 2019 after an expense of €1.8 million in the fiscal year ending on December 31, 2018.

### *7.6.15 Financial result*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Financial result increased by €52.5 million to €9.4 million in the six months ended June 30, 2021 from €-43.1 million in the six months ended June 30, 2020. This increase was primarily due to the effects from currency translation.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Financial result decreased by €21.5 million to €-31.2 million in the fiscal year ending on December 31, 2019 from €-9.7 million in the fiscal year ending on December 31, 2018. The positive effect from interest income was more than offset by higher interest expense and the negative contribution from currency translation.

### *7.6.16 Earnings before tax*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Earnings before tax increased by €392.9 million to €49.2 million in the six months ended June 30, 2021 from €-343.7 million in the six months ended June 30, 2020. Earnings before tax are calculated as the sum of operating result (EBIT) and financial result.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Earnings before tax increased by €315.1 million, or 47.3%, to €-351.3 million in the fiscal year ending on December 31, 2020 from €-666.4 million in the fiscal year ending on December 31, 2019. Earnings before tax are calculated as the sum of operating result (EBIT) and financial result.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Earnings before tax decreased by €840.9 million to €-666.4 million in the fiscal year ending on December 31, 2019 from €174.5 million in the fiscal year ending on December 31, 2018. Earnings before tax are calculated as the sum of operating result (EBIT) and financial result.

### *7.6.17 Income tax expense*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Income tax changed from an income tax income of €42.4 million in the six months ended June 30, 2020 to an income tax expense of €80.7 million in the six months ended June 30, 2021.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Income taxes changed from an income tax expense of €68.0 million in the fiscal year 2018 by €94.5 million to an income tax income of €26.5 million in the fiscal year 2019.

### *7.6.18 Net Income*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Net income increased by €269.8 million, or 89.6%, to €-31.5 million in the six months ended June 30, 2021 from €-301.3 million in the six months ended June 30, 2020.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Net income decreased by €746.4 million to €-639.9 million in the fiscal year ending on December 31, 2019 from €106.5 million in the fiscal year ending on December 31, 2018.

### *7.6.19 Net income attributable to non-controlling interests*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

No net income attributable to non-controlling interests was generated in the six months ended June 30, 2021 compared to €-3.6 million in the six months ended June 30, 2020.

*Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019*

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

*Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018*

In the fiscal year ending on December 31, 2019 non controlling interests were on the same level like in fiscal year ending on December 31, 2018.

### *7.6.20 Net income attributable to the Continental Group*

*Six months ended June 30, 2021 compared to the six months ended June 30, 2020*

Net income attributable to the Continental Group increased by €273.4 million, or 89.7%, to €-31.5 million in the six months ended June 30, 2021 from €-304.9 million in the six months ended June 30, 2020.

*Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019*

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

*Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018*

Net income attributable to the Continental Group decreased by €746.4 million to €-659.9 million in the fiscal year ending on December 31, 2019 from €86.5 million in the fiscal year ending on December 31, 2018.

## 7.7 Results of Operations by Segment

### *7.7.1 Electronic Controls*

The table below sets forth EC's combined selected results of operations for the fiscal years ended December 31, 2020, 2019 and 2018 and the six months ended June 30, 2021 and 2020:

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | | (Audited) | |
| | (€ million, unless otherwise noted) | | | | |
| Sales | 1,873.3 | 1,528.9 | 3,636.8 | 4,270.8 | 4,567.9 |
| Operating result (EBIT) | 35.4 | -95.5 | -26.6 | -570.5 | 239.6 |
| Adjusted EBIT(1) | 51.9 | -74.3 | 85.6 | 3.7 | 261.1 |
| Adjusted EBIT margin in % | 2.8 | -4.9 | 2.4 | 0.1 | 5.7 |
| Research and development expenses (net) | 165.3 | 150.5 | 290.7 | 320.1 | 304.2 |

(1) Adjusted EBIT is calculated as operating result (EBIT) before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of combination, and special effects (e.g. impairment, restructuring and gains and losses from disposals of companies and business operations).

#### *7.7.1.1 Sales Revenue*

*Six months ended June 30, 2021 compared to the six months ended June 30, 2020*

Sales revenue increased by €344.4 million, or 22.5%, to €1,873.3 million in the six months ended June 30, 2021 from €1,528.9 million in the six months ended June 30, 2020. This increase was primarily due to the market recovery after COVID-19 Pandemic impacting mainly the first six months in 2020.

*Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019*

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Sales revenue decreased by €297.1 million, or 6.5%, to €4,270.8 million in the fiscal year ending on December 31, 2019 from €4,567.9 million in the fiscal year ending on December 31, 2018. This decrease was primarily due to a decrease in the sales volume of injectors and transmission control units. The increase in the sales of turbochargers and engine control units partially offset the decrease. The sales of high-pressure pumps were at the same level as in the previous year.

#### *7.7.1.2 Operating result (EBIT)*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Operating result (EBIT) increased by €130.9 million to €35.4 million in the six months ended June 30, 2021 from €-95.5 million in the six months ended June 30, 2020. Higher sales volumes led to higher contribution margins. Additional positive impacts resulted from the ongoing stepwise phase-out of the hydraulic business, improved operational performance and enhanced fixed cost management. However, due to the semiconductor shortage the operating result (EBIT) was impacted negatively by a double digit million euro amount.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Operating result (EBIT) increased by €543.9 million, or 95.3%, to €-26.6 million in the fiscal year ended December 31, 2020 from €-570.5 million in the fiscal year ended December 31, 2019. The improvement of the operating result (EBIT) was primarily due to a decrease in additions to specific warranty provisions and provisions for restructuring measures as well as due to the fact that, compared to the fiscal year 2019, there was no impairment on goodwill necessary. As a result of reduced sales volumes the operating result (EBIT) decreased, however the negative impact was compensated by the positive results of the implemented CAP Measures and the stepwise phase-out of the hydraulic business. Although the income from research and development decreased, a positive impact on operating result (EBIT) resulted from the reduction of research and development expenses, also due to the implemented CAP Measures and the phase-out of the hydraulic business.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Operating result (EBIT) decreased by €810.1 million, or 338.1%, to €-570.5 million in the fiscal year ending on December 31, 2019 from €239.6 million in the fiscal year ending on December 31, 2018. The decrease in the operating result (EBIT) was primarily due to an increase in additions to specific warranty provisions and provisions for restructuring measures as well as the impairment on goodwill and property, plant and equipment. Furthermore, the operating result (EBIT) decreased as a result of reduced volumes; however, the percentage of products with a higher cost of sales ratio increased while the percentage of products with a lower cost of sales ratio decreased. An increase in depreciation and amortization, a negative impact from exchange rate effects on prices of materials as well as increases in research and development expenses (net) and costs relating to the Carve-Out of the Group had a negative impact on the operating result (EBIT).

#### *7.7.1.3 Adjusted EBIT*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Adjusted EBIT increased by €126.2 million, or 169.9%, to €51.9 million in the six months ended June 30, 2021 from €-74.3 million in the six months ended June 30, 2020.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Adjusted EBIT increased by €81.9 million, or 2,213.5%, to €85.6 million in the fiscal year ended December 31, 2020 from €3.7 million in the fiscal year ended December 31, 2019.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Adjusted EBIT decreased by €257.4 million, or 98.6%, to €3.7 million in the fiscal year ended December 31, 2019 from €261.1 million in the fiscal year ended December 31, 2018.

#### 7.7.1.4 *Research and development expenses (net)*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Research and development expenses (net) increased by €14.8 million, or 9.8%, to €165.3 million in the six months ended June 30, 2021 from €150.5 million in the six months ended June 30, 2020. Research and development expenses decreased by €10.4 million, or 3.9%, due to the stepwise phase-out of the hydraulic business, while income from research and development decreased by €25.1 million, or 22.1%, mainly due to seasonal effects in 2021.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Research and development expenses (net) decreased by €29.4 million, or 9.2%, to €290.7 million in the fiscal year ended December 31, 2020 from €320.1 million in the fiscal year ended December 31, 2019. Research and development expenses decreased by €96.5 million or 15.7% due to the implemented CAP Measures and the stepwise phase-out of the hydraulic business, while income from research and development decreased by €67.1 million or 22.8% due to the COVID-19 Pandemic.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Research and development expenses (net) increased by €15.9 million, or 5.2%, to €320.1 million in the fiscal year ending on December 31, 2019 from €304.2 million in the fiscal year ending on December 31, 2018. Research and development expenses decreased by €23.6 million or 3.7% due to a reduction in activities regarding injectors, pumps and transmission control units. Income from research and development decreased by €39.5 million or 11.8%.

### 7.7.2 *Electrification Technology*

The table below sets forth ET's combined selected results of operations for the fiscal years ended December 31, 2020, 2019 and 2018 and the six months ended June 30, 2021 and 2020:

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | | (Audited) | |
| | *(€ million, unless otherwise noted)* | | | | |
| Sales | 312.4 | 139.8 | 405.9 | 235.2 | 196.8 |
| Operating result (EBIT) | -177.6 | -226.9 | -400.9 | -341.5 | -369.2 |
| Adjusted EBIT(1) | -139.4 | -182.7 | -345.7 | -298.4 | -358.2 |
| Adjusted EBIT margin in % | -44.6 | -130.7 | -85.2 | -126.9 | -182.0 |
| Research and development expenses (net) | 118.6 | 95.0 | 189.1 | 151.0 | 160.3 |

(1) Adjusted EBIT is calculated as operating result (EBIT) before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of combination, and special effects (e.g. impairment, restructuring and gains and losses from disposals of companies and business operations).

#### 7.7.2.1 *Sales Revenue*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Sales revenue increased by €172.6 million, or 123.5%, to €312.4 million in the six months ended June 30, 2021 from €139.8 million in the six months ended June 30, 2020. Sales volumes in the six months ended June 30, 2021 were less impacted by the COVID-19 Pandemic than in the six months ended June 30, 2020. The increase in sales revenue was primarily due to higher sales volumes of high voltage power electronics, 48V drive systems and high voltage axle drive systems as a result of a favourable development of the electrified automotive market.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Sales revenue of the ET segment increased by €170.7 million, or 72.6%, to €405.9 million in the fiscal year ending on December 31, 2020 from €235.2 million in the fiscal year ending on December 31, 2019. Despite the negative impact on sales due to COVID-19 Pandemic, in total the ET segment increased the sales. The growth in sales resulted from higher sales volumes of high voltage power electronics, 48V drive systems and high voltage axle drive systems.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Sales revenue increased by €38.4 million, or 19.5%, to €235.2 million in the fiscal year ending on December 31, 2019 from €196.8 million in the fiscal year ending on December 31, 2018. The growth in sales was driven by a greater sales volume of power electronics and 48V drive systems and a restart of high voltage axle drive systems.

#### *7.7.2.2 Operating result (EBIT)*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Operating result (EBIT) increased by €49.3 million, or 21.7%, to €-177.6 million in the six months ended June 30, 2021 from €-226.9 million in the six months ended June 30, 2020. This increase was primarily due to an increase of the gross margin by 38 percent points due to the improvement of production processes, which had a positive impact on scrap, material cost and variable labor cost. Furthermore, positive impacts on operating result (EBIT) resulted from reduced impairment of property, plant and equipment and additions to specific warranty provisions. However, the increase of research and development expenses had a negative impact on the operating result (EBIT).

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Operating result (EBIT) decreased by €59.4 million, or 17.4%, to €-400.9 million in the fiscal year ended December 31, 2020 from €-341.5 million in the fiscal year ended December 31, 2019. The increase of research and development expenses, the decrease of income from research and development as well as a one-time effect due to the cancellation of a 48V-project and the insolvency of a customer, had a negative impact on the operating result (EBIT). Furthermore, negative impacts on operating result (EBIT) resulted from increased impairment of property, plant and equipment, additions to specific warranty provisions and accruals for upcoming claims due to the cancellation of a 48V-project. However, a positive impact on the operating result (EBIT) resulted from an increase of the gross margin by 44 percentage points due to the increase of customer prices and improvement of production processes, which had a positive impact on scrap, material cost and variable labor cost.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Operating result (EBIT) increased by €27.7 million, or 7.5%, to €-341.5 million in the fiscal year ending on December 31, 2019 from €-369.2 million in the fiscal year ending on December 31, 2018. Greater sales volume and decreased ramp-up costs as compared to the previous fiscal year had a positive impact on the operating result (EBIT). Increased income from research and development also had a positive impact on the operating result (EBIT), as did the decrease in additions to specific warranty provisions. By contrast, sales and administration expenses increased on account of the greater sales volume, as did costs in relation to the Carve-Out of the Group and costs for external consultants, which had a negative impact on the operating result (EBIT). Furthermore, increases in research and development expenses as well as in expenses for impairment on property, plant and equipment also had a negative impact on the operating result (EBIT).

#### *7.7.2.3 Adjusted EBIT*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Adjusted EBIT increased by €43.3 million, or 23.7%, to €-139.4 million in the six months ended June 30, 2021 from €-182.7 million in the six months ended June 30, 2020.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Adjusted EBIT decreased by €47.3 million, or 15.9%, to €-345.7 million in the fiscal year ended December 31, 2020 from €-298.4 million in the fiscal year ended December 31, 2019.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Adjusted EBIT increased by €59.8 million, or 16.7%, to €-298.4 million in the fiscal year ended December 31, 2019 from €-358.2 million in the fiscal year ended December 31, 2018.

#### 7.7.2.4 *Research and development expenses (net)*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Research and development expenses (net) increased by €23.6 million, or 24.8%, to €118.6 million in the six months ended June 30, 2021 from €95.0 million in the six months ended June 30, 2020. This increase was primarily due to investments in future platform projects such as a new generation of axle drive, high voltage power electronic and battery management system.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Research and development expenses (net) increased by €38.1 million, or 25.2%, to €189.1 million in the fiscal year ended December 31, 2020 from €151.0 million in the fiscal year ended December 31, 2019. Research and development expenses increased by €19.8 million or 9.8%. The increase was primarily due to investments in the future platform projects such as new generation of axle drive, high voltage power electronic and battery management system. In fiscal year 2020 negative one-time effects occurred due to the cancellation of a 48V-project and the insolvency of a customer. Income from research and development decreased by €18.3 million or 35.3%.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Research and development expenses (net) decreased by €9.3 million, or 5.8%, to €151.0 million in the fiscal year ending on December 31, 2019 from €160.3 million in the fiscal year ending on December 31, 2018. Research and development expenses in the ET segment increased by €12.7 million or 6.7% due to the basic development of new high voltage axle drive systems and the further development of existing high voltage axle drive systems for new customers. Income from research and development increased by €22.0 million or 73.6%.

### 7.7.3 *Sensing & Actuation*

The table below sets forth S&A's combined selected results of operations for the fiscal years ended December 31, 2020, 2019 and 2018 and the six months ended June 30, 2021 and 2020:

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | | (Audited) | |
| | *(€ million, unless otherwise noted)* | | | | |
| Sales | 1,684.4 | 1,270.1 | 2,917.2 | 3,261.2 | 3,226.0 |
| Operating result (EBIT) | 119.4 | -0.1 | 45.8 | 210.3 | 247.2 |
| Adjusted EBIT[(1)] | 141.3 | 16.8 | 110.3 | 280.8 | 255.2 |
| Adjusted EBIT margin in % | 8.4 | 1.3 | 3.8 | 8.6 | 7.9 |
| Research and development expenses (net) | 101.2 | 98.6 | 187.4 | 207.8 | 204.8 |

(1) Adjusted EBIT is calculated as operating result (EBIT) before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of combination, and special effects (e.g. impairment, restructuring and gains and losses from disposals of companies and business operations).

#### 7.7.3.1 *Sales Revenue*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Sales revenue increased by €414.3 million, or 32.6%, to €1,684.4 million in the six months ended June 30, 2021 from €1,270.1 million in the six months ended June 30, 2020. This increase was primarily due to the overall market recovery following the COVID-19 Pandemic in 2020. The increase is visible in all product lines of the S&A segment.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Sales revenue increased by €35.2 million, or 1.1%, to €3,261.2 million in the fiscal year ending on December 31, 2019 from €3,226.0 million in the fiscal year ending on December 31, 2018. As a result of emissions legislation, the sales of exhaust-gas sensors recorded a significant increase, which was able to more than offset the decline in fuel delivery modules, sensors for combustion engines and catalytic converters.

#### *7.7.3.2 Operating result (EBIT)*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Operating result (EBIT) increased by €119.5 million to €119.4 million in the six months ended June 30, 2021 from €-0.1 million in the six months ended June 30, 2020. This increase was primarily due to the sales increase following the decline during the COVID-19 Pandemic, supported by the ongoing optimization measures put in place in the fiscal year 2020. However, due to the semiconductor shortage the operating result (EBIT) was impacted negatively by a mid-double digit million euro amount.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Operating result (EBIT) decreased by €164.5 million, or 78.2%, to €45.8 million in the fiscal year ended December 31, 2020 from €210.3 million in the fiscal year ended December 31, 2019. This decrease was primarily due to reduced sales volumes and an increase of additions to specific warranty and restructuring provisions. Although the income from research and development decreased, a positive impact resulted from the reduction of research and development expenses. Further positive impact on operating result (EBIT) could be achieved by fast implementation of fixed costs reduction measures as a response on the sales drop in 2020.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Operating result (EBIT) decreased by €36.9 million, or 14.9%, to €210.3 million in the fiscal year ending on December 31, 2019 from €247.2 million in the fiscal year ending on December 31, 2018. The operating result (EBIT) decreased primarily due to a negative exchange-rate effect on the prices of materials, increased fixed costs due to carve-out transfers and higher depreciation costs. Also, a negative impact on the operating result (EBIT) resulted from an increase in additions to provisions for restructuring measures, costs related to the Carve-Out of the Group and expenses for impairment on property plant and equipment. By contrast, decreases in additions to specific warranty provisions and compensation to customers had a positive impact on the operating result (EBIT).

#### *7.7.3.3 Adjusted EBIT*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Adjusted EBIT increased by €124.5 million, or 741.1%, to €141.3 million in the six months ended June 30, 2021 from €16.8 million in the six months ended June 30, 2020.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Adjusted EBIT decreased by €170.5 million, or 60.7%, to €110.3 million in the fiscal year ended December 31, 2020 from €280.8 million in the fiscal year ended December 31, 2019.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Adjusted EBIT increased by €25.6 million, or 10.0%, to €280.8 million in the fiscal year ended December 31, 2019 from €255.2 million in the fiscal year ended December 31, 2018.

#### *7.7.3.4 Research and development expenses (net)*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Research and development expenses (net) increased by €2.6 million, or 2.6%, to €101.2 million in the six months ended June 30, 2021 from €98.6 million in the six months ended June 30, 2020. This increase was primarily due to efforts needed for the implementation of new European requirements regarding vehicle emission (Euro7).

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Research and development expenses (net) decreased by €20.4 million, or 9.8%, to €187.4 million in the fiscal year ended December 31, 2020 from €207.8 million in the fiscal year ended December 31, 2019. Research and development expenses decreased by €30.0 million or 11.7% due to the implemented CAP Measures. Income from research and development decreased by €9.6 million or 19.8% due to the COVID-19 Pandemic.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Research and development expenses (net) increased by €3.0 million, or 1.5%, to €207.8 million in the fiscal year ending on December 31, 2019 from €204.8 million in the fiscal year ending on December 31, 2018. In S&A, research and development expenses were almost the same as in the previous year, as was the case for the income from research and development.

### *7.7.4 Contract Manufacturing*

The table below sets forth CM's combined selected results of operations for the fiscal years ended December 31, 2020, 2019 and 2018 and the six months ended June 30, 2021 and 2020:

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | | (Audited) | |
| | *(€ million, unless otherwise noted)* | | | | |
| Sales | 546.1 | 481.4 | 1,099.3 | 1,342.0 | 1,224.7 |
| Operating result (EBIT) | 94.4 | 19.8 | 53.0 | 66.7 | 64.6 |
| Adjusted EBIT(1) | 32.9 | 19.9 | 53.5 | 67.0 | 64.6 |
| Adjusted EBIT margin in % | 6.0 | 4.1 | 4.9 | 5.0 | 5.3 |
| Research and development expenses (net) | -0.2 | 5.6 | 13.8 | 44.3 | 39.8 |

(1) Adjusted EBIT is calculated as operating result (EBIT) before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of combination, and special effects (e.g. impairment, restructuring and gains and losses from disposals of companies and business operations).

#### *7.7.4.1 Sales Revenue*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Sales revenue increased by €64.7 million, or 13.4%, to €546.1 million in the six months ended June 30, 2021 from €481.4 million in the six months ended June 30, 2020. This increase in sales revenue was mainly attributable to the Continental Group business area Autonomous Mobility and Safety.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

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

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Sales revenue increased by €117.3 million, or 9.6%, to €1,342.0 million in the fiscal year ending on December 31, 2019 from €1,224.7 million in the fiscal year ending on December 31, 2018. The increase in sales in the business with the Continental Group mainly resulted from transactions with the business area Vehicle Networking and Information.

#### *7.7.4.2 Operating result (EBIT)*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Operating result (EBIT) increased by €74.6 million to €94.4 million in the six months ended June 30, 2021 from €19.8 million in the six months ended June 30, 2020. This increase in operating result

(EBIT) was mainly driven by a one-time impact from the sale of Vitesco Technologies Korea's Automotive Business to Continental Group.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Operating result (EBIT) decreased by €13.7 million, or 20.5%, to €53.0 million in the fiscal year ended December 31, 2020 from €66.7 million in the fiscal year ended December 31, 2019. The main reason for the reduction of the operating result (EBIT) was the decrease in sales. By contrast, lower research and development expenses had a positive impact on operating result (EBIT).

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Operating result (EBIT) increased by €2.1 million, or 3.3%, to €66.7 million in the fiscal year ending on December 31, 2019 from €64.6 million in the fiscal year ending on December 31, 2018. The positive impact of increased sales on the operating result (EBIT) was reduced by increased negative exchange rate effects on prices of materials. An increase in research and development expenses (net) as well as lower income from the disposal of property, plant and equipment also had a negative impact on the operating result (EBIT), while the reversal of specific warranty provisions had a positive impact.

#### *7.7.4.3 Adjusted EBIT*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Adjusted EBIT increased by €13.0 million, or 65.3%, to €32.9 million in the six months ended June 30, 2021 from €19.9 million in the six months ended June 30, 2020.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Adjusted EBIT decreased by €13.5 million, or 20.1%, to €53.5 million in the fiscal year ended December 31, 2020 from €67.0 million in the fiscal year ended December 31, 2019.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Adjusted EBIT increased by €2.4 million, or 3.7%, to €67.0 million in the fiscal year ended December 31, 2019 from €64.6 million in the fiscal year ended December 31, 2018.

#### *7.7.4.4 Research and development expenses (net)*

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Research and development expenses (net) changed by €5.8 million to an income of €0.2 million in the six months ended June 30, 2021 from an expense of €5.6 million in the six months ended June 30, 2020. This decrease was related to the sale of Vitesco Technologies Korea's Automotive Business to the Continental Group.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Research and development expenses (net) decreased by €30.5 million, or 68.9%, to €13.8 million in the fiscal year ended December 31, 2020 from €44.3 million in the fiscal year ended December 31, 2019. This decrease was due to the research and development activities related to the business areas Autonomous Mobility and Safety and Vehicle Networking and Information of the Continental Group.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Research and development expenses (net) increased by €4.5 million, or 11.3%, to €44.3 million in the fiscal year ending on December 31, 2019 from €39.8 million in the fiscal year ending on December 31, 2018. This increase was primarily due to research and development activities related to the business area Vehicle Networking and Information of the Continental Group.

## 7.8 Discussion of Balance Sheet

The following table shows the Group's overview of the balance sheet as of the dates shown:

| | As of June 30, 2021 | As of December 31, | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| | (Unaudited) | | (Audited) | |
| | | | (€ million) | |
| **Assets** | | | | |
| Non-current assets | 3,667.7 | 3,732.6 | 3,967.0 | 3,845.3 |
| Current assets | 4,621.9 | 4,329.1 | 4,444.1 | 5,202.4 |
| **Total assets** | **8,289.6** | **8,061.7** | **8,411.1** | **9,047.7** |
| **Equity and liabilities** | | | | |
| Invested equity attributable to Continental Group | 2,904.2 | 3,056.6 | 3,256.5 | 5,095.1 |
| Other comprehensive income | -247.6 | -408.0 | -134.5 | -46.1 |
| **Equity attributable to Continental Group** | **2,656.6** | **2,648.6** | **3,122.0** | **5,049.0** |
| Non-controlling interests | — | — | 56.9 | 45.1 |
| **Total equity** | **2,656.6** | **2,648.6** | **3,178.9** | **5,094.1** |
| **Liabilities** | | | | |
| Non-current liabilities | 1,461.5 | 1,490.9 | 1,293.1 | 781.4 |
| Current liabilities | 4,171.5 | 3,922.2 | 3,939.1 | 3,172.2 |
| **Total liabilities** | **5,633.0** | **5,413.1** | **5,232.2** | **3,953.6** |
| **Total equity and liabilities** | **8,289.6** | **8,061.7** | **8,411.1** | **9,047.7** |

### *7.8.1 Non-current assets*

The Group's non-current assets consist of goodwill, other intangible assets, property, plant and equipment, investments in equity-accounted investees, other investments, deferred tax assets, defined benefit assets, long-term derivative instruments and interest-bearing investments, long-term other financial assets, long-term other assets.

***As of June 30, 2021 compared to December 31, 2020***

Non-current assets decreased by €64.9 million, or 1.7%, to €3,667.7 million at June 30, 2021 from €3,732.6 million at December 31, 2020. This decrease was primarily due to property, plant and equipment, where depreciation and disposals exceeded additions.

***As of December 31, 2020 compared to December 31, 2019***

Non-current assets decreased by €234.4 million, or 5.9%, to €3,732.6 million at December 31, 2020 from €3,967.0 million at December 31, 2019. This mainly resulted from a decrease in property, plant and equipment. Additions to property, plant and equipment decreased primarily due to the global economic conditions as a consequence of the COVID-19 Pandemic and the reduction of investments in components for combustion engines.

***As of December 31, 2019 compared to December 31, 2018***

Non-current assets increased by €121.7 million, or 3.2%, to €3,967.0 million at December 31, 2019 from €3,845.3 million at December 31, 2018. This mainly resulted from the increase in property, plant and equipment due to the first-time adoption of IFRS 16 – Leases, as at January 1, 2019, as well as the expansion of production capacity. In addition, deferred tax assets increased. However, an impairment of goodwill led to a decrease in non-current assets.

### *7.8.2 Current assets*

The Group's current assets consist of inventories, trade accounts receivable, short-term contract assets, short-term other financial assets, short-term other assets, income tax receivables, short-term derivative instruments and interest-bearing investments, cash and cash equivalents, assets held for sale.

***As of June 30, 2021 compared to December 31, 2020***

Current assets increased by €292.8 million, or 6.8%, to €4,621.9 million at June 30, 2021 from €4,329.1 million at December 31, 2020. This increase was primarily due to an increase in cash and cash equivalents resulting from settlements of financing transactions with the Continental Group and from an increase in inventory, while trade accounts receivable and short-term derivative instruments and interest-bearing investments decreased.

***As of December 31, 2020 compared to December 31, 2019***

Current assets decreased by €115.0 million, or 2.6%, to €4,329.1 million at December 31, 2020 from €4,444.1 million at December 31, 2019. This decrease was primarily due to the short-term derivative instruments and interest-bearing investments and to the decrease of inventories while cash and cash equivalents, short-term other assets, short-term other financial assets and especially trade accounts receivable increased. The increase in trade accounts receivable was mainly due to the following reasons: Higher sales in the fourth quarter of the fiscal year 2020 compared to the sales in the fourth quarter of fiscal year 2019 led to an increase in trade accounts receivable. Besides, payment procedures with Continental Group on certain intercompany transactions were adjusted leading to an increase in accounts receivables for ordinary business activities with Continental Group.

***As of December 31, 2019 compared to December 31, 2018***

Current assets decreased by €758.3 million, or 14.6%, to €4,444.1 million at December 31, 2019 from €5,202.4 million at December 31, 2018. This decrease was mainly due to the short-term derivative instruments and interest-bearing investments, which mainly included, as at December 31, 2018, a first contribution of Continental AG to the capital of the Group in preparation of the Carve-Out. In 2019, the contributions by Continental AG to the capital of the Group were mainly used for the acquisition of the operating business from Continental Group entities. On the other hand, there was an increase in short-term other assets due to an increase in tax refund claims which was primarily the result of VAT receivables from the purchase of production material.

### *7.8.3 Equity*

The major items of total equity are invested equity attributable to Continental Group, other comprehensive income, and non-controlling interests.

***As of June 30, 2021 compared to December 31, 2020***

Equity increased by €8.0 million, or 0.3%, to €2,656.6 million at June 30, 2021 from €2,648.6 million at December 31, 2020. This increase was due to an increase in other comprehensive income, nearly offset by the cost of acquisition of 3.56% interest in Vitesco Technologies GmbH from CA France and the net loss for the period.

***As of December 31, 2020 compared to December 31, 2019***

Equity decreased by €530.3 million, or 16.7%, to €2,648.6 million at December 31, 2020 from €3,178.9 million at December 31, 2019. The decrease resulted from the negative net income, from the remeasurement of defined benefit plans and from currency translation. Furthermore, a decrease of the equity is atttributable to successive purchases (acquisition of non-controlling interest in Vitesco Technologies Korea). By contrast, an increase of equity resulted from the contributions (net) of the shareholder to the equity attributable to the Continental Group. In 2020, Continental Group contributed €250.0 million to Vitesco Technologies and withdrawals of €18.4 million related to post carve-out transactions and share transfers.

***As of December 31, 2019 compared to December 31, 2018***

Equity decreased by €1,915.2 million, or 37.6%, to €3,178.9 million at December 31, 2019 from €5,094.1 million at December 31, 2018. The decrease was partly due to the negative net income and the impact of contributions and withdrawals of the shareholder to the equity attributable to the Continental Group. In 2019, the Continental Group contributed €3,050.0 million to the Group and withdrew €4,327.8 million. The withdrawals relate to transactions in connection with the acquisition of the operating business from Continental Group entities by the Group.

### *7.8.4 Non-current liabilities*

The Group's non-current liabilities consist of long-term employee benefits, deferred tax liabilities, long-term provisions for other risks and obligations, long-term indebtedness, long-term contract liabilities, long-term other liabilities.

***As of June 30, 2021 compared to December 31, 2020***

Non-current liabilities decreased by €29.4 million, or 2.0%, to €1,461.5 million at June 30, 2021 from €1,490.9 million at December 31, 2020. This decrease was primarily due to a decrease in long-term employee benefits caused by higher interest rates.

***As of December 31, 2020 compared to December 31, 2019***

Non-current liabilities increased by €197.8 million, or 15.3%, to €1,490.9 million at December 31, 2020 from €1,293.1 million at December 31, 2019. Long-term employee benefits as well as the long-term provisions for restructuring and for warranties increased while deferred tax liabilities decreased. Long term indebtedness was almost on the same level like in the previous year.

***As of December 31, 2019 compared to December 31, 2018***

Non-current liabilities increased by €511.7 million, or 65.5%, to €1,293.1 million at December 31, 2019 from €781.4 million at December 31, 2018. Long-term employee benefits as well as the long-term provisions for restructuring increased while deferred tax liabilities decreased. The increase of long-term lease liabilities which are part of long-term indebtedness resulted from the first-time adoption of IFRS 16 – Leases.

### *7.8.5 Current liabilities*

The Group's current liabilities consist of short-term employee benefits, trade accounts payable, short-term contract liabilities, income tax payables, short-term provisions for other risks and obligations, short-term indebtedness, short-term other financial liabilities, short-term other liabilities, liabilities held for sale.

***As of June 30, 2021 compared to December 31, 2020***

Current liabilities increased by €249.3 million, or 6.4%, to €4,171.5 million at June 30, 2021 from €3,922.2 million at December 31, 2020. This increase was primarily due to short-term indebtedness stemming from financing with the Continental Group, while in particular trade accounts payable decreased.

***As of December 31, 2020 compared to December 31, 2019***

Current liabilities decreased by €16.9 million, or 0.4%, to €3,922.2 million at December 31, 2020 from €3,939.1 million at December 31, 2019, and thus remained almost unchanged. Within current liabilities, an increase in trade accounts payable was due to an extension of payment terms in the contract manufacturing business with the Continental Group while the financing from related parties (Continental Group entities) decreased.

***As of December 31, 2019 compared to December 31, 2018***

Current liabilities increased by €766.9 million, or 24.2%, to €3,939.1 million at December 31, 2019 from €3,172.2 million at December 31, 2018. The increase was mainly driven by provisions for warranties and restructuring as well as the increase of the trade accounts payable and the income tax payables. In addition, the increase resulted from purchase prices payable on company acquisitions and liabilities for VAT and other taxes. By contrast, financing from related parties decreased.

## 7.9 Liquidity and Capital resources

### *7.9.1 Overview*

The Group's primary sources of liquidity are cash generated from operations, supplemented by intragroup financing provided by the Continental Group until the date of Spin-off. The Group had cash and cash equivalents of €255.0 million, €184.8 million and €71.1 million as of December 31, 2020, December 31, 2019 and December 31, 2018, respectively. In addition, the Group had a net balance from the intragroup financing (excluding lease liabilities) with Continental Group of €406.5 million, €930.9 million and €1,846.6 million as of December 31, 2020, December 31, 2019 and December 31, 2018, respectively.

The net balance of intragroup financing (excluding lease liabilities) with Continental Group is calculated as follows:

| | Fiscal Year ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | | (Audited) (€ million) | |
| Accounts receivable | 1,026.2 | 1,747.0 | 2,705.2 |
| Accounts payable | 619.7 | 816.1 | 858.6 |
| Net Balance | 406.5 | 930.9 | 1,846.6 |

Following the completion of the Spin-off, the Group expects that its key sources of liquidity will continue to be cash flows from operations and bank debt. These sources might be complemented by capital market debt.

The Group aims to manage capital to ensure that all Group-companies can continue to operate as a going concern. The Group's ability to generate cash flow from operations depends on its future operating performance, which is in turn dependent on general economic, financial, competitive, market and other factors, many of which are beyond its control.

### *7.9.2 Working capital*

The following table sets forth the principal components of the Group's working capital for the periods indicated, calculated as sum of inventories and trade accounts receivable minus trade accounts payable.

| | Six Months ended June 30, 2021 | Fiscal Year ended December 31, | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| | (Unaudited) | (Audited, unless otherwise noted) | | |
| | (€ million, unless otherwise noted) | | | |
| Inventories | 729.4 | 561.8 | 621.1 | 620.5 |
| (% of sales)(*) | n/a | 7.0 | 6.8 | 6.8 |
| Trade accounts receivable | 1,630.2 | 1,983.6 | 1,474.7 | 1,552.7 |
| (% of sales)(*) | n/a | 24.7 | 16.2 | 17.0 |
| Trade accounts payable | 2,050.5 | 2,215.5 | 1,963.5 | 1,679.8 |
| (% of sales)(*) | n/a | 27.6 | 21.6 | 18.4 |
| **Working capital(*)** | **309.1** | **329.9** | **132.3** | **493.4** |
| (% of sales)(*) | n/a | 4.1 | 1.5 | 5.4 |

(*) Unaudited figures.

In the fiscal years 2019 and 2020 and in the first six months of the fiscal year 2021, the Group's working capital was impacted by effects from the Carve-Out and the preparation of the Spin-off.

### 7.9.3 Cash Flows

The following table sets forth the principal components of the Group's cash flows for the periods indicated.

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | (Audited) | | |
| | (€ million) | | | | |
| Cash flow arising from operating activities | 345.8 | -641.4 | -5.9 | 692.5 | 679.6 |
| Cash flow arising from investing activities | -41.0 | -162.8 | -449.8 | -637.1 | -644.0 |
| Cash flow arising from financing activities | 402.0 | 963.4 | 537.7 | 56.6 | -37.6 |
| Change in cash and cash equivalents | 706.8 | 159.2 | 82.0 | 112.0 | -2.0 |
| Cash and cash equivalents at the beginning of the period | 255.0 | 184.8 | 184.8 | 71.1 | 72.7 |
| Effect of exchange-rate changes on cash and cash equivalents | 10.0 | -6.8 | -11.8 | 1.7 | 0.4 |
| Cash and cash equivalents at the end of the period | 971.8 | 337.2 | 255.0 | 184.8 | 71.1 |

#### 7.9.3.1 Cash flow arising from operating activities

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Cash flow from operating activities increased by €987.2 million, or 153.9%, to €345.8 million in the six months ended June 30, 2021 from €-641.4 million in the six months ended June 30, 2020. This increase was primarily due to improved the operating result (EBIT) and relatively stable working capital in the first six months of the fiscal year 2021, whereas working capital significantly increased in the first six months of the fiscal year 2020.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Cash flow from operating activities decreased by €698.4 million, or 100.9%, to €-5.9 million in the fiscal year ending on December 31, 2020 from €692.5 million in the fiscal year ending on December 31, 2019. The improvement in the operating result (EBIT) at first glance had a positive impact on the operating cash flow. However, prior year operating result (EBIT) was impacted by an impairment on goodwill and significant additions to warranty and restructuring provisions. Besides, an increase of working capital, payments for warranties and increased income tax payments contributed to the decrease of cash flow from operating activities.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Cash flow from operating activities increased by €12.9 million, or 1.9%, to €692.5 million in the fiscal year ending on December 31, 2019 from €679.6 million in the fiscal year ending on December 31, 2018. The decrease in the operating result (EBIT) was impacted by an impairment on goodwill and significant additions to warranty and restructuring provisions. A reduction of working capital also had a positive impact on operating cash flow which in total was on level with prior year 2018.

#### 7.9.3.2 Cash flow arising from investing activities

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

The cash outflow from investing activities decreased by €121.8 million, or 74.8%, to €-41.0 million in the six months ended June 30, 2021 from €-162.8 million in the six months ended June 30, 2020. This decrease was primarily due to a cash inflow from the sale of Vitesco Technologies Korea's Automotive Business to the Continental Group and a participation, accompanied by lower capital expenditure.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

The cash outflow from investing activities decreased by €187.3 million, or 29.4%, to €-449.8 million in the fiscal year ending on December 31, 2020 from €-637.1 million in the fiscal year ending on December 31, 2019. The decrease primarily resulted from lower capital expenditure both on property, plant and equipment and software (excluding right of use assets) and on intangible assets from development projects. The net amount from the acquisition and disposal of companies and business operations resulted in a total cash outflow while in fiscal year 2019 no cash impact was recorded.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

The cash outflow from investing activities decreased by €6.9 million, or 1.1%, to €-637.1 million in the fiscal year ending on December 31, 2019 from €-644.0 million in the fiscal year ending on December 31, 2018. Capital expenditure on property, plant and equipment, and software (excluding right of use assets) decreased. By contrast, the capital expenditure on intangible assets from development projects and miscellaneous increased while cash inflow from the disposal of assets decreased.

#### 7.9.3.3 Cash flow arising from financing activities

***Six months ended June 30, 2021 compared to the six months ended June 30, 2020***

Cash flow from financing activities decreased by €561.4 million, or 58.3%, to €402.0 million in the six months ended June 30, 2021 from €963.4 million in the six months ended June 30, 2020. Cash flow from financing transactions in the respective periods is dominated by financing transactions with the Continental Group. While in the first half year 2020 financing from the Continental Group was required mainly to balance the negative free cash flow, financing transactions with the Continental Group in the first half of 2021 mainly relate to the settlements of financing with the Continental Group: a net financing receivable position of Vitesco Technologies was settled.

***Fiscal year ended December 31, 2020 compared to the fiscal year ended December 31, 2019***

Cash flow from financing activities increased by €481.1 million, or 850.0%, to €537.7 million in the fiscal year ending on December 31, 2020 from €56.6 million in the fiscal year ending on December 31, 2019. This increase was primarily due to transactions with the Continental Group. However, cash outflow resulted from the acquisition of 35% non-controlling interest in Vitesco Technologies Korea, in order to increase ownership from 65% to 100%.

***Fiscal year ended December 31, 2019 compared to the fiscal year ended December 31, 2018***

Cash flow from financing activities increased by €94.2 million, to €56.6 million in the fiscal year ending on December 31, 2019 from €-37.6 million in the fiscal year ending on December 31, 2018. This increase was primarily due to the net cash change in short-term indebtedness and financial transactions with the Continental Group.

### 7.9.4 Free cash flow

The Group defines free cash flow as 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. The table below shows historical free cash flow for the Group for the years ended December 31, 2020, 2019 and 2018 and the six months ended June 30, 2021 and 2020:

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | | (Audited) | |
| | | | *(€ million)* | | |
| Cash flow arising from operating activities | 345.8 | -641.4 | -5.9 | 692.5 | 679.6 |
| Cash flow arising from investing activities | -41.0 | -162.8 | -449.8 | -637.1 | -644.0 |
| **Cash flow before financing activities (free cash flow)** | **304.8** | **-804.2** | **-455.7** | **55.4** | **35.6** |

### 7.9.5 Investments

#### 7.9.5.1 Most important historical investments of the Group

Investments of the Group relate to acquisitions of companies or business operations. For the years ended December 31, 2020, 2019 and 2018, the Group had no significant investments.

The Group dedicates substantial resources to research and development please see "*7.3.9 Research and Development*" and "*7.6.4 Research and development expenses*".

### 7.9.5.2 *Ongoing investments of the Group*

The Group has no ongoing investments that relate to acquisitions of companies or business operations.

The Group dedicates substantial resources to research and development, please see "*7.3.9 Research and Development*" and "*7.6.4 Research and development expenses*".

### 7.9.5.3 *Future investments resolved upon by the management board and supervisory board of the Group*

The management and supervisory bodies of the Group have not resolved on any future investments by the Group.

### 7.9.6 *Off-balance Sheet Arrangements*

The Group has no material off-balance sheet arrangements.

### 7.9.7 *Pension Commitments*

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

### 7.9.8 *Financial Liabilities*

Financial liabilities amounted to €3,371.4 million as of June 30, 2021 and comprised derivatives, lease liabilities, other indebtedness, other financial liabilities and trade accounts payable.

The following table shows the Group's financial liabilities as of June 30, 2021 and December 31, 2020, including a breakdown of these financial liabilities according to maturity as of December 31, 2020:

| | **As of June 30, 2021** | **As of December 31, 2020** | | | |
|---|---|---|---|---|---|
| | **Total** | **Total** | **Maturity of 0 – 1 year** | **Maturity of 1 – 5 year** | **Maturity of >5 years** |
| | **(Unaudited)** | **(Audited)** | | **(Unaudited)** | |
| | | | *(€ million)* | | |
| Derivatives | 2.3 | 1.4 | 1.4 | — | — |
| Lease liabilities | 233.5 | 220.6 | 39.3 | 91.8 | 89.5 |
| Oher indebtedness | 920.3 | 648.2 | 648.2 | — | — |
| thereof bank loans | 0.0 | 30.7 | 30.7 | — | — |
| Other financial liabilities | 164.8 | 106.0 | 106.0 | — | — |
| Trade accounts payable | 2,050.5 | 2,215.5 | 2,215.5 | — | — |
| **Financial liabilities** | **3,371.4** | **3,191.7** | **3,010.4** | **91.8** | **89.5** |

For additional information on Vitesco Technologies' financial liabilities, see notes 29 and 30 of the Annual Combined Financial Statements.

### *7.9.9 Net debt*

Net debt is defined as short-term indebtedness plus long-term indebtedness less cash and cash equivalents and short-term interest-bearing investments (being "short-term derivative instruments and interest-bearing investments" as included in the Company's Annual Combined Financial Statements and Interim Combined Financial Statements, but excluding derivative instruments and non-Continental Group debt instruments hold to collect (short-term)). The Group's net debt amounted to €-580.4 million, €-405.7 million, €-919.6 million, €-1,904.0 million and as of June 30, 2021, December 31, 2020, December 31, 2019 and December 31, 2018, respectively; i.e. the sum of cash and cash equivalents and interest-bearing investments exceeded indebtedness for each period. Since the Group meets its funding needs until the Spin-off mainly from operating cash flow and the intragroup financing within the Continental Group, the receivables from and liabilities to the Continental Group from financing activities are included in the calculation of net debt.

The table below sets out the Group's net debt as of June 30, 2021 and as of December 31, 2020, 2019, and 2018:

| | As of June 30, 2021 | As of December 31, 2020 | 2019 | 2018 |
|---|---|---|---|---|
| | (Unaudited) | (Audited, unless otherwise noted) (€ million) | | |
| Short-term indebtedness | 963.4 | 688.9 | 822.2 | 868.8 |
| Plus: Long-term indebtedness | 192.7 | 181.3 | 186.8 | 3.2 |
| ***Total of gross indebtedness*** | **1,156.1** | **870.2** | **1,009.0** | **872.0** |
| Less: Cash and cash equivalents | 971.8 | 255.0 | 184.8 | 71.1 |
| Less: Short-term interest-bearing investments(*)(1) | 764.7 | 1,020.9 | 1,743.8 | 2,704.9 |
| ***Total of cash and cash equivalents and interest-bearing investments*** | **1,736.5** | **1,275.9** | **1,928.6** | **2,776.0** |
| **Net debt(*)** | **-580.4** | **-405.7** | **-919.6** | **-1,904.0** |

(*) Unaudited

(1) "Other current financial assets" is referred to as "Short-term derivative instruments and interest-bearing investments" in the Company's Interim Combined Financial Statements, however, excluding derivative instruments and non-Continental debt instruments hold to collect (short-term).

***As of June 30, 2021 compared to December 31, 2020***

Negative net debt increased by €174.7 million, to €-580.4 million at June 30, 2021 from €-405.7 million at December 31, 2020. This increase was primarily due to a positive free cash flow, offset by the acquisition of 3.56% in Vitesco Technologies GmbH from CA France for a purchase price of €121.0 million. Due to the sale of the stake held by CA France at market value to Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG on June 22, 2021, equity as well as financial resources decreased by the amount of the purchase price.

The net financial resources (the sum of cash and cash equivalents and interest-bearing investments exceeds indebtedness) of the Group as of June 30, 2021 in the amount of €580.4 million are available for the financing of planned cash outflows for operating, investing and financial transactions.

***As of December 31, 2020 compared to December 31, 2019***

Negative net debt decreased by €513.9 million to €-405.7 million at December 31, 2020 from €-919.6 million at December 31, 2019. The development of net debt was significantly influenced by the implementation of capital measures in preparation for the Spin-off. The equity of the Group was increased in the years 2018 to 2020 in three steps in cash by a total amount of €5.75 billion, thereof €250 million in 2020. In 2020, the Group used its net financial resources to fund a negative free cash flow of 455.7 million. In addition, as a result of the acquisition of the minority stake of 35% in Vitesco Technologies Korea on December 18, 2020 at a price of €121.6 million, the equity and financial resources decreased by the amount of the purchase price. Also, in 2020 purchase price adjustments for the acquisition of the Czech entity amounting €105.9 million were paid.

***As of December 31, 2019 compared to December 31, 2018***

Negative net debt decreased by €984.4 million, to €-919.6 million at December 31, 2019 from €-1,904.0 million at December 31, 2018. The capital measures in the years 2018 to 2020 amounting to €5.75 billion (thereof €3.05 billion in 2019) were mainly aimed at financing the Carve-Out, in particular the fulfilment of the purchase price obligations of the Group to Continental AG and its direct and indirect subsidiaries arising as a result of the Carve-Out. An amount of €4.3 billion of the funds from the capital increase was used for the acquisition of Vitesco Technologies' business as part of the Carve-Out. Furthermore, the capital and financial resources of the Group were strengthened in preparation for the Spin-off. These capital measures are taken into account in the Annual Combined Financial Statements and increased the net financial resources of the Group. Besides, first time adoption of IFRS 16 – Leases led to an increase of indebtedness.

### *7.9.10 Capital Expenditure*

Capital expenditure relates to additions to property, plant and equipment, and software as well as additions to respective right of use assets.

The Group's capital expenditures are made to maintain and improve the Group's business, including capacity expansion, improvements of production processes, land and buildings, supplier tooling and other projects.

Compared to the previous years, there was a change in 2019 because of the recognition of right-of-use assets as a result of the first-time adoption of IFRS 16 – Leases.

The following table shows capital expenditures for the segments and the Group for the years ended December 31, 2020, 2019 and 2018 and the six months ended June 30, 2021 and 2020:

| | Six Months ended June 30, | | Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2020 | 2019 | 2018 |
| | (Unaudited) | | | (Audited) | |
| | (€ million, unless otherwise noted) | | | | |
| **Electronic Controls (EC)** | **91.4** | **71.6** | **174.5** | **323.0** | **313.8** |
| % of sales | 4.9 | 4.7 | 4.8 | 7.6 | 6.9 |
| **Electrification Technology (ET)** | **54.4** | **36.9** | **121.5** | **117.7** | **45.2** |
| % of sales | 17.4 | 26.4 | 29.9 | 50.0 | 23.0 |
| **Sensing & Actuation (S&A)** | **59.8** | **54.6** | **164.3** | **258.8** | **228.8** |
| % of sales | 3.6 | 4.3 | 5.6 | 7.9 | 7.1 |
| **Contract Manufacturing (CM)** | **7.1** | **9.6** | **19.6** | **82.7** | **96.3** |
| % of sales | 1.3 | 2.0 | 1.8 | 6.2 | 7.9 |
| **Other/consolidation** | **—** | **—** | **0.1** | **0.2** | **—** |
| **Total** | **212.7** | **172.7** | **480.0** | **782.4** | **684.1** |
| % of sales | 4.8 | 5.1 | 6.0 | 8.6 | 7.5 |

The capital expenditure of the Group increased to a total of €212.7 million in the first six months 2021 from €172.7 million in the comparable period of the previous year 2020. The increase by €40.0 million is driven by capacity increases in the area of production, mainly for the core business. Capital expenditure done in the non-core business experienced again another decrease compared to the previous period.

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

In the EC segment, capital expenditure in the six months ended June 30, 2021 were mainly made in the core businesses of transmission control and engine control units in the area of production. Compared to the six months ended June 30, 2020 capital expenditure in non-core business decreased.

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

In the ET segment, capital expenditure in the six months ended June 30, 2021 were mainly made of building up production capacity for the new generations of high voltage power electronics, 48V drive systems and high voltage axle drive systems.

In the ET segment in the fiscal year 2020, the focus of capital expenditure was on building up production capacity in the field of high voltage electronics and on a new generation of high voltage axle drive systems. Total capital expenditure slightly increased compared to the previous year.

In the S&A segment, in the six months ended June 30, 2021 the main capital expenditure were made in the product line "Transmission & Engine Sensors" and in the product line "Actuators". Capital expenditure in the product line "Fluid Control Systems" are on the same level like in the first six months ended June 30, 2020.

In the S&A segment in the fiscal year 2020, the main capital expenditure were made in the product line "Transmission & Engine Sensors" and in the product line "Actuators". Capital expenditure in the product line "Fluid Control Systems" significantly decreased compared to the previous fiscal year.

In the CM segment, in the six months ended June 30, 2021 capital expenditure significantly decreased compared to the six months ended June 30, 2020. This decrease was due to the fact that the segment CM merely executes existing manufacturing orders on behalf of the Continental Group, while the Continental Group implements capital expenditure for new orders from end customers at its own manufacturing sites.

In the CM segment in the fiscal year 2020, capital expenditure significantly decreased compared to the fiscal year 2019. This decrease was due to the fact that CM merely executes existing manufacturing orders on behalf of the Continental Group, while the Continental Group implements capital expenditure for new orders from end customers at its own manufacturing sites.

### *7.9.11 Contingent Liabilities and Other Financial Obligations*

The table below sets out the Group's contingent liabilities and commitments as of June 30, 2021 and as of December 31, 2020, 2019, and 2018:

| | Six Months ended June 30, | Fiscal Year ended December 31, | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 |
| | (Unaudited) | | (Audited) | |
| | (€ million) | | | |
| Liabilities on guarantees | 0.0 | — | 0.2 | — |
| Liabilities on warranties | 7.8 | 4.3 | 10.7 | 5.1 |
| Risks from taxation and customs | 0.2 | 0.8 | 2.4 | 3.2 |
| Other contingent liabilities | 0.4 | 0.1 | 1.0 | 0.1 |
| **Contingent liabilities and other financial obligations** | **8.4** | **5.2** | **14.3** | **8.4** |

Contingent liabilities relate to guarantees for the liabilities of affiliated companies and third parties not included in combination and to contractual warranties.

## 7.10 Quantitative and Qualitative Disclosure on Market Risk and Other Financial Risk

### *7.10.1 Overview*

Market fluctuations may result in cash flow and earnings volatility risk for Vitesco Technologies. Vitesco Technologies' worldwide operating business as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and commodity prices. Also, the Group is exposed to default (credit) and liquidity risk. Until the Spin-off, Vitesco Technologies is part of the intragroup financing of Continental Group and thus adheres to Continental Group financial risk management policies. After the Spin-off, Vitesco Technologies will seek to manage and control these risks primarily through its regular operating activities and derivative instruments when deemed appropriate.

### 7.10.2 Foreign Currency Exchange Rate Risk

The international nature of the business activities of Vitesco Technologies 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, only derivative instruments that have been defined in group-wide policies and can be reported and measured in the risk management system are considered acceptable. Financial instruments that do not meet these criteria are generally not permitted. 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-group transactions by the Group's subsidiaries worldwide. A natural hedge approach for reducing currency risks has been pursued, 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 forecasted. In addition to operational foreign-currency risk, currency risks also result from the 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. These currency risks are generally hedged against through the use of derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps.

Many Vitesco Technologies entities are located outside the Eurozone. Since the financial reporting currency of Vitesco Technologies is the euro, the financial statements of these subsidiaries are translated into euro for the preparation of the Annual Combined Financial Statements and Interim Combined Financial Statements. To consider the effects of foreign exchange translation in risk management, the general assumption is that investments in foreign-based operations are permanent and that reinvestment is continuous. The Group's net foreign investments are, as a rule, not hedged against exchange-rate fluctuations. Effects from foreign currency exchange rate fluctuations on the translation of net asset amounts into euro are reflected in the line item total equity in the Annual Combined Financial Statements and Interim Combined Financial Statements.

### 7.10.3 Interest Rate Risk

Vitesco Technologies' exposure to the risk of changes in market interest rates relates historically primarily to short-term bank loans and borrowings and investments at Continental Group. No significant long-term financial obligations besides lease obligations or interest-bearing investments exist before Spin-off. Vitesco Technologies has historically been mainly financed by Continental Group. Variable interest agreements 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 Vitesco Technologies' 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 Group's interest-bearing net indebtedness is the subject of these activities. Interest-rate hedges serve exclusively to manage identified interest-rate risks. The 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.

The management of the interest rate risk was handled at the level of Continental Group. Consequently, until the Spin-off, there was no need for Vitesco Technologies to actively manage its interest rate risk by entering into any interest rate derivative contracts. Going forward, Vitesco Technologies intends to hedge interest rate risks partially if commercially appropriate.

### 7.10.4 Interest and Share Price Risks from Pension Plans

Interest and share price risks have an effect on pension liabilities and the associated pension plan assets, as decreasing interest rates result in increasing pension liabilities and lower interest income from new investments (combined with positive effects on the market value of existing investments in interest bearing securities). In addition to interest bearing investments, the plan assets especially include equity instruments such as shares and equity funds which are subject to the market fluctuations on the capital markets.

### *7.10.5 Commodity Price Risk*

In the ordinary course of business, Vitesco Technologies' operations expose it to various commodity price risks. Commodity price risk fluctuations may result in unwanted and unpredictable earnings and cash flow volatility. Vitesco Technologies employs various strategies to mitigate or eliminate certain of those exposures.

### *7.10.6 Default Risk (Credit Risk)*

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, such as a consequence of the financial crisis and the global downturn. 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 Group held no collateral as at December 31, 2020, as in prior years. 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.

The effective monitoring and controlling of default risk is and will be an integral part of the risk management system of Vitesco Technologies.

### *7.10.7 Liquidity Risk*

Liquidity risk results from Vitesco Technologies' potential inability to meet its financial liabilities, in particular paying its suppliers, employees and banks. In order to monitor and control liquidity risk, Vitesco Technologies performs working capital management. Cost-effective, adequate financing is necessary for the subsidiaries' operating business. Vitesco Technologies Group is largely financed by Continental Group, through equity, loans and central financing, and invests excess liquidity with Continental AG or its subsidiaries. This includes integration into Continental Group's cash pooling and cash management system. A liquidity forecast is therefore prepared by central cash management of Continental AG on a regular basis. Upon effectiveness of the Spin-off, Vitesco Technologies will be financed mainly by the utilization of available liquidity as well as bank loans and drawing on syndicated credit facilities provided by an international syndicate of banks. The loan volume, the structure of the credit facility and the term of the loan have been determined to ensure that Vitesco Technologies has access to sufficient financing in the midterm in accordance with its business planning and has adequate flexibility in repaying its financial obligations.

## 7.11 Accounting Pronouncements and Critical Accounting Policies

Proper and complete preparation of the Annual Combined Financial Statements and Interim Combined Financial Statements requires management to make estimates and assumptions. These estimates and assumptions affect the assets, liabilities and disclosures in the notes, as well as the income and expenses for the period.

The most important estimates relate to the determination of the useful lives of intangible assets and property, plant and equipment; the impairment testing of goodwill and non-current assets, in particular the underlying cash flow forecasts and discount rates; the recoverability of amounts receivable and other assets as well as income tax receivable; the financial modeling parameters for long-term incentive plans; the recognition and measurement of liabilities and provisions, especially the actuarial parameters for pensions and other post-employment obligations; and the probabilities of claims and amounts of settlements for warranty, litigation or environmental risks.

The assumptions and estimates for the reporting period are based on the information currently available at the date of preparation of the Annual Combined Financial Statements and Interim Combined Financial Statements. The underlying information is regularly reviewed and updated to reflect actual developments as necessary.

The estimates in accordance with the basis of preparation made in the Annual Combined Financial Statements and Interim Combined Financial Statements are consistent with estimates made for the same date in accordance with the IFRS reporting requirements as part of the consolidation group of Continental AG. Where there is objective evidence that those estimates are not in accordance with IFRS on a stand-alone basis, additional assumptions and estimates have been made. The corresponding areas with significant estimates and assumptions are disclosed.

Material accounting judgments were made with regards to taxes, leasing, restructuring and assessment of principal agent accounting for sales revenues. For more information, please refer to the Annual Combined Financial Statements, in particular note 4 – Aggregation of the Significant Accounting Principles.

### 7.12 Additional Information relating to the Audited Standalone Financial Statements of the Company prepared in accordance with HGB (*Handelsgesetzbuch*) as of and for the fiscal year ended December 31, 2020

The Company does not engage in business activities prior to the Spin-off taking effect. Therefore, it has not yet generated any income. In the fiscal year 2020, the distributable loss (*Bilanzverlust*) as shown in the Company's audited unconsolidated financial statements 2020 amounted to €11,766.5. As of December 31, 2020, the total assets and liabilities as shown in the Company's audited unconsolidated financial statements 2020 amounted to €48,233.5. For additional information on the Company's audited unconsolidated financial statements 2020, see "*19 Financial information*".

# 8. MARKETS AND COMPETITION

## 8.1 Light Vehicle Powertrain Market

Vitesco Technologies is active in the automotive powertrain industry mainly for light vehicle on-road applications. The Group is one of the global leading Tier-1 powertrain suppliers with particular focus on electronics and electrification technologies as well as on sensors and actuators. In addition to the light vehicle powertrain market, Vitesco Technologies offers products for powertrains of two-wheelers, other on-road (e.g. medium and heavy duty trucks, buses), recreational and off-road (e.g. agriculture, construction) vehicles as well as non-powertrain related products (see "*8.5 Adjacent Markets addressed by Vitesco Technologies*"). Such products are mainly derived from Vitesco Technologies' product portfolio for light vehicle powertrains.

### *8.1.1 General Automotive Market*

The powertrain market is a part of the automotive market. The automotive industry deals with the design, development, manufacturing, marketing and selling of motor vehicles. The term powertrain refers to the entire system of a vehicle that generates and transmits power to the wheels. It typically includes energy storage, transformation of the energy carrier into mechanical energy via a motor and transmission to the axles of the vehicle.

The on-road vehicle markets of the automotive industry are typically grouped into the following segments: light-duty (or light) vehicles, medium-duty (or medium) vehicles and heavy-duty (or heavy) vehicles. Through its business units, the Group primarily serves the global on-road light vehicle segment, consisting of vehicles with a weight up to six metric tons such as passenger vehicles or light commercial vehicles. In addition, the Group serves adjacent markets mostly carrying over products to other applications such as on-road medium and heavy commercial vehicles with a weight over six metric tons, busses, 2/3-wheelers (e.g. motorcycles) and other smaller vehicle types (e.g. quads) or off-road applications (e.g. snowmobiles, marine, construction, agriculture).

In the automotive market parts are either used for series production of new vehicles at OEMs or as replacement parts. They are either distributed via OEMs and their service dealer network or via the independent aftermarket market (***IAM***).

### *8.1.2 Value Chain in the Powertrain Market*

OEMs such as Daimler Group, Ford Group, General Motors Group, Hyundai Motor Group, Renault-Nissan-Mitsubishi, Stellantis Group, and Volkswagen Group and others develop, produce and sell light vehicles. They typically offer a range of vehicle nameplates (also referred to as "brands" or "models") which represent various vehicle types and styles demanded by consumers and other end-customers (such as new mobility providers or fleet owners, rental companies, leasing companies). Technically, several nameplates usually are based on a common vehicle platform with common components and powertrain variants.

OEMs typically develop and assemble powertrain systems in-house and purchase various powertrain components or sub-systems from suppliers such as Vitesco Technologies, Robert Bosch GmbH, Denso Corporation, Magna International Incorporated, Valeo SA, ZF Friedrichshafen AG and others. Suppliers develop components and systems according to contract requirements specified by the OEM. Usually they develop a base product and derive specific variants for OEMs. Supplier relationships typically include a two to three-year development phase, several years of series delivery and up to 15 years of spare part supply after the end of serial production.

OEMs apply different value chain strategies following individual strategic, commercial and technical considerations, for instance a traditional long-established OEM might prefer to source single components and integrate them in-house whereas an emerging OEM might prefer to buy entire subsystems.

Suppliers are typically categorized according to their position in the value chain:

- Tier-1 suppliers ("Tier-1 suppliers") sell their products directly to OEMs. Products can range from small single components to entire sub-assemblies or systems which may integrate components from Tier-2 suppliers. Examples: injectors, engine control units, sensors, actuators.
- Tier-2 suppliers ("Tier-2 suppliers") typically produce smaller components, often integrating products from Tier-3 suppliers. Examples: semiconductors, transmission control units actuators.

- Tier-3 and Tier-4 suppliers (and other suppliers): depending on the complexity of the value chain, additional suppliers are involved, e.g. raw material suppliers.

In general, the complexity of subsystems tends to increase on higher integration levels in the value chain (i.e. closer to the OEM). Suppliers may serve different OEMs with the same product in a different Tier position. For instance, a transmission control unit might be sold directly to an OEM with in-house production of transmissions and at the same time to a Tier-1 transmission supplier.

Vitesco Technologies is a Tier-1 supplier for most of its products and systems. A small portion of the Group's products is sold as Tier-2 supplier to other Tier-1 suppliers.

#### *8.1.3 Powertrain Types*

Powertrains can be grouped into the following types (source: Roland Berger, Powertrain market):

- Internal combustion engine (ICE) vehicles use conventional fuels (e.g. gasoline, diesel, biofuels) as energy carrier and create propulsion exclusively via internal combustion.
- Mild hybrid electric vehicles (MHEVs): A low-voltage (mostly 48V) electric machine supplements the ICE and allows to reduce fuel consumption and, if also equipped with the relevant system components, reduce pollutant emissions. Electric energy is stored in a battery which is charged either via energy recuperation or via the combustion engine, but not externally. Electric power is typically within the range of 8-30kW, based on Vitesco Technologies information.
- Full hybrid electric vehicles (***FHEVs***): A high voltage electric machine supplements the ICE and often allows pure electric driving for short distances. Due to the higher power of the electric machine, fuel saving potential is higher than in a MHEV. Electric energy is stored in a battery which is charged either via energy recuperation or via the combustion engine, but not externally. Primarily used by Japanese OEMs with a different architecture compared to other types of powertrains (and hence limited market potential for Vitesco Technologies) and limited technological advances expected in the future (source: Roland Berger, Powertrain market). Electric power is typically within the range of 40-80kW.
- Plug-in hybrid electric vehicles (PHEVs): A high voltage electric machine supplements the ICE and allows pure electric driving for medium distances (typically >50 km). Electric energy is stored in a battery which is mainly charged externally and ICE is often used for range extension. Higher shares of pure electric driving allow significantly higher fuel savings than FHEVs. Electric power is typically within the range of 40-110 kW, based on Vitesco Technologies information.
- Battery electric vehicles (BEVs) create propulsion exclusively via a high voltage electric machine. Electric energy is used as energy carrier, which is stored in an externally chargeable battery. Electric power is typically from 50 kW to above 250 kW, based on Vitesco Technologies information.
- Fuel cell electric vehicles (***FCEVs***) use hydrogen as energy source, which is transformed into electric energy in a fuel cell. Propulsion is exclusively created via a high voltage full electric drive similar to BEVs.

### 8.2 Market Drivers

Demand for specific types of propulsion systems is influenced by several market-specific factors. The most relevant are the demand for new light vehicles, changes to regulatory frameworks, the technology strategy of OEMs and consumer preferences.

#### *8.2.1 Demand for new light vehicles: Increasing mobility in emerging markets*

The global demand for light vehicles drives the demand for powertrains, their sub-systems and components. The macroeconomic factors that impact demand for vehicles include general economic conditions, levels of employment, interest rates, inflation, prevailing wages, levels of disposable income, population growth, demographic trends, fuel prices, availability and cost of financing facilities and level of industrialization. In general, OEM demand for automotive components and systems follows overall global vehicle production volumes.

Developed markets (e.g. U.S.A., EU, Japan) are generally saturated and vehicle production mostly serves the replacement of old vehicles. Growth of the global demand for light vehicles is expected to be mainly driven by emerging markets (e.g. China, India).

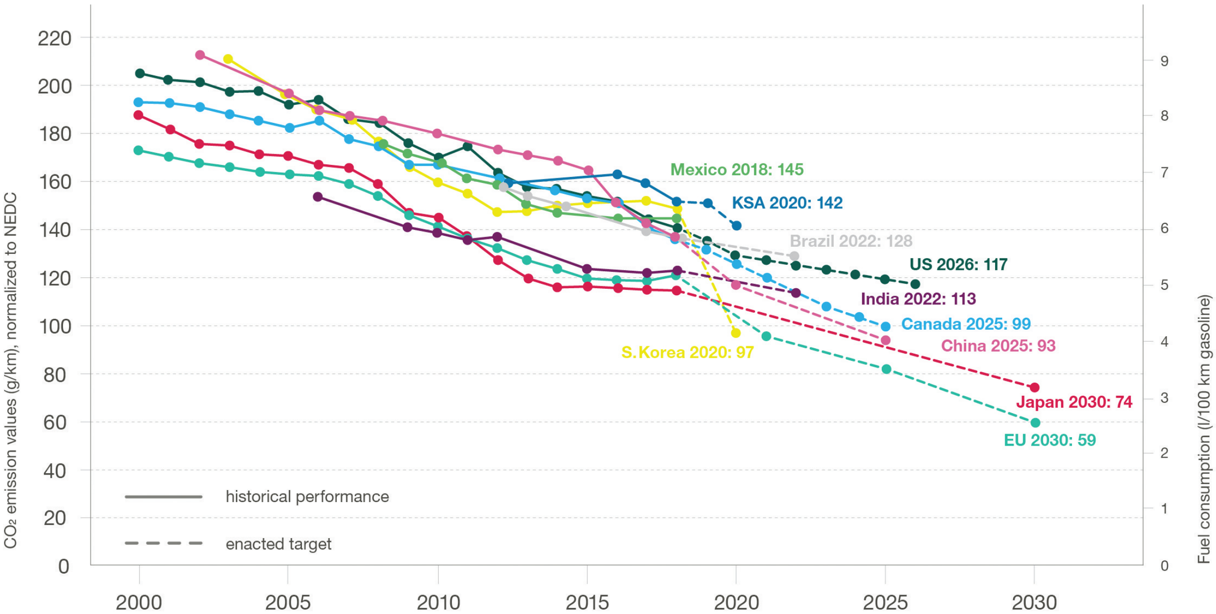
### *8.2.2 Regulatory Frameworks: More stringent climate, environment & health regulations*

Two areas of regulations have major influence on powertrain technology:

a. $CO_2$ fleet emission regulations (alternatively stated as fuel economy or fuel consumption) have been introduced in a number of regions to lower $CO_2$ emissions. They usually mandate OEMs to achieve a certain fleet average for their new vehicles, but do not limit $CO_2$ emissions of an individual vehicle. Non-compliance may lead to significant penalties under the regulation, e.g. the EU penalizes exceedance of the fleet target with a payment of €95 per gram per passenger car (e.g. if an OEM selling 1 million cars exceeds its fleet average target by 10g $CO_2$/km it faces a penalty of €950 million). The chart below "Passenger car $CO_2$ emission and fuel consumption values, normalized to NEDC" shows the $CO_2$ emission targets of various regions that have been consistently made stricter.

b. Pollutant emission regulations limit the emission of substances which are considered hazardous to human health and/or are harmful to environment even in comparatively small quantities. Examples of such substances are hydrocarbons (***HC***), carbon monoxide (***CO***), nitrogen oxide ($NO_x$) or particulate matter (PM). Pollutant emission regulations typically apply for every individual vehicle. During vehicle type approval the OEM usually has to proof compliance with mandatory minimum standards in a defined test procedure. Vehicles exceeding this minimum standard cannot be sold. Pollutant emissions are measured on chassis dynamometers. Real driving emission (***RDE***) tests have been added recently augmenting these existing tests. Scope, testing limits and boundary conditions of RDE tests will also become stricter.

**Passenger car $CO_2$ emissions and fuel consumption values, normalized to NEDC**




(1) Subsumes light commercial vehicles and passenger cars – Forecast until 2027 purely based on IHS Markit, thereafter growth (CAGR) is extrapolated based on region and powertrain type

(2) Europe defined according to IHS Markit (EU27, Belarus, Bosnia-Herzegovina, Kazakhstan, Serbia, Turkey, Ukraine, UK, Uzbekistan)

Source: ICCT, "Passenger car $CO_2$ emissions and fuel consumption, normalized to NEDC", update May 2020.

Within the $CO_2$ fleet emission target regulations for OEMs there are credits or other schemes defined for BEVs and/or PHEVs that contribute to fulfilling the target. In addition to the fleet targets, mandatory quotas for so-called "zero emission vehicles" (***ZEV***) are defined in some regulations such as the ZEV program by California Air Resources Board.

Introduction of $CO_2$ fleet emission regulation reflects the goal to lower greenhouse gas emission as agreed in the Kyoto Protocol, the Paris Agreement or similar treaties and/or regulations. Pollutant emission regulations are driven by international or national standards or recommendations on air quality, as issued by the World Health Organization or others and implemented in national law (e.g. EU's clean air directive and its national implementations).

Most worldwide regulations currently follow the regulations and their underlying framework of procedures set up by regulatory bodies of three lead regions, namely U.S.A./California (e.g. California LEV III, Federal Tier 3 or CAFE standards), the EU (e.g. Euro6 and Euro7) and Japan. China typically adopts parts of these lead regions' regulations and is typically on a similar stringency level. The process of developing a successive regulation usually takes several years and is subject to influences like updated health or environmental standards as stated above, available or newly introduced technologies (e.g. portable measurement equipment used for RDE) as well as new opinions or trends in society and politics. Often, underlying methodologies and procedures are modified or added in this process. The introduction of a successive regulation typically considers a lead time for the automotive and other industries to adopt to the changing regulatory environment.

Regulatory frameworks primarily target to influence the available offerings of new vehicles in the market in favor of "low emission vehicles", meaning variants with low pollutant emissions and/or low $CO_2$ emissions. In the course of the latest regulations, limits for pollutants got more stringent and more pollutant substances were added to the frameworks. The discussion to tighten regulation is ongoing, for example in the EU and in the U.S.A. under the Biden administration.

Local regulations and incentives

Apart from the major regulations stated above, regulatory bodies on subordinate levels (such as state, provincial or city level) are influencing the demand of low emission vehicles via additional measures, such as:

- Direct or indirect subsidies for the purchase of low emission vehicles;
- Taxation or duty schemes promoting purchase, ownership or usage of low emission vehicles;
- Fuel and energy taxation or duty schemes;
- Scrappage / replacement schemes for old vehicles;
- Entry restriction schemes in cities;
- Various non-monetary privileges (e.g. exemption from license plate lottery / auction, exemption from pollution-related bans, toll road rebates, high occupancy vehicle or bus lane access, electrified vehicle specific speed limits, parking privileges);
- Investments in infrastructure (e.g. charging).

### *8.2.3 OEMs Technology Strategy: Electrification*

In order to comply with above mentioned regulations and meet the customers' demands OEMs typically apply the following strategies:

a. Optimize the combustion process to achieve a higher efficiency and avoid emissions.

b. Filter or convert pollutants in the exhaust gases via aftertreatment.

c. Modify/apply propulsion technologies (e.g. electrification of powertrain) with best fit to regulatory environment, infrastructure and demand.

Until recently, most regulatory targets and limits could be achieved via combustion optimization and exhaust aftertreatment only. In light of more stringent targets and limits, these measures will not be sufficient in the future, specifically for $CO_2$ emissions. The prevailing current strategy amongst OEMs is to electrify the powertrain system, meaning equipping the vehicle with an electric drive which either supplements the ICE ("hybrid vehicle") or propels the vehicle purely electric ("electric vehicle").

Examples for alternatives to electrification are so called alternative or synthetic fuels (e.g. ethanol or other bio fuels, e-fuels, hydrogen) that are considered $CO_2$-neutral. High cost and other disadvantages (e.g. lack of availability or food vs. fuel discussion for bio fuels) have so far hindered a successful market introduction, but most importantly, since the $CO_2$ saving is realized during the fuel production, it is typically not accounted for in the prevailingly tank-to-wheel-based accounting principle of the OEM $CO_2$ fleet emission target of most regulations.

As the accounting of BEVs is typically 0g $CO_2$/km and accounting procedures allow for PHEVs typically to achieve less than 50g $CO_2$/km electrification and in particular BEVs and PHEVs are considered to be key technologies to comply with the regulatory targets.

To address the upcoming changes OEMs are likely to allocate a significant amount of investments to electrification, it is estimated that the amount of investments by OEMs in electric mobility by 2030 will be over US$300 billion (source: Boston Consulting Group, "Who will drive electric cars to the tipping point?", January 2020).

Although electrification initially incurs higher cost of powertrains, it is considered to be the most effective means to comply with the $CO_2$ emission regulations:

As non-compliance is often penalized it also entails major reputational risks and is often not considered a viable option by OEMs.

Initial high electrification cost has been already reduced (partly driven by lower battery prices) and is expected to go further down (source: Roland Berger, Powertrain market). Hybrid and electric vehicle and powertrain designs have substantially been optimized in cost and performance versus their previous generations. The designs are also targeted to better leverage scale effects across vehicle and powertrain platforms with higher overall volumes. These efforts are supported by advances in battery cost and performance. Higher number of electric vehicle model offerings will contribute to increase overall volumes.

### *8.2.4 Consumer preferences: Trend towards electrified powertrains*

The buying decision for a vehicle and specifically the decision for a powertrain option depends on a number of factors, that may include price for powertrain options, availability and price of fuel/energy, incentives for various powertrain options, powertrain characteristics (e.g. power, range, refueling or recharging time), potential usage restrictions (e.g. related to city entry restriction) today and expectations for the future as well as usage patterns and personal preferences of the buyer. In addition, intangible factors like a positive, environmentally friendly image or extensive media presence of BEVs and PHEVs influence the demand for e-mobility.

Among other studies, a Roland Berger survey showed that on average around 40% of customers globally are considering buying a battery electric vehicle as their next car (source: Roland Berger, Powertrain market). In China the share is around 60%. In major European countries the share is at least 25% (Belgium, Germany and UK) or higher: in France and the Netherlands the share is 30%, in Sweden 35%, Italy 40%, Spain 55% (source: Roland Berger, Powertrain market). Willingness of U.S. end-customers to purchase electric vehicles is significantly below the international average at only around 25%. (source: Roland Berger, Powertrain market). Roland Berger analysis indicated that key reasons for customers to buy an electric vehicle are suitability for the typical ranges, tax advantages and ability to replace public transport trips (Roland Berger, Powertrain market outlook 2030).

#### *8.2.4.1 Improved offerings of electric vehicles*

The performance of electric vehicles in terms of range and charging time has increased significantly over the last years. Meeting the demands and driving profiles of a broader group of potential buyers is expected to raise demand for BEVs. It is therefore targeted that the average range of a BEV will increase to around 500km, from the current average range of BEVs of 352km (source: Autobild, "E-Autos und deren Reichweite: Reichweitenangst, aufladen, liegenbleiben", January 2021, 352km represents average range of BEV based on expert analysis in 2020, >50% of current BEV with range of 200-400km and >25% with range of >400km). For recharging the battery to 80% the targeted charging time is 10 min using a 150kW charging infrastructur, compared to the current status of 20–30 minutes, based on Audi e-tron 55 quattro as an illustrative example, which has an average range of approximately 365km and completes approximately 80-100% of charging in 20-30 minutes (source: ADAC, "Elektroautos auf der Langstrecke: Wie kann das funktionieren?", February 2020, ADAC, "Audi e-tron quattro: So gut ist der Elektro-SUV", January 2021). In addition, prices are becoming more affordable meeting the budget of a broader consumer group. As an illustrative example comparing the price of a gasoline vehicle to a comparable electric vehicle, the price of a Golf VIII 1.5 eTSI (110kW, assuming 16% VAT) is approximately €29,700 as of July 2020, compared to approximately €31,900 for the price of the e-Golf VII (100kW, assuming 16% VAT) as of July 2020 and prior to subsidies (source: ADAC, "Kostenvergleich Elektro, Benzin oder Diesel: Lohnt es sich umzusteigen?", July 2020). Comparing the same two vehicles of the previous example, the total cost of ownership of the gasoline vehicle is 47.6 cents/km, compared to 52.8 cents/km for the electric vehicle, based on purchase price, average costs for repair, gasoline/electricity and tax, assuming ownership period of 5 years with 15,000km annual mileage (source: ADAC, "Kostenvergleich Elektro, Benzin oder Diesel: Lohnt es sich umzusteigen?", July 2020). Considering available subsidies, e.g. in Germany, for BEV, the purchase price as well as the cost of ownership of a BEV may be reduced to below the cost for a comparable gasoline vehicle.

According to IHS Markit forecast, the number of BEV and PHEV passenger car models (indicated by global nameplate) produced by OEMs in the region Europe is expected to grow to slightly above the number of ICE models (incl. stop/start and micro hybrids below 48V) in 2025, with the proportion of available BEV and PHEV models expected to be around 1:1. (source: IHS Markit, Light Vehicle Powertrain Forecast, February 2021). In addition, experts estimate that over 300 battery electric and plug-in hybrid models will have been brought to market by OEMs by 2023 (source: Boston Consulting Group, "Why Electric Cars Can't Come Fast Enough", April 2021).

#### *8.2.4.2 Changes in ICE driven vehicle offerings*

In sales markets with stringent $CO_2$ fleet emission regulations, ICE powered vehicle offerings are currently fully or partially replaced by hybrids at a model change or upgrade. Such replacements typically start at the top end of OEMs offerings and may be bundled with other, attractive offering options, such as vehicle model, engine power or automated transmission. Advantages of the combustion engine remain and buyers obtain additional benefits in regard to fuel economy and comfort.

The scale and timing of such replacements depend on the OEM strategy to meet the $CO_2$ fleet targets, see "*8.2.2 Regulatory Frameworks: More stringent climate, environment & health regulations*" regarding tightening targets in many countries globally. As a result, the hybridization trend is starting in the higher price segment and is expected to expand to less expensive models.

#### *8.2.4.3 Charging infrastructure*

Availability and performance of charging infrastructure for BEVs and PHEVs is generally considered an important factor for e-mobility. In this context numerous standards have been set up to cover different aspects for charging, such as power-levels, connectors, car/electric vehicle supply equipment communication schemes and standards related to distribution and sale of electrical energy for the charging infrastructure. These measures are supplemented by other measures (e.g. related to building regulations) to further accelerate the development of a charging infrastructure. Energy suppliers, OEMs and others have already made substantial investments into building up a charging infrastructure often supported by public funding.

There are several announcements (e.g. by governments, OEMs, charging infrastructure companies) or ongoing activities (e.g. IONITY, Electrify America) to further expand the charging infrastructure specifically in the U.S.A., EU, Japan and China therefore further growth of charging infrastructure over the next years can be expected. The density of charging infrastructure has increased significantly in numerous countries, multiplying by 3.4x in China, 1.3x in the U.S.A. and 2.1x in Germany between January 2017 and January 2020 (source: Roland Berger, Powertrain market). Depending on the specific region and possibility for home charging, 5-10 BEV/PHEV per public charging station is considered a target (source: Roland Berger, Powertrain market).

### 8.3 Market Outlook

The powertrain market is described by three defining factors:

a. The number of new light vehicles which is globally demanded and therefore produced. It is mainly influenced by the market driver "demand for light vehicles".

b. The mix of powertrain types and their shares in the market. It is mainly influenced by the market drivers "regulation" and "consumer preferences".

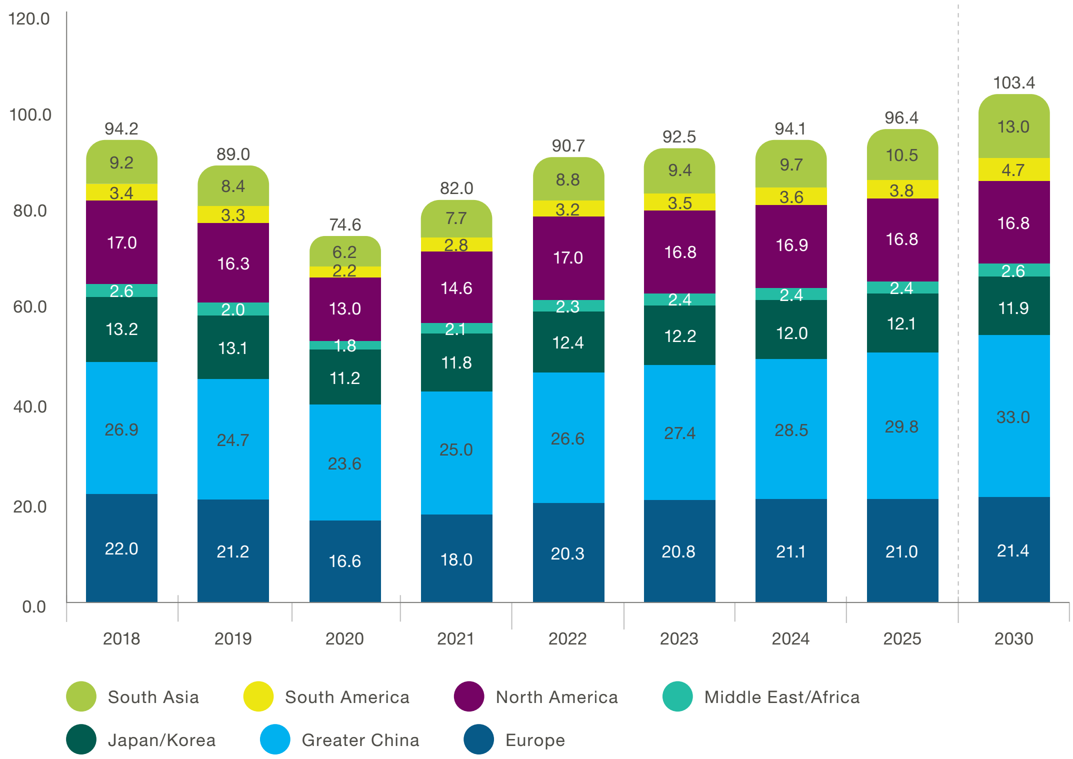
c. The value of the powertrain types, described by the CPV. It represents cost for the end-consumer and OEM and a business opportunity for a supplier/manufacturer. It is mainly influenced by the market driver "technology", but also by scale, thus "demand", "regulation" and "consumer preferences".

### 8.3.1 *Global light vehicle production*

According to IHS Markit (source: IHS Markit, Light Vehicle Production Forecast, July 2021), 74.6 million light vehicles were produced globally in 2020. Globally production contracted on average by 11.0% annually from 2018 to 2020, 94.2 million and 89.0 million light vehicles were produced in 2018 and 2019, respectively. Regionally, Europe contracted by 13.2%, Asia by 8.9% and North America by 12.4% compound annual growth rate (***CAGR***) 2018-2020, respectively, also based on IHS Markit data.

From 2020 to 2025, global light vehicle production is expected to increase at a CAGR of 5.3% and amount to 96.4 million light vehicles and from 2025 to 2030, global light vehicle production is expected to increase at a CAGR of 1.4% and amount to 103.4 million light vehicles (source: IHS Markit, IHS Light Vehicle Production Forecast, July 2021).

**Global light vehicle production by region (million units)**




Source: IHS Markit, Light Vehicle Production Forecast, July 2021.

The Roland Berger (source: Roland Berger, Powertrain market) analysis provided in this section is based on IHS Markit data (IHS Markit, Light Vehicle Powertrain Forecast, October 2020) until 2025 with a proprietary Roland Berger forecast for 2030 of 103.3 million vehicles. The table below provides a comparison of the IHS Markit estimates of global light vehicle production as of July 2021 and the related data as of October 2020. The forecasts of July 2021 are mostly in line with previous estimates as of October 2020. Most notable mid term improvement (up to 2025) include an increased outlook especially for Greater China, South Asia and North America, with only a slightly better outlook for Europe. The forecast for 2021 reflects the hit of the market by the semiconductor chip shortage, especially in Europe (decrease of 4.8%) and in North America (decrease of 8.0%), with improvements expected in 2022. The long-term perspective is slightly more optimistic across Europe, Greater China and North America. Given recent events and volatility in the markets, including due to the semiconductor shortage, Vitesco Technologies cannot exclude that the light vehicle production in 2021 and 2022 will materially differ from the forecasts of July 2021.

**Comparison of IHS Markit forecasts as of October 2020 and July 2021**

| Δ Oct 2020 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Europe | 1.2% | -4.8% | 1.6% | 1.8% | 2.4% | 0.9% |
| Greater China | 3.3% | 3.3% | 4.9% | 3.3% | 2.6% | 2.5% |
| Japan/Korea | 1.1% | -0.2% | 3.2% | 0.2% | -2.1% | -1.4% |
| Middle East/Africa | 5.6% | 7.3% | 9.7% | 11.3% | -0.1% | -2.7% |
| North America | 0.2% | -8.0% | 4.4% | 4.0% | 4.0% | 3.2% |
| South America | -2.2% | -6.3% | -2.8% | 0.0% | -2.7% | -0.1% |
| South Asia | 7.5% | 5.2% | 7.8% | 4.9% | 3.9% | 5.4% |

Note: positive percentage means July 2021 forecast above October 2020 forecast.

Source: IHS Markit, Light Vehicle Production Forecast, July 2021.

### *8.3.2 Market Structure (Powertrain Mix) Development*

In 2020, roughly 40% of global light vehicle volume was sold in the three regulatory lead regions namely U.S.A. (19%), EU (15%) and Japan (6%). China with a share of 31% of global light vehicle sales has enacted/planned pollutant and fuel economy regulations at a similar stringency level as the lead regions (source sales shares: IHS Markit, Light Vehicles Sales Forecast, June 2021). The regulatory push is expected to drive these sales markets, reflecting more than two thirds of the global sales volume, towards electrification, thereby impacting the powertrain mix sold in these markets. Even with the current uncertainties in the global economy due to the COVID-19 Pandemic impact on light vehicle production volume forecasts, this structural change in the powertrain mix is a relatively stable fundamental factor. Vitesco Technologies' medium- to long-term growth targets are based on this expected structural change.

The registrations of BEV and PHEV have already gained significant momentum. The number of new PHEV and BEV passenger car registrations in EU, UK and the European Free Trade Association (***EFTA***) have increased by 144% from 2019 to 2020 (source: ACEA, "New Passenger Car Registrations by Fuel Type in the European Union", February 2021 and February 2020).

The planning, design and production of vehicles and powertrains to serve these markets must consider and meet the stringent pollutant and $CO_2$ emission regulations. Since the development of new powertrain and vehicle platforms takes several years, OEMs usually have a multi-year planning for powertrains. Market observers, such as market research companies (e.g. IHS Markit, LMC Automotive) or automotive consulting companies (e.g. FEV consulting, Roland Berger) as well as other automotive powertrain suppliers (e.g. Robert Bosch GmbH, Valeo SA, BorgWarner, Denso Corporation or Schaeffler Technologies AG & Co. KG and its group companies (***Schaeffler Group***)) compile information on these plans across all major OEMs and partially publish forecasts on their estimated resulting market structure and powertrain mix. All major publications forecast a substantial increase of electrified vehicle shares. Based on Roland Berger, Powertrain market, ~40% of all newly produced light vehicles will feature an electric propulsion system by 2025 globally and ~60% by 2030. However, ~90% of all new light vehicles will still feature an ICE (incl. stop/start and mild hybrids <48V) by 2025 globally, so hybrid vehicles will represent an important part of the market (source: Roland Berger, Powertrain market). A further expert analysis assumes even higher penetration rates of electrified powertrains in 2025 and 2030 overall and assumes higher penetration rates in China and Europe (source: Boston Consultung Group, "Why Electric Cars Can't Come Fast Enough", April 2021).

**Light vehicle production forecast(1) by region/powertrain type**


(1) Subsumes light commercial vehicles and passenger cars – Forecast until 2027 purely based on IHS Markit, thereafter growth (CAGR) is extrapolated based on region and powertrain type
(2) Europe defined according to IHS Markit (EU27, Belarus, Bosnia-Herzegovina, Kazakhstan, Serbia, Turkey, Ukraine, UK, Uzbekistan)

Note: Normalized.

Source: Roland Berger, Powertrain market outlook 2030.

Over the next decade, the mentioned market drivers are expected to determine the speed of adoption of electrified powertrain types. In addition, the penetration of electric and hybrid vehicles is expected to vary strongly by region.

### *8.3.3 Content per Vehicle (CPV) Opportunity*

The CPV describes the average value of a set of components contained in a vehicle. Vitesco Technologies' CPV opportunity describes how much content (in €) Vitesco Technologies can potentially contribute per light vehicle on average and is defined as follows:

$$\text{VT CPV Opportunity} = \frac{\text{VT's addressable market (€)}}{\text{underlying volume of vehicles (units)}}$$

The underlying volume of new light vehicles refers to the total number of produced light vehicles of a respective powertrain architecture.

Typically CPV for the same generations of products declines over time due to market pressure and is addressed by suppliers through the offerings of new, more advanced products with same or higher CPV opportunity or increased volumes.

## 8.4 Main Addressable Markets for Vitesco Technologies

The market for new light vehicle powertrains is the main market that Vitesco Technologies addresses with its products. In addition, Vitesco Technologies serves products to other markets as described in chapters "*8.5 Adjacent Markets addressed by Vitesco Technologies*" and "*8.6 Potential Vitesco Technologies Portfolio Extension*". These markets also include products that Vitesco Technologies may serve in the future.

Information in section "*8.4 Main Addressable Markets for Vitesco Technologies*" (and subsections thereof) is based on Roland Berger, Powertrain market, unless stated otherwise.

### *8.4.1 Key markets addressed by Vitesco Technologies' Product Portfolio*

Vitesco Technologies' product portfolio for light vehicles addresses two areas divided by powertrain propulsion type – namely Electrification Solutions and Combustion Solutions. The Electrification Solutions markets include various products typically used in hybrid and fully electrified propulsions (as described below) whereas the Combustion Solutions market includes products that are used in conventional powertrains (mostly electronics, sensors and actuators) as described below.

#### *8.4.1.1 Electrification Solutions*

The Electrification Solutions market addressed by Vitesco Technologies includes powertrain components for hybrid and fully electric propulsion types and is defined by the product groups addressed by Vitesco Technologies in this market: master controllers, high voltage electrification components, 48V electrification components and "electrified ICE" components.

Master controllers as well as water pumps and coolant control flow valves in thermal management systems address all propulsion types. Market segment of master controllers is expected to grow, in particular with higher penetration of BEVs and PHEVs.

High voltage electrification components include direct current / alternating current (***DC/AC***) inverter, electrical axle drives, high voltage boxes (integrated on-board charger and DC/DC converter), standalone OBCs, standalone DC/DC converter, battery management systems and battery junction boxes. The segment is characterized by a combination of high volume growth on the one hand, and of corresponding price reductions due to the increasing economies of scale.

48V technology components include 48V electric drives (including motor and inverter), 48V battery packs and 48V DC/DC converter. All products in the market segment address MHEVs applications. An increasing share of more complex architectures requiring higher power (up to 30 kW) is expected to be a significant driver of the market. Additionally, high power functions (e.g. heating, power steering, advanced driver-assistance systems (***ADAS***)) are expected to increase electrical power consumption.

"Electrified ICE" components include products that are mostly targeting hybrid propulsion types and that are focused on improving ICE efficiency, reducing $CO_2$ and pollutant emissions. The key product areas are active purge pump systems and electrically heated catalyst systems. Growth in the segment is largely expected to be driven by tighter emission standards globally.

#### 8.4.1.2 Combustion Solutions

The Combustion Solutions market addressed by Vitesco Technologies includes powertrain components for hybrid and ICE propulsion types and is defined by the key product groups addressed by Vitesco Technologies in this market: Engine control units (***ECU***s), transmission control units (***TCU***s), exhaust aftertreatment systems, engine sensors and engine actuators. Vitesco Technologies has identified certain ICE technologies as Non-Core ICE Technologies, which will be phased out over time as non-core products, and Vitesco Technologies' addressable Combustion Solutions market does not include the products defined as Non-Core ICE Technologies.

ECUs and TCUs address all hybrid and ICE applications.

Exhaust aftertreatment system components include emissions and exhaust sensors, emissions and exhaust actuators and catalysts (metallic substrates). The products within the segment address all hybrid architectures and ICE vehicles. Market dynamics in the segment is expected to be driven primarily by tighter emissions standards and shift from diesel to gasoline.

Engine sensors and engine actuators address all hybrid and ICE vehicles. The necessity for OEMs to comply with $CO_2$ emissions standards, especially in the EU, are expected to be the main market driver in the segment.

#### 8.4.1.3 Non-Core ICE Technologies

Vitesco Technologies has identified a set of technologies as Non-Core ICE Technologies including fuel injection equipment (injectors, high pressure pumps and fuel rail assemblies), turbochargers, fuel delivery systems and selective catalytic reduction (***SCR***) systems (injectors, tank extraction units).

Based on Vitesco Technologies' assessment, OEMs will most likely significantly reduce or even stop developing new combustion engines in the future. Some already announced their intention to stop ICE production entirely (e.g. General Motors announced that it aspires to eliminate tailpipe emissions from new light-duty vehicles by 2035, BMW announced that its Mini brand is becoming all-electric in the early 2030s, Daimler announced that from 2025 onwards, all newly launched vehicle architectures will be electric-only and Daimler's Smart brand has already converted to a fully electric brand).

Therefore, business related to Non-Core ICE Technologies will be phased out and is therefore not considered as part of the addressable market.

### 8.4.2 Overall Addressable Market Development for Vitesco Technologies

Vitesco Technologies' overall addressable market is defined by the Group's product portfolio for the Electrification Solutions and Combustion Solutions markets for light vehicle powertrains including outsourced and insourced components as OEM decisions to insource/outsource may change over time.

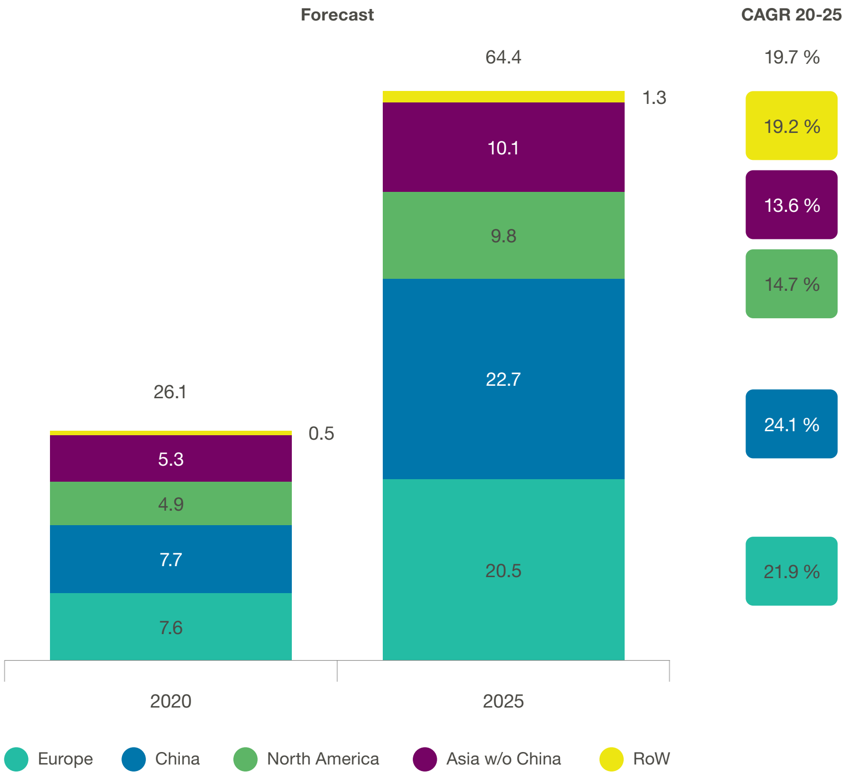
OEMs tend to insource in order to build necessary competence and also due to the pressure to use available resources in development and production to safeguard employment during current personnel over-capacity (which is expected to ease in the future via retirements and external fluctuation). Insourcing is largely focused on system assembly and mechanical components that are close to the respective OEM's competences. At the same time, insourcing is expected to only be done when a special powertrain component or system has high potential for differentiation, e.g. e-machines and integrated axle drives, and the OEM has large scale and high degree of competency. High overall investment requirements in other technologies (e.g. digitization) and continuous cost pressure will likely limit large scale OEM insourcing efforts. In the mid- to long-term, a higher share of outsourcing is expected, given Tier-1 suppliers have the advantage of economies of scale as they are able to bundle volumes from multiple OEMs and have a higher focus on technological optimization. Furthermore, Vitesco Technologies believes it is well positioned for both insourcing and outsourcing trends: the Group is able to offer a complete system to OEMs if they outsource (e.g. complete axle drives) and also offer components or sub-components (e.g. power electronics) to OEMs if they insource. In the long term, European and U.S. OEMs are expected to find economic value in outsourcing to Tier-1 suppliers as most products offered by Vitesco Technologies have low potential for differentiation from competitors for OEMs. Chinese OEMs tend to follow the same trend, but at slower pace and lower insourcing ratio than European/U.S. peers.

Combustion solution products are typically not insourced and no change is expected in the future.

Vitesco Technologies overall addressable market has been estimated by Roland Berger, Powertrain market, at €26.1 billion in 2020 (€26.7 billion in 2019) with Combustion Solutions contributing €13.9 billion and Electrification Solutions contributing €12.2 billion, 53% and 47% of total addressable market, respectively. The Electrification Solutions market value is expected to grow significantly and is expected in terms of absolute market size (incl. OEM captive and OEM JVs) to surpass the value of the Combustion Solutions market in 2021 already. The Electrification Solutions market is expected by Roland Berger, Powertrain market, to grow at a CAGR of 32% between 2020 and 2025, while the Combustion Solutions market is expected to grow at a CAGR of 3% between 2020 and 2025. For 2030, the overall addressable market for Vitesco Technologies is projected by Roland Berger, Powertrain market, to amount to around €80.3 billion, with the Electrification Solutions market accounting for €64.6 billion and the Combustion Solutions market for €15.6 billion.

From a regional perspective, China and Europe are estimated to have the highest market value, with China contributing €7.7 billion and Europe contributing €7.6 billion, 30% and 29% of total addressable market, respectively in 2020. The addressable markets in China and Europe are expected to grow at a CAGR of 24% and 22% between 2020 and 2025, respectively. The market size in North America was estimated at €4.9 billion in 2020 and is expected to grow at a CAGR of 15% between 2020 and 2025. The market size in Asia excluding China was estimated at €5.3 billion in 2020 and is expected to grow at a CAGR of 14% between 2020 and 2025. The market size in the rest of the world was estimated at €0.5 billion in 2020 and is expected to grow at a CAGR of 19% between 2020 and 2025. All estimates in accordance with Roland Berger, Powertrain market.

**VT's overall addressable market by region, 2020-2025 (€ billion, %)**



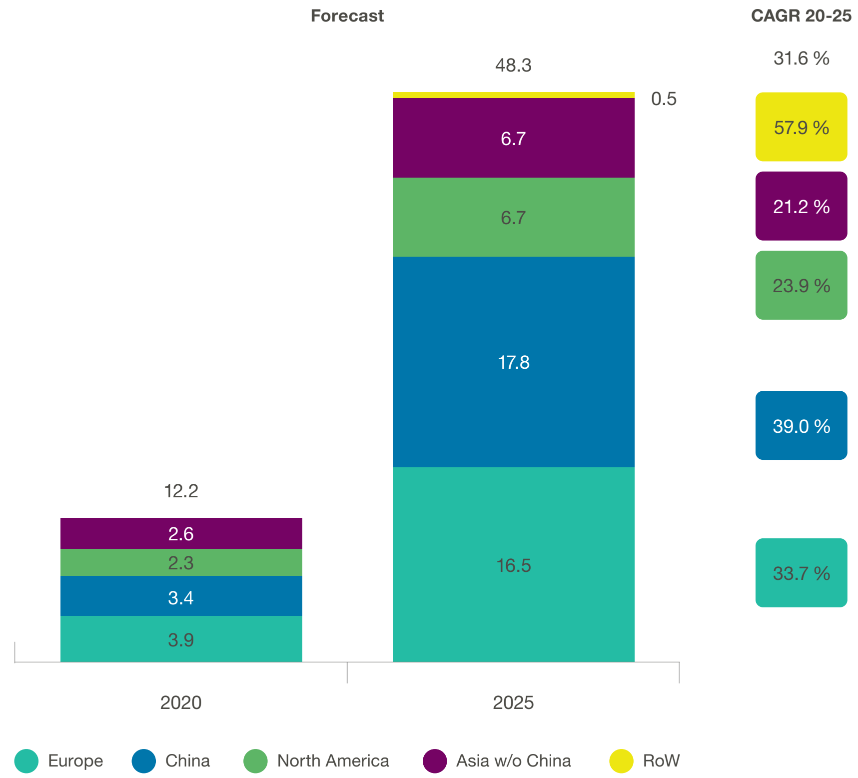

Source: Roland Berger, Powertrain market.

#### *8.4.2.1 Electrification Solutions: Addressable Market & Competitive Landscape*

According to Roland Berger, Powertrain market, Electrification Solutions total addressable market reached €12.2 billion in 2020 and is expected to reach €48.3 billion in 2025 and €64.6 billion in 2030, growing at a CAGR of 32% between 2020 and 2025 and of 6% between 2025 and 2030. Regionally, Europe represents the largest addressable market, market size was estimated at €3.9 billion in 2020 and is expected to grow at a CAGR of 34% between 2020 and 2025 to reach €16.5 billion in 2025. The size of the addressable market in China was estimated at €3.4 billion in 2020 and is expected to grow at a CAGR of 39% between 2020 and 2025 to reach €17.8 billion in 2025 becoming the largest market by 2025. The size of the addressable market in North America was estimated at €2.3 billion in

2020 and is expected to grow at a CAGR of 24% between 2020 and 2025 to reach €6.7 billion in 2025. The size of the addressable market in Asia excluding China was estimated at €2.6 billion in 2020 and is expected to grow at a CAGR of 21% between 2020 and 2025 to reach €6.7 billion in 2025. The size of the addressable market in the rest of the world was estimated at less than €0.1 billion in 2020 and is expected to grow at a CAGR of 58% between 2020 and 2025 to reach €0.5 billion in 2025. All estimates in accordance with Roland Berger, Powertrain market.

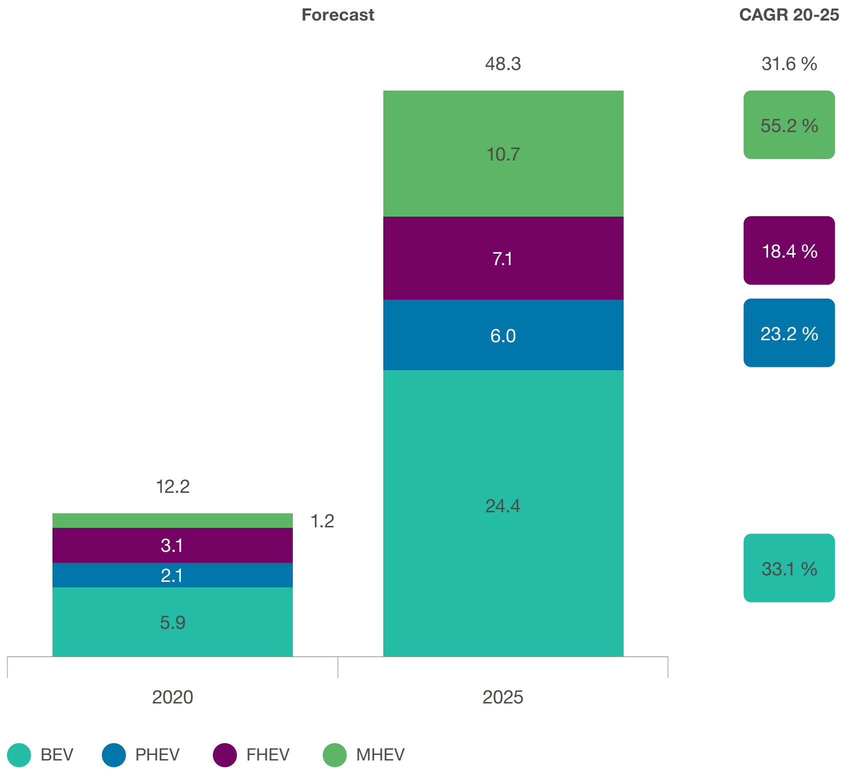
**Electrification Solutions: Addressable market by region, 2020-2025 (€ billion, %)**




Source: Roland Berger, Powertrain market.

By propulsion architecture, BEV represents the largest addressable market, reaching €24.4 billion in 2025 (€33.8 billion) growing at a CAGR of 33% between 2020 and 2025 and of 7% between 2025 and 2030, due to the ongoing shift to electrification and long-term trend toward BEVs, according to Roland Berger, Powertrain market. MHEV (48V) is expected to grow above other market segments from a low base, reaching €10.7 billion in 2025 and growing at a CAGR of 55% between 2020 and 2025. Yet MHEVs are viewed by market participants as a transition technology which is largely limited to Europe and China. The PHEV and FHEV addressable markets are expected to grow at comparatively moderate rates reflecting more limited technology penetration, reaching €6.0 billion and €7.1 billion in 2025 and growing at a CAGR of 23% and 18% between 2020 and 2025, respectively. All estimates in accordance with Roland Berger, Powertrain market,

**Electrification Solutions: Addressable market by propulsion architecture, 2020-2025 (€ billion, %)**




Source: Roland Berger, Powertrain market.

Growth in addressable markets by component type largely reflects development in the respective propulsion architectures. High voltage electrification represents the largest addressable market, reaching €36.2 billion in 2025 compared to €10.6 billion in 2020 (represents CAGR of 28% between 2020 and 2025) according to Roland Berger, Powertrain market, and particularly addresses BEV architecture. Within high voltage electrification, thermal management market is expected to grow at a CAGR of 29% between 2020 and 2025 to €1.5 billion from €0.4 billion. 48V technology represents the fastest growing addressable market, growing from €1.0 billion and reaching €9.6 billion in 2025 (CAGR of 56% between 2020 and 2025), corresponding to the high growth in MHEVs. The "electrified ICE" addressable market is expected to reach €1.5 billion in 2025 growing from €0.3 billion in 2020 at a CAGR of 39% between 2020 and 2025, driven primarily by more stringent emission standards. The master controller addressable market is expected to grow to €1.0 billion in 2025 from €0.3 billion in 2020 (CAGR of 25% between 2020 and 2025), mostly driven by growth in BEVs and FHEVs as these propulsion types have the highest penetration rates. All estimates in accordance with Roland Berger, Powertrain market.

***Competitive landscape***

Within Electrification Solutions, some of Vitesco Technologies' competitors with strong system capabilities have comprehensive product portfolios, whereas other competitors focus on certain parts of the value chain and might lack certain competences (e.g. 48V battery pack, high voltage box, DC/AC converter and battery management system). Based on Roland Berger, Powertrain market, competitors with comparable product coverage and strong system capabilities include Robert Bosch GmbH (***Bosch***) and Denso; competitors that are not offering the full portfolio in Electrified Solutions and have less system capabilities are Valeo SA (***Valeo***), incl. the joint venture between Valeo and Siemens, Valeo Siemens eAutomotive GmbH, BorgWarner Corporation, including former Delphi Technologies (***BorgWarner***) and Schaeffler Group.

For the different products comprising the Electrified Solutions market, the competitive landscape is viewed as follows, all based on Roland Berger, Powertrain market (unless otherwise indicated):

Vitesco Technologies is a market leader in master controllers, transmission controllers and engine controllers based on market share, with main competitors being Bosch, Denso, Hitachi and

Panasonic. Based on Vitesco Technologies' estimate, nine out of the top ten OEMs use Vitesco Technologies' controllers (top ten light vehicle OEMs based on number of control units supplied). Vitesco Technologies believes it is well positioned to retain its strong market position with these products due to the strong legacy in engine and transmission control electronics and deep understanding of the overall powertrain and adjacent markets.

In 48V electric drives, Vitesco Technologies was the first to provide 48V electric drive (as 48V belt starter generator) in Europe as an independent supplier for global mass market (based on Vitesco Technologies estimate) in 2016. Vitesco Technologies is well positioned to retain its strong market position with extensive experience in the product. Vitesco Technologies is a Top-3 player based on market shares in 2020 with key competitors being SEG (formerly Robert Bosch GmbH) and Valeo and the competitive environment in the market is expected to remain relatively stable with two to three global players commanding a high market share in the longer-term.

In 48V battery packs, Vitesco Technologies has yet to ramp up its production once it has received customer orders. Vitesco Technologies' current key global competitors are Robert Bosch GmbH, A123 Systems and LG. Regionally, Chinese suppliers have strong presence currently due to early market entry and technology accumulation.

The high voltage box competitive environment is changing at a significant pace given high market growth forecasts (CAGR of 44% between 2020 and 2025) with the current Top-3 players having largely the same market shares (source: Roland Berger, Powertrain market). Vitesco Technologies believes it is one out of a few companies at the forefront of the technology in the market and is expected to significantly improve market share following receipt of large orders in 2020 (more than €2 billion order intake, sum of estimated lifetime sales acquired within the respective fiscal year.) targeting to be in the top 3 by 2030. Main competitors in the high voltage box market are BorgWarner, Delta Electronics, Kostal and Meta System.

In inverters (including products used as stand-alone solutions as well as in integrated axle drives), Vitesco Technologies is among the top independent suppliers in a competitive environment with high in-house captive market share, which is expected to reduce as European players ramp up volumes of major BEV platforms. Vitesco Technologies is among the Top-3 independent players in the market based on market share in 2020, with key competitors being Bosch and Valeo.

In electric axle drives (for e-machines), Vitesco Technologies was the first to provide integrated electric axle drive as an independent supplier for global mass market in 2019 (based on Vitesco Technologies estimate). Currently up to 70% of the market is captive (in-house or joint venture), however share of outsourcing is expected to grow in the future. There are many competitors entering the market including Vitesco Technologies, with key competitors being Valeo/Siemens, Bosch and LG.

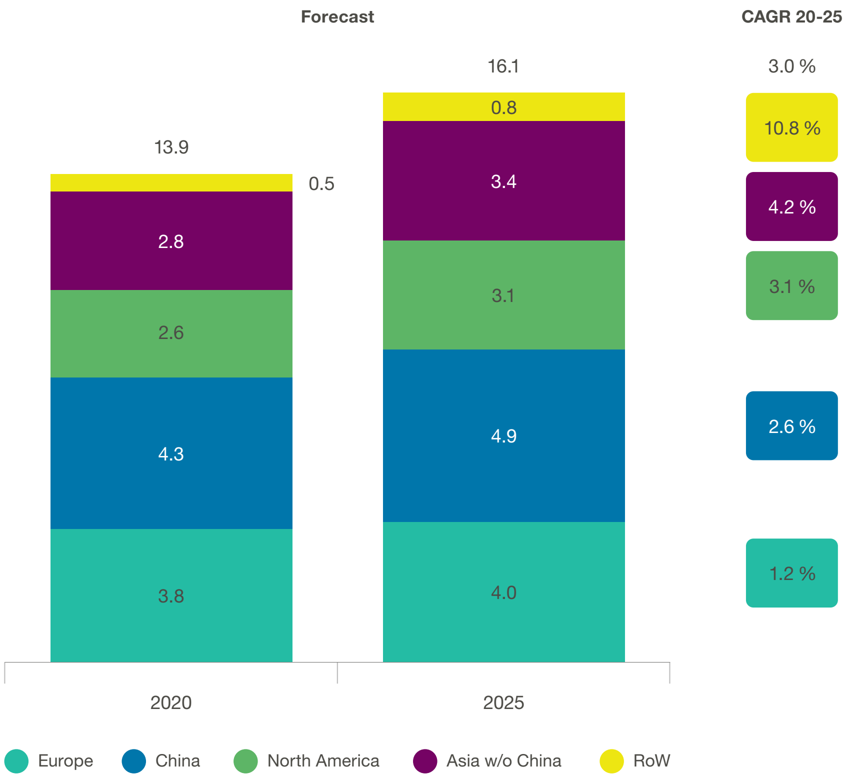
Vitesco Technologies is currently a challenger in the thermal management market, however, it believes, with a strong growth trajectory. In Vitesco Technologies' addressable market of thermal management (i.e. electric coolant pumps, coolant flow control valves), Vitesco Technologies is a Top-5 player for certain products according to market shares in 2020. Key competitors include Bosch, Pierburg, Sanhua and Johnson Electric.

In battery management systems, many new market entrants are expected (incl. cell manufacturers). Vitesco Technologies believes it is well positioned as Tier-1 supplier with strong existing OEM relationships. Vitesco Technologies was the first OEM independent supplier to produce lithium-ion battery in the mass-market application worldwide in 2008 for a hybrid vehicle. In 2020, Vitesco Technologies had a lower market share due to existing projects' volumes ramping down and new projects SOP scheduled for the coming years. The market is highly fragmented with a high number of competitors. Vitesco Technologies' key competitors are Bosch, Hitachi and LG. Newly booked projects are expected to position Vitesco Technologies in the top five by 2025 for this product group.

#### *8.4.2.2 Combustion Solutions: Addressable Market & Competitive Landscape*

The Combustion Solutions addressable market is expected by Roland Berger, Powertrain market, to recover until 2025, followed by a period of downturn, the market is thereby estimated by Roland Berger, Powertrain market, at €13.9 billion in 2020 and is expected to reach €16.1 billion in 2025 and €15.6 billion in 2030, growing at a CAGR of 3% between 2020 and 2025 and declining by a CAGR of -0.6% between 2025 and 2030. China represents the largest segment of the market, its size is estimated at €4.3 billion in 2020, the country is expected to grow at a CAGR of 3% between 2020 and 2025 to reach €4.9 billion. Europe is expected to reach €4.0 billion in 2035 growing at a CAGR of 1% between 2020 and 2025, with development affected by a regulatory focus on electrification. North America is expected to reach €3.1 billion in 2025 growing at a CAGR of 3% between 2020 and 2025 from €2.6 billion in 2020. Asia, excluding China, is currently estimated at €2.8 billion and is expected to grow at a CAGR of 4% between 2020 and 2025 to reach €3.5 billion in 2025. Rest of world (***RoW***) is expected to reach €0.8 billion in 2025 growing at a CAGR of 11% between 2020 and 2025 from €0.5 billion in 2020. Beyond 2025, only the regions Asia (without China) and the cluster RoW are expected to grow; the market size in all other regions are expected to decline. All estimates in accordance with Roland Berger, Powertrain market.

**Combustion Solutions: Addressable market by region, 2020-2025 (€ billion, %)**




Source: Roland Berger, Powertrain market.

***Competitive landscape***

In Combustion Solutions, according to Roland Berger, Powertrain market, Vitesco Technologies' main competitors are global multinational subsystem suppliers such as BorgWarner, Bosch, Denso and Hitachi, which are active across the ECU, TCU, sensor and actuator markets. Engine and transmission system suppliers such as BorgWarner and Bosch are competitors in the ECU and TCU markets while specialized component suppliers such as Aisin, Pierburg and Sensata are competitors in the sensor and actuator markets. In line with the decrease in market focus on Combustion Solutions, consolidation within the supplier set is expected. In particular, the ECU and TCU markets are likely to consolidate, favoring large Tier-1 suppliers. A slightly more dynamic development in E&E sensors & actuators is expected.

In TCU and ECU, Vitesco Technologies has strong market positions according to Roland Berger, Powertrain market. Asian suppliers are expected to benefit from continued growth in the Asia-Pacific region. In the TCU market, Vitesco Technologies is a market leader by market share in 2020 with the key global competitors being Aisin, Bosch and Hitachi, based on Roland Berger, Powertrain market. In the ECU market, according to Roland Berger, Powertrain market, Vitesco Technologies also holds a strong market position by revenue in 2020 with key global competitors being BorgWarner, Bosch and Hitachi.

In powertrain (engine, emission & exhaust) sensors, according to Roland Berger, Powertrain market, Vitesco Technologies holds a strong market position underpinned by stringent emission regulation and technology strength of Vitesco Technologies. Vitesco Technologies holds particularly strong positions in $NO_x$ sensors, knock sensors and flex fuel sensors and Top-5 positions in other powertrain sensor segments, based on Roland Berger, Powertrain market. While the market is fragmented, key players besides Vitesco Technologies are Bosch and Sensata, according to Roland Berger, Powertrain market.

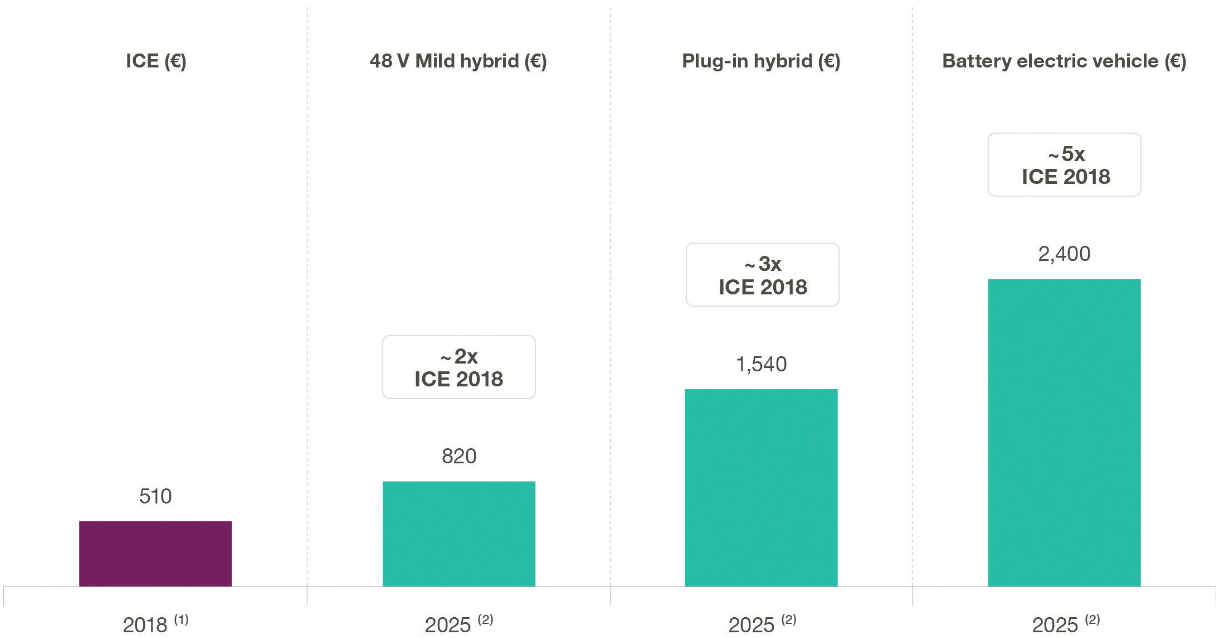
In powertrain (engine, emission & exhaust) actuators, according to Roland Berger, Powertrain market, Vitesco Technologies also holds a strong position by market share, with development of market shares driven by respective product portfolio addressing hybrid vehicle applications. Vitesco Technologies is among the Top-players in the air intake throttles and active purge pumps, based on Roland Berger, Powertrain market. Key global players besides Vitesco Technologies in the market are Bosch, Pierburg, and Valeo, according to Roland Berger, Powertrain market.

### *8.4.3 Content per Vehicle (CPV)*

Vitesco Technologies' addressable CPV opportunity in 2025 for electrified powertrain type is expected to be significantly higher than that for ICE powertrain type in 2018 (source: Roland Berger, Powertrain market). According to company estimates (based on expert studies prepared in cooperation with Vitesco Technologies; reflects the CPV opportunity for the portfolio offering in 2018), compared to the CPV opportunity for ICE in 2018, the addressable CPV opportunities for Vitesco Technologies (reflecting the CPV opportunity for the current portfolio offering) in 2025 are expected to be higher by around 2x, 3x and 5x, for MHEV, PHEV and BEV types, respectively, based on Roland Berger, Powertrain market. Compared to ICE in 2018, CPV opportunity of BEV thermal management in 2025 is expected to be more than 3x, based on Vitesco Technologies information.

BEVs represent the largest CPV opportunity for the current portfolio offering of Vitesco Technologies in 2025 expected to be at approximately €2,400, followed by PHEVs at approximately €1,540 and MHEVs at approximately €820.

**Addressable market CPV opportunity 2018-2025 (€, %)**




Note: ICE: Internal Combustion Engine

(1) Company estimate based on expert studies prepared in cooperation with Vitesco Technologies. Reflects the CPV opportunity for the portfolio offering in 2018.

(2) Roland Berger, Powertrain market. Reflects the CPV opportunity for the current portfolio offering. Reflects the CPV opportunity for the current portfolio offering.

Source: Roland Berger, Powertrain market, Company estimate based on expert studies prepared in cooperation with Viteso Technologies on the CPV opportunity for the portfolio offering in 2018.

## 8.5 Adjacent Markets addressed by Vitesco Technologies

In addition to the market for production of new light vehicles as described above The Group also sells parts via aftermarket channels.

For Combustion Solutions, re-use of mature technologies, e.g. ECU, TCU, electronics, exhaust aftertreatment solutions, engine sensors and actuators, are applied to address adjacent markets in 2- and 3-wheelers, commercial vehicles, such as on-road vehicles, agricultural and construction vehicles.

Growth from 2- and 3-wheelers is driven by unit sales, in India, China and Latin America, despite the shift toward electrification (source: Roland Berger, Powertrain market). Vitesco Technologies actively addresses electrification products for 2- and 3-wheelers and considers it to be a fast-growth area.

Vitesco Technologies experiences that commercial vehicles on-road generate higher margin than passenger cars. Other applications including agricultural and construction vehicles also offer small volume but higher-margin business, allowing Vitesco Technologies to leverage existing technologies across the entire product spectrum.

Adjacent markets also include sensor and actuator technologies applications beyond powertrain, including vehicle access systems and brake systems.

## 8.6 Potential Vitesco Technologies Portfolio Extension

The applications of existing Electrification Solutions could be extended beyond markets already served or Vitesco Technologies' product portfolio could be further augmented.

Examples for portfolio augmentations are air conditioning sensors, battery and e-motor related sensors (e.g. rotor position sensors) or fuel cell related products (e.g. control units, valves, pressure sensors, temperature sensors, flow sensors).

# 9. BUSINESS

## 9.1 Overview

Vitesco Technologies focuses on the development and production of components and system solutions for the powertrain of hybrid and electric vehicles and for combustion engine-based vehicles. Its portfolio includes 48V electrification solutions, electric drives, and power electronics for hybrid and battery electric vehicles. Furthermore, the product range counts electronic controls, sensors, actuators, turbochargers, hydraulic components and pumps as well as solutions for exhaust aftertreatment. Vitesco Technologies has, in total, 50 locations worldwide. Of those, eight locations are pure manufacturing sites, 22 locations conduct mainly R&D activities and 20 locations combine manufacturing and R&D activities. The Group is headquartered in Regensburg, Germany. As of June 30, 2021, Vitesco Technologies had around 40,000 employees worldwide.

Vitesco Technologies offers a broad and comprehensive range of powertrain systems and components for light vehicles (consisting of vehicles with a weight up to six metric tons such as passenger cars, crossover vehicles, sports utility vehicles, pick-ups, vans and light trucks), commercial vehicles (i.e. medium and heavy duty trucks with a weight over six metric tons and buses), two-wheelers and recreational and off-road (i.e. agriculture, construction) vehicles and serves almost all major automotive OEM. The management of Vitesco Technologies expects that demand for pure combustion engines will gradually decrease while the automotive industry will shift towards powertrains with lower $CO_2$, $NO_x$ and other pollutant emissions. Vitesco Technologies' management believes that its innovative and energy-efficient powertrain system solutions as well as modular components make powertrains more efficient, affordable and cleaner and put the Group into a strong position to exploit the opportunity presented by the shift to low- and no-emissions powertrain concepts, especially with regards to electrification.

The operations of Vitesco Technologies are managed in four business units that also represent its reporting segments under IFRS: EC, ET, S&A and CM.

EC focuses on technologies, products and services ensuring the efficiency, performance and convenience of powertrains of light vehicles, commercial vehicles and two-wheelers. It offers technologies, products and services for (i) controlling of powertrains based on combustion engines, electric motors and a combination of both in hybrid vehicles and (ii) transmission control and actuation. In addition, high voltage boxes, consisting of OBCs and DC/DC converters for PHEVs and BEVs, were recently added to the EC portfolio. ET covers a wide spectrum of electrification architectures for powertrains and offers technologies and products for PHEVs, BEVs as well as MHEVs. S&A focuses on technologies and products for the precise sensing and actuation in the powertrain. It offers a comprehensive product portfolio for combustion engines as well as the hybridization and the electrification of the entire powertrain. CM resulted from the Carve-Out of Continental Group's powertrain business to form Vitesco Technologies. It covers the business relationship between Vitesco Technologies and Continental Group where companies of Vitesco Technologies engage in manufacturing activities for customer orders of the contractual partners of Continental Group. Vitesco Technologies plans to gradually phase out CM over the long-term. Sales generated by CM are expected to fall by more than 50% until the end of 2023 and to be largely limited to three locations. The phasing out of CM should be substantially completed by 2025.

Within EC and S&A, the Group also manufactures certain technologies and products for ICEs which are considered today to only have limited market potential and therefore considered Non-Core ICE Technologies, such as fuel injection equipment, fuel delivery, selective catalytic reduction systems as well as turbochargers. Vitesco Technologies plans to discontinue the development and manufacturing of Non-Core ICE Technologies products either by phase-out, i.e. that in general no business acquisition for next generation or new customer applications are sought and focus on fulfillment of existing customer obligations, or through other forms of an exit planned to be completed within the next decade, while one third is planned to be phased out in the mid-term.

In the fiscal year 2020, in its Core Technologies, Vitesco Technologies generated Core Technologies sales of €4,932.2 million (€2,742.2 million in the six-month period ended June 30, 2021) with a Core

Technologies adjusted EBITDA margin[4] of 4.8% (6.6% in the six-month period ended June 30, 2021). The Group's Core Technologies order backlog[5] amounted to approximately €41.0 billion as of December 31, 2020. In the fiscal year 2020, in its business including Non-Core ICE Technologies and CM, Vitesco Technologies generated sales of €8,027.7 million (€4,396.9 million in the six-month period ended June 30, 2021). From those sales, 45.3% were generated by EC, 5.1% were generated by ET, 36.3% were generated by S&A and 13.7% were generated by CM.

Having invested €681.0 million net[6] or 8.5% of its total fiscal year 2020 sales into R&D (including R&D regarding Non-Core ICE Technologies and CM) focusing on systems and components for the electrification of the powertrain, the Group considers itself a technology leader in this field.

## 9.2 History

Vitesco Technologies was formed by way of a legal Carve-Out of Continental AG's former Powertrain division (since January 1, 2020, the (former) Powertrain division comprised the business activities of the group sector Powertrain Technologies and of the Powertrain business area), one of Continental Group's five business areas. The legal Carve-Out of all businesses comprising the former Powertrain division of Continental AG was principally finalized in the beginning of 2019. Vitesco Technologies Group Aktiengesellschaft is the holding company of the Group following the effectiveness of the Spin-off. Please see section "*3 The Spin-off*".

The roots and operations of Vitesco Technologies in the field of inventing and manufacturing innovative and efficient powertrain solutions can be traced back to the beginning of the 20th century. Powertrain system specific know-how has been accumulated since the 1980s, beginning with gasoline powertrain systems followed by diesel powertrain systems including electronics and sensors and followed by an early start in electrified powertrain systems.

Vitesco Technologies represents the strategic combination of various businesses. Key acquisitions and combinations include the following: In 1988, Bendix Electronics Group's electronics and engine control business, which, amongst others, designed and manufactured automobile electronic ignitions, electronic automatic transmission controls and engine sensors, was acquired by Siemens AG. In 2001, the acquisition by Continental AG of TEMIC Telefunken microelectronics GmbH, a company focusing on electronic control systems, followed. In 2006, the automotive electronics business of Motorola Inc., producing, amongst others, controls and high-pressure sensors was acquired by Continental AG. In 2007, Continental AG acquired Siemens VDO Automotive AG (***Siemens VDO***). Since the late 1980s, the portfolio of Siemens VDO (respectively its legal predecessors) included products like engine control units, transmission control units, actuators, electric motors as well as power electronics. In 2014, a former joint venture, Emitec GmbH, focusing on exhaust gas aftertreatment, was fully acquired by Continental Group. Four years earlier, in 2010, Emitec GmbH itself acquired the Danish company Grundfos $NoNO_x$ Holding A/S, a producer of metering equipment for exhaust gas aftertreatment. Lastly, at the end of 2015, Continental AG acquired the remaining shares in Synerject LLC, a joint venture between Continental AG and Orbital Corporation Limited, producing engine management systems and fuel systems for the non-automotive market.

## 9.3 Competitive Strengths

Vitesco Technologies believes that the following strengths and particularly their combination, distinguishes the Group from its competitors and provides it with competitive advantages in the markets where it operates.

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4 "Adjusted EBITDA margin" is calculated as adjusted EBITDA divided by adjusted sales multiplied by 100. Adjusted EBITDA is defined as EBITDA before changes in the scope of combination, and special effects.

5 "Order backlog" is defined as the sum of the cumulative order intake which has not yet been booked as sales. Order backlog represents a reference point for the resultant sales achievable, however may be subject to deviations if actual customer behavior and/or general market conditions change.

6 "R&D net" is defined as expenses for research and development less reimbursements and subsidies that the Group received in this context.

### *9.3.1 As the first supplier to fully embrace the transition to electric mobility, Vitesco Technologies is set to benefit from the ongoing and accelerating global push towards electrified vehicles*

Vitesco Technologies is a multinational, Tier-1 developer and manufacturer of system components focusing on electrification, electronic control systems, sensing technologies and actuators. The Group has over 30 years of field experience in relevant electronics, mechatronics and software technology and more than ten years of experience in electrification. Vitesco Technologies therefore believes it is the first supplier to fully embrace the transition to electric mobility, having equipped already more than 1 million 48V mild hybrid vehicles as well as around 1.5 million plug-in hybrid and battery electric vehicles. It pioneered the first electric drive for a BEV in Europe 2011 and the first integrated e-axle drive by an independent supplier in 2019. In 2016, building on its accumulated experience in MHEVs, ET started manufacturing 48V belt starter generators which were used in Europe's first 48V drive systems. As a leading global provider of powertrain solutions, Vitesco Technologies aims to make vehicles more energy-efficient, clean and convenient.

As an established market player in powertrain components and a pioneer in electrification products, Vitesco Technologies believes it is well positioned to benefit from the on-going and accelerating global push towards electrified light vehicles supported by all major OEMs who are facing tightening global emission standards as well as new market participants focusing purely on electrified vehicles. For example, Daimler announced that from 2025 onwards, all newly launched vehicle architectures will be electric-only, with significant acceleration of R&D spending on electric mobility (Mercedes-Benz strategy update: electric drive, July 2021); Volkswagen Group announced to introduce a new all-electric, fully-digital and highly-scalable mechatronics platform from 2026, the expansion of extensive charging infrastructure with partners and the establishment of complete energy ecosystem (Volkswagen Group Strategy NEW AUTO, July 2021) and Great Wall Motors announced to target an annual global sales volume of 3.2 million new energy vehicles (plug-in hybrids, battery and fuel cell) in 2025 and to introduce a new traction battery with a free access to the technical patent for the entire automotive industry (GWM 2025 Strategy Global Launch Conference and the 8th Technology Festival Opening Ceremony, June 2021). Vitesco Technologies positioning is also underpinned by a well-balanced global sales split of where Vitesco Technologies realizes its sales (43% in Europe, thereof 17% in Germany, 25% in North America, 31% in Asia, and 1% in other countries in the fiscal year 2020). The market that Vitesco Technologies is addressing with its e-mobility solutions is expected to grow annually at a rate of around 30 percent between 2020 and 2025[7]. As the Group offers innovative solutions for all electrified drive systems, it is set to benefit extraordinarily from this development. The Spin-off gives Vitesco Technologies the opportunity to develop its business more flexibly, putting an increased focus on electrified powertrains and profitable technologies such as electronic control systems, sensing technologies and actuators.

The early investments made in electrification resulted in strong positions in its product groups control technology, power electronics, electric drive and thermal management; Vitesco Technologies is currently present with one or more components from these product groups in the majority of the architectures for electrified vehicles of the top ten OEMs[8] whereby the particular presence is subject to OEMs' sourcing strategy (single- or multiple-source) and vehicle configuration (e.g. motor variant). For MHEV and PHEV architectures, the Group supplies to six out of the top ten OEMs. For BEV architectures, the Group supplies to nine out of the top ten OEMs.

### *9.3.2 Vitesco Technologies' strong Underlying Business base with above-average profitbility funds growth in electrification; strong order backlog in electrification across all business units*

Vitesco Technologies believes that its cash-generative and profitable Underlying Business, consisting of the Core Technologies of the business units EC and S&A, provide the resources and expertise for above market growth in the future and also secure R&D leadership in the evolving ET business. Past investments in electrification already resulted in an electrification order backlog (consisting of the order backlog of ET and the new electrification products in EC and S&A) of more than €13.0 billion across all business units as of December 31, 2020, thereof approximately €6.9 billion in the ET business unit. This was supported by an increasing electrification order intake across all business

[7] Source: Roland Berger, Powertrain market.

[8] Source: The top ten OEMs are defined by accumulated electrified vehicle volumes produced between 2020 and 2025 based on IHS Markit, Light Vehicle Powertrain Forecast, October 2020.

units as the aggregate electrification order intake of ET and the electrification products in EC and S&A amounted to €1.8 billion in the first six months 2021 and to €4.2 billion in the fiscal year 2020 (compared to an electrification order intake of €2.7 billion in the fiscal year 2019 and €3.4 billion in the fiscal year 2018). The electrification order intake in the first six months 2021 and in fiscal year 2020 therefore accounted for approximately 50% of the total order intake of €3.8 billion (first six months 2021) and €8.6 billion (fiscal year 2020) (compared to a total order intake of €9.9 billion for the fiscal year 2019 and €11.4 billion for the fiscal year 2018). Therefore, despite the impact of the COVID-19 Pandemic and the current material shortage, the Group has successfully demonstrated its resilience in 2020 and in the first six months of 2021 and advanced its transformation. Due to higher volumes and strict fixed cost discipline in the first six months 2021 compared to the prior year period, adjusted EBIT increased to €84.2 million and the adjusted EBIT margin excluding ET was 5.5% in the first six months of 2021 compared to -1.1% for the first six months of 2020. Margin recovery, consistent cost management, continued disciplined capital expenditure, a positive working capital and special effects relating to the Spin-off were also the drivers of a strong cash generation in the first six months 2021. Vitesco Technologies was also able to significantly increase its sales in electrification components and systems compared to previous years.

In the fiscal year 2020, the EC's and S&A's Core Technologies (***Underlying Business***) sales amounted to €4,526.3 million (including consolidation) with an adjusted EBIT margin of 7.3% and adjusted EBITDA margin of 12.4%, thereby EC Core Technologies contributing €2,320.7 million in sales and an adjusted EBIT margin of 6.3% and S&A's Core Technologies €2,237.1 million in sales and an adjusted EBIT margin of 8.1%. As of December 31, 2020, out of the total order backlog of the Group in the amount of approximately €51.3 billion, the order backlog of the Underlying Business accounted for €34.1 billion, with Core Technologies order backlog of EC amounting to approximately €21.0 billion and of S&A amounting to approximately €13.1 billion. Out of the order backlog for EC and S&A Core Technologies, as of December 31, 2020, the order backlog for new electrification products amounted to approximately €6.3 billion. The positioning of Vitesco Technologies' Underlying Business is further underlined by the fact that in more than 80% of its EC and S&A Core Technologies sales, Vitesco Technologies held the top or the top two market position in 2020 (based on Company estimate of market positions based on own research and assessment of expert studies including Roland Berger, Powertrain market).

Besides these benefits resulting from its Underlying Business, the Group believes that its three operating business units – EC, ET and S&A – are highly synergistic to potentially offer further savings and increased net income. Its product offerings share core technologies which allow for the transfer of know-how and technologies across the business units. A good example for the efforts across business units is the high voltage box which is developed by EC and for which Vitesco Technologies gained a more than €2 billion order intake in 2020. It integrates the on-board charger and the power distribution unit developed by EC as well as the DC/DC converter developed by ET into a highly integrated electromechanical solution. Furthermore, vehicles powered by ICEs or electrified powertrains to a large extent feature similar types of (electronic) components. The use of similar materials across architectures also offers potential for purchasing scale benefits.

### *9.3.3 Vitesco Technologies set to benefit from electrification across all business units with strong system expertise regarding complete powertrains*

Vitesco Technologies has powertrain system expertise, architecture understanding and the resulting ability to provide the entire electrification of the powertrain out of one hand. The Group believes that only a very limited number of suppliers are currently able to match this offering.

In addition to Vitesco Technologies' focus on electronics, mechatronics and differentiating technologies and its corresponding ability to supply OEMs with entire systems as well as single components, its electrification product portfolio is a key to increasingly match consumer expectations, such as the average driving range and charging time of BEVs or the respective costs compared to ICE vehicles.

Leading solutions for key electrification architectures include the full range from battery management to drive for the 48V MHEVs and for PHEVs and BEVs the integrated axle drive as well as components from battery management to charging and power electronics. Vitesco Technologies' advantages of increasing electrification of light vehicles are not limited to the business unit ET (corresponding to 8% of Core Technologies sales in the fiscal year 2020), offering key powertrain and transmission components as e-axles or high-voltage inverters, but also apply to S&A (corresponding to 45% of

Core Technologies sales in the fiscal year 2020), providing certain key components including thermal management, being critical components to all battery systems to avoid overheating of the battery cells and related components, as does in EC (corresponding to 47% of Core Technologies sales in the fiscal year 2020), which provides for example high-voltage boxes to convert DC/DC and to manage battery charging.

Multi-customer platforms leverage economies of scale to ensure modularity and scalability for optimized investments. For example, common modules are used as the basis for integrated as well as standalone DC/AC inverters. Common inverter platforms cover 60 kW to 300 kW power classes, thereby warranting the scalability of the platform.

Vitesco Technologies therefore believes that its Core Technologies continue to play a major role in the industry transition towards electrification and are underpinned by their presence on a wide range of leading global platforms for electrified passenger cars, including nine of the ten largest BEV platforms globally by estimated production volume, and a €41.0 billion Core Technologies order backlog, supported by an order intake of €7.5 billion with €4,932.2 million Core Technologies sales in fiscal year 2020, resulting in a book-to-bill ratio for its Core Technologies of 1.5x in the fiscal year 2020.

This stringent focus on its core strengths has already allowed the Group to develop carry-over products from light vehicle applications to commercial vehicle and two-wheeler applications. Please see "*8.5 Adjacent Markets addressed by Vitesco Technologies*".

### *9.3.4 Vitesco Technologies powers clean mobility along the whole value chain*

Sustainability and emission reduction is an integral part of Vitesco Technologies' business model. With innovative and efficient electrification solutions, Vitesco Technologies aims to reduce the environmental impacts of the automotive industry worldwide and promote emission-free mobility in the long term. Beyond its products, Vitesco Technologies actively drives sustainability in all business activities along the whole value chain with a defined ESG concept.

Based on Roland Berger, Powertrain market, ~40% of all newly produced light vehicles will feature an electric propulsion system (≥48V) by 2025 and ~60% by 2030 globally. However, ~90% of all new light vehicles will still feature an ICE (incl. stop/start and mild hybrids <48V) by 2025 globally, so hybrid vehicles will represent an important part of the market (source: Roland Berger, Powertrain market). Furthermore, electronics and software are essential for the electrified future and there is approximately 70% of expected additional electronics value due to the expected electrification in a BEV in 2025 compared to an ICE vehicle in 2019.[9]

For MHEVs, Vitesco Technologies acts as a system supplier offering the full range from battery management electronics to electric drives resulting in a $CO_2$ savings potential of up to 20% in its view. For PHEVs and BEVs, the Group offers the integrated axle drive and components from battery management to charging as well as power electronics. Those technologies are typically accounted with 0g $CO_2$ for BEVs and for PHEVs typically with less than 50g $CO_2$ achieving a 50%-100% $CO_2$ reduction.[10]

Further, in addition to Vitesco Technologies supporting the global fleet of emission free light vehicles with its products, sustainability is also at the core of what the Company itself is doing along the entire value-chain. For example, it aims for a carbon-neutral production by the end of 2030 (scope 1&2 $CO_2$ emissions as defined by the Greenhouse Gas Protocol). Please also see "*9.4.4 Pursuing a global footprint rationalization and continue to focus on operational excellence and sustainability*".

### *9.3.5 Vitesco Technologies's strong and experienced management team leads a highly skilled team*

Vitesco Technologies' management team combines strong industry and transformation experience.

Andreas Wolf, chief executive officer (***CEO***) of the Group and chairman of the Management Board, took over responsibility of Continental Group's powertrain business in October 2018. Before that, he transformed the Body & Security business of Continental Group from 2010 to 2018, doubling sales

9 Vehicles featuring an electric propulsion system refers to a minimum 48V system. Source: Roland Berger, "The car will become a computer on wheels", January 2020.

10 $CO_2$ savings relate to "tank to wheel" potential compared to pure combustion vehicles based on World Harmonized Light-Duty Vehicles Test Procedure (WLTP).

and EBIT margin for that business, and showing his proven track record in how to focus a business on growth and profitability. Chief financial officer (***CFO***) of the Group, Werner Volz, also joined Continental Group's powertrain business in October 2018. While acting as CFO of the Chassis & Safety division of Continental Group, he oversaw the doubling of its sales from 2010 to 2018 at attractive profitability. The Group's chief human resources officer (***CHRO***), Ingo Holstein, previously acted as chief human resources officer of the Tire division of Continental Group and in this function successfully restructured the Continental Group's tire dealer business. Andreas Wolf, Werner Volz and Ingo Holstein have each between 25 to 30 years of experience in the industry. The management team is complemented by the well-experienced business unit heads.

In addition to its strong management team, Vitesco Technologies retained highly skilled employees from Continental Group during the Carve-Out. With regards to the Group's R&D workforce, as of December 31, 2020, Vitesco Technologies employed 7,100 engineers[11], thereof around 5,300 electronics, software and systems engineers. Since January 2021, a unified engineering organization comprising a pool of about 6,000 engineers will ensure the most efficient investment of resources towards an electrified future. Due to this strong skillset, the Group believes it is well positioned for future developments in electrification.

## 9.4 Strategy

Vitesco Technologies focuses on retaining its leading positions in electrified solutions and aims at shaping the future of electrification. The Group believes that its corporate culture and core values promote an innovation spirit as well as technical excellence and combine it with the passion for clean and efficient mobility. With its business strategy DIRECTION 2030, Vitesco Technologies defined the following focus areas for its business activities: A leader in Electrified Solutions; Business Excellence; Investor's Choice; Great People, Great Company as well as Driver of Sustainability. Thereby, Vitesco Technologies aims to increase value for its customers, employees and shareholders.

Key elements of its strategy for pursuing and achieving the abovementioned objectives are as follows:

### *9.4.1 Capitalizing on market opportunities of an accelerated shift towards electrification based on its innovative electrification product portfolio*

The Group is ready to successfully capitalize on market opportunities which it believes can be served through its favorable and innovative product portfolio.

The current market drivers towards a shift to electrification, in view of the Group, include the regulatory push towards worldwide $CO_2$ and pollutant emissions regulation as well as increasing customer demand and a push for electrified vehicles. In China, approximately 20% of sold vehicles shall be new energy vehicles by 2025.[12] Emission control is becoming more and more important, with up more than 320 low emission zones (also including zero emission zones) expected in Europe by 2030.[13] As a result of this shift to electrification, OEMs have switched strategies and are adjusting their fleets faster and more radically than expected in order to benefit from such market drivers and at the same time to overcome the European penalty threat if OEMs exceed the $CO_2$ fleet targets set by the EU. By 2030, OEMs are expected to have invested more than $300 billion in electric mobility[14] and by 2025, the number of produced BEV and PHEV models are expected to be slightly above par with ICE models (incl. stop/start and micro hybrids below 48V) in Europe (incl. UK)[15]. When comparing 2019 to 2020, the number of newly registered PHEV and BEV models increased by 144% in Europe.[16] At the same time, there are several announcements (e.g. by governments, OEMs, charging infrastructure companies) or ongoing activities (e.g. IONITY, Electrify America) to further expand the charging infrastructure specifically in the U.S.A., EU, Japan and China therefore further

[11] "Engineers" is defined as employees working in the functional areas 'Electrical Engineering', 'General Engineering', 'Mechanical Engineering', 'Software Engineering' as well as 'System/Cross-Discipline Engineering'. The definition includes leased employees, trainees and working students, but excludes interns and apprentices.

[12] Source: Communicated target of the Ministry of Industry and Information Technology of People's Republic of China in the "Development Plan for the New Energy Vehicles Industry", November 2020.

[13] Source: Roland Berger, Powertrain Market.

[14] Source: Boston Consulting Group, "Who will drive electric cars to the tipping point?", January 2020.

[15] Source: IHS Markit, Light Vehicle Powertrain Forecast, February 2021.

[16] Source: Vehicle registrations in EU+UK+EFTA based on ACEA, "New Passenger Car Registration by Fuel Type in the European Union" February 2020 and February 2021.

growth of charging infrastructure over the next years can be expected. Among other studies, a survey in 2020 showed that on average around 40% of customers globally are considering buying a battery electric vehicle as their next car and about 60% of new light vehicles worldwide are expected to be electrified by 2030 (including MHEVs, PHEVs, FHEVs and BEVs), around 40% by 2025.[17]

While regional regulations lead to uneven progress of electrification adoption globally, most worldwide regulations currently follow the regulations and their underlying framework of procedures set up by regulatory bodies of three lead regions, namely U.S.A., the EU and Japan, in which roughly 40% of global light vehicles were sold in 2020 (U.S.A. (19%), EU (15%) and Japan (6%)). China with a share of 31% of global light vehicle sales has enacted/planned pollutant and fuel economy regulations at a similar stringency level as the lead regions. (source sales shares: IHS Markit, Light Vehicles Sales Forecast, June 2021). Vitesco Technologies is among the earliest in developing new products which help its customers to fulfil the legislation requirements of the markets they serve.

The shift towards electrification is expected to result in higher production volumes of electrified vehicles and offers superior CPV opportunities for Vitesco Technologies' portfolio in any future electrification scenario. The CPV opportunity in 2025 for an electrified powertrain type is expected to be significantly higher than that for ICE powertrain type in 2018. According to Company estimates (based on expert studies prepared in cooperation with Vitesco Technologies) the CPV opportunity for ICE portfolio offering of Vitesco Technologies in 2018 amounted to approximately €510. The addressable CPV opportunity for Vitesco Technologies (reflecting the CPV opportunity for the current portfolio offering, based on Roland Berger, Powertrain market) in 2025 is expected for MHEVs to be at approximately €820 and therefore approximately 2x higher, for PHEVs at approximately €1,540 and therefore around 3x higher and for BEVs to be at approximately €2,400 and and therefore around 5x higher.

Finally, while light vehicle production worldwide decreased at a CAGR of 11.0% annually from 2018 to 2020[18], Vitesco Technologies only realized a decrease in sales (including sales of non-light vehicle applications like commercial vehicles and two-wheelers) at a CAGR of 6.3%, i.e. outperforming the light vehicle market by 4.7 percentage points. With its clear electrification strategy, it considers itself to be well positioned to outgrow the global light vehicles market in the future as well. This electrification strategy already resulted in an electrification order backlog of more than €13 billion across all business units as of December 31, 2020 and Vitesco Technologies targets that its Core Technologies electrification sales of its business units will be, in the medium term, 5x of the respective sales in 2020.

### *9.4.2 Building an electrification specialist by implementing a clear strategic portfolio focus*

Vitesco Technologies has a clear view of its future as an electrification specialist and a precise plan how to get there. It already startet its transformation path and decided to phase out or exit its Non-Core ICE Technologies, representing €2.0 billion sales in the fiscal year 2020 (such as fuel injection equipment, fuel delivery, selective catalytic reduction systems as well as turbochargers) that are considered to only have limited long-term market potential. Around one third of the phase out or exit of the Non-Core ICE Technologies is planned to be completed mid-term. As a result of the transformation process, Vitesco Technologies was able to stop losses of the Non-Core ICE Technologies in the first six months 2021. In addition, the Contract Manufacturing with Continental Group, representing €1.1 billion sales in the fiscal year 2020 (but with profitabilty being largely offset on Group level) is on a fast phase out plan and the phase out substantially completed by 2025. This allows Vitesco Technologies to fully concentrate on its profitable Underlying Business (i.e. the Core Technologies of EC and S&A) as well as its business unit ET, which is leading the transition towards electric mobility.

The scale-up of electrification across all business units, EC, ET and S&A, is the top priority for the Group. Vitesco Technologies believes that the clear focus on electrification and the organizational transformation will result in profitable growth across all business units. Having €4,932.2 million Core Technologies sales in the fiscal year 2020 targets to significantly increase Core Technologies sales in the mid and long term and thereby particularly increasing the electrification share of its sales, i.e. the sales of its ET business unit and sales of the electrified part of its Underlying Business.

[17] Source: Roland Berger, Powertrain Market.

[18] Source: IHS Markit, Light Vehicle Production Forecast, July 2021.

The transformation to electrification is accompanied by various cost reduction programs and ongoing restructuring plans, currently having a negative effect on the reported result of Vitesco Technologies. For the fiscal years 2021 and 2022 further restructuring measures are planned. These measures are intended to adjust costs to mitigate the lower automotive market volumes caused by the COVID-19 Pandemic.

As further pillar of its transformation, Vitesco Technologies will focus on its competitiveness and sustainability along the value chain, pleas see "*9.4.4 Pursuing a global footprint rationalization and continue to focus on operational excellence and sustainability*".

### *9.4.3 Solid backbone in Underlying Business supporting the push towards electrification*

In the light of its transformation path, and the decision to phase out the Non-Core ICE Technologies over medium-term (representing €2.0 billion sales in the fiscal year 2020), Vitesco Technologies expects to gain a margin from this business as research, development and engineering (amounting to €1,001.3 million in the fiscal year 2020) and capital expenditure[19] (amounting to €480 million in the fiscal year 2020) budgets will be mainly allocated to Core Technologies. In addition, existing legacy contracts still contribute to Vitesco Technologies' earnings position given that e.g. MHEVs or PHEVs still use ICE components and compliance with global emissions regulations requires advances exhaust management as e.g. electrically heated catalyst.

Vitesco Technologies' Core Technologies has a track record of sales CAGR outperforming the worldwide light vehicle production[20] with an outperformance of the Core Technologies sales CAGR of 6.0 percentage points FY2018 to FY 2020. Between the first six months of 2020 and the first six months of 2021, the worldwide light vehicle production[21] has been outperformed by Core Technologies adjusted sales CAGR by 4.3 percentage points and by the Vitesco Technologies Group by 2.4 percentage points. The Underlying Business, consisting of the Core Technologies of EC and S&A are already providing strong profitability with an adjusted EBIT margin of 6.3% (Core Technologies EC) and 8.1% (Core Technologies S&A) for FY 2020. The shift towards electrification is expected to be funded by this profitable business making Vitesco Technologies a leading system and components house in light vehicle electrification and $CO_2$ neutral mobility.

### *9.4.4 Pursuing a global footprint rationalization and continue to focus on operational excellence and sustainability*

The Group operates in an industry where efficiency improvements and cost savings are crucial to maintain competitiveness and profitability. Vitesco Technologies aims to constantly improve its business operations and hence decided to rationalize its manufacturing footprint, further pursue operational improvements and redeploy capital and resources to electrification.

With regards to footprint rationalization, the Group decided to manufacture its products in the region for the region, i.e. locally in the countries and markets where it generates the sales from its customers, focus on key manufacturing technologies for the electrified future and leverage its competences for electrification growth. Therefore, it already reduced its manufacturing sites from 31 in 2018 to 29 and 2020 and further focuses on the closing of sub-scale locations and strengthen its best-cost country[22] footprint. In the mid-term the Group aims at reducing the number of plants from 29 in the fiscal year 2020 to 24 plants. Thereby, in the mid- to long-term, it targets to have a best-cost country share of more than 70% (best-cost share in 2020: 54%).[23] The Group follows a strategy of developing and producing close to the key market regions. For example, high-volume production of the integrated axle drive for electric and plug-in vehicles has been started in China in the fiscal year 2019. Vitesco Technologies further is building a R&D center, including a test center, warranty return center and sample shop in Tianjin, China that is planned to be opened in the fourth quarter of 2021. It is targeted that more than 300 engineers plus support functions will work in this R&D center,

[19] Capital expenditure relates to additions to property, plant and equipment, and software. First-time adoption of IFRS 16 – Leases as of January 1, 2019.

[20] Based on IHS Markit, Light Vehicle Powertrain Forecast, February 2021.

[21] Based on IHS Markit, Light Vehicle Powertrain Forecast, July 2021.

[22] With regards to manufacturing, Vitesco Technologies considers Latin America, South America, Asia (excluding Japan), Africa, Eastern Europe, Portugal, Greece, Cyprus, Turkey and Oceania (excluding Australia) to be best-cost countries (as of December 31, 2020).

[23] Best-cost country shares reflect sales value of Vitesco Technologies products produced in best-cost countries compared to total sales value of Vitesco Technologies products (excluding contract manufacturing to Continental AG, including products produced by Continental AG for Vitesco Technologies via contract manufacturing).

covering the complete life cycle of products including innovations, acquisitions, platform and applications projects, production support and launch support.

The Group focuses on factory concepts and manufacturing processes to improve its operations, including by digitalization of processes. Factory concepts comprise modular plant concepts, energy efficient plants with LEED gold standard[24] and $CO_2$-neutral manufacturing. Regarding manufacturing processes, the Group aims at using globally standardized, automated equipment, maintain technology hubs in all major regions and increase its use of advanced collaborative robotics as well as artificial intelligence (***AI***) in quality and maintenance. By this the Group is aiming for a yearly productivity improvement of above 5%.

The redeployment of capital and resources aims at self-funded growth in electrification, i.e. earnings from EC and S&A are expected to strengthen R&D efforts in ET (see also "*9.3.2 Vitesco Technologies' strong Underlying Business base with above-average profitbility funds growth in electrification; strong order backlog in electrification across all business units*"). At the same time, employees will be shifted to electrification projects through re-staffing and upskilling efforts. A unified engineering organization with a pool of about 6,000 engineers is in place since January 2021 to ensure efficient staffing on electrification projects and around five times more software and electrification training hours were given in 2020 compared to 2018 and electrification training hours in the first six month 2021 were higher than the total of the four previous years.

Sustainability is also at the core of Vitesco Technologies' strategy. Beyond its commitment to electrification and powering clean mobility, the sustainability efforts also include activities related to the Group's operations. One example is the commitment to a carbon-neutral production by the end of 2030 (scope 1&2 $CO_2$ emissions as defined by the Greenhouse Gas Protocol) comprising the reduction of energy consumption in its production by 80 GWh by 2023, the purchasing of 100% renewable electricity since 2020 and the compensation of $CO_2$ emissions. Another operations-related example is, that Vitesco Technologies further set a target to achieve a waste recycling quota (including thermal recovery) of 95% by 2030. For more information regarding Vitesco Technologies' ESG framework see "*9.20 Sustainability and ESG*".

### *9.4.5 Maintaining and further expanding Vitesco Technologies' position as innovation pioneer for electric and clean mobility powertrain solutions*

Vitesco Technologies has identified key innovation areas on which it will focus to maintain and further expand its position as innovation pioneer and be placed ahead of competition. Building on its passion for clean and efficient mobility and its long history of developing and delivering products with a focus on emission reduction, the expertise across buiness units will allow to now focus resources on the development of electrification products to benefit from the growth potential of the e-mobility market. Vitesco Technologies believes that it is well placed to benefit from the already highly synergistic offering of its business units EC, ET and S&A geared towards electrification and a R&D organization that is set up for the joint developments and transfer of know-how and technologies across the business units. It is in the DNA of Vitesco Technologies to combine the expertise of an electronics champion with extensive software capabilities and its systems expertise to shape electronics architectures, in order to develop modular and scalable electrification products. The benefits of this approach are creating value for customers by being a knowledgeable partner, offering high-class solutions and being fast to market, but also enhancing profitability of Vitesco Technologies' business by the application of products to multi-customer platforms, providing for economies of scale and an optimized investment.

The success of this strategy can be seen in the development of Vitesco Technologies' master controllers family, which help OEMs to simplify the car's electrical and electronic architecture by (*e.g.*) integrating multiple electronic devices into a single high performance controller. Vitesco Technologies believes that further major competences to stay ahead of competition are the development of the next generation of axle drives, concentrating on the high volume market segment, which comprises the power classes from 60kW to 230kW, as well as the development of the next generation of power electronics with a focus on modular design of the high voltage inverter to reduce cost and strengthen the Group's fast-to-market approach. The Group is also working on concepts with wide band gap semi-conductor materials like silicon carbide (***SiC***) for low and high voltage electronics, to enable e.g. efficient high-frequency inverters for improved 800V solutions as

[24] "LEED" refers to Leadership in Energy and Environmental Design, a green building certification program by the non-profit U.S. Green Building Council.

well as gallium nitride (***GaN***) for energy and cost efficient 48V up to 400V modules. Other fields of future development include DC/AC inverters and DC/DC converters for 800V applications as key elements of the 800V systems which enable ultra-fast charging solutions. Furthermore, Vitesco Technologies develops cost competitive 48V systems to cover mild hybrid solutions on all powertrain positions, with a special focus on belt starter generator or transmission integrated versions. Those future solutions are expected to synergistically benefit from the Group's already existing competence in automated transmissions.

## 9.5 Vitesco Technologies Business Units and Product Portfolio

Vitesco Technologies' operations are managed in its four business units, EC, ET, S&A and CM.

### *9.5.1 Electronic Controls (EC)*

Vitesco Technologies' EC business unit provides electronic, mechatronic and software solutions for the powertrain of BEVs, hybrids as well as ICE powered vehicles for the light vehicle, commercial vehicle and two-wheeler markets.

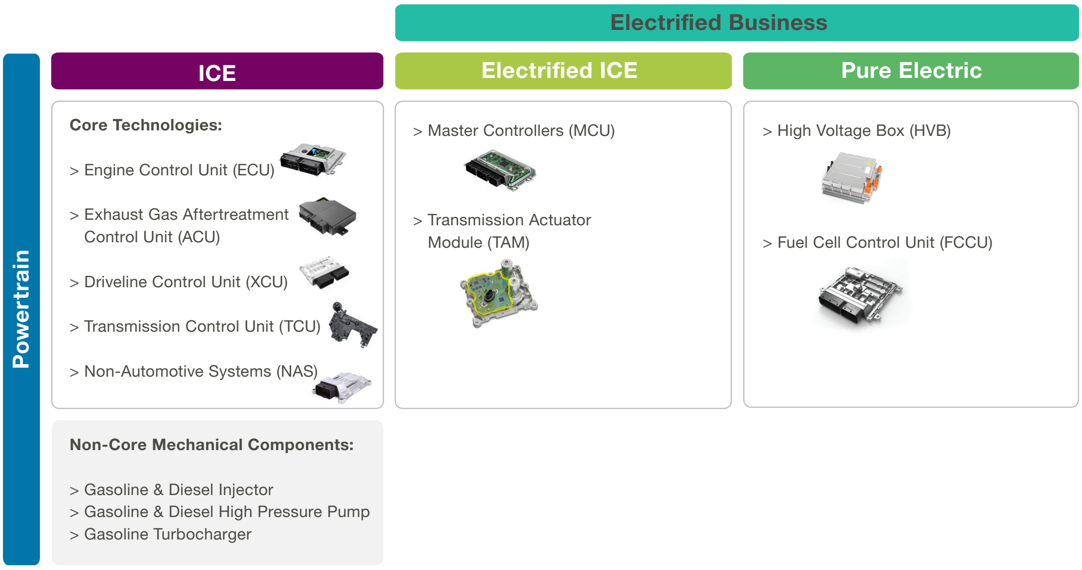
Vitesco Technologies believes it has a market leading position for master controllers and transmission controllers in light vehicles and a leading position for engine controllers in both light and commercial vehicles markets for engine electronics (source: Roland Berger, Powertrain market). It also serves nine of the top ten light vehicle OEMs based on the number of control units supplied (according to Company estimates as per the fiscal year 2020). In the fiscal year 2020, EC generated €2,320.7 million Core Technologies sales and Core Technologies adjusted EBIT of €146.7 million with a Core Technologies adjusted EBIT margin of 6.3%. Capital expenditure in relation EC's Core Technologies sales was at 5.8%[25]. The Core Technologies order backlog amounted to approximately €21.0 billion as of December 31, 2020. In the first six months 2021, order intake for EC's Core Technologies amounted to €0.7 billion (of a total order intake for EC of €0.8 billion).

The EC business unit is divided into the following five product lines: The product line "Electronics" comprises of engine and exhaust gas aftertreatment control devices for ICE. It also develops master controllers and high voltage boxes for hybrid and battery electric vehicles, as well as hydrogen fuel cell control units in the electrified business. The product line "Drivetrain" comprises transmission and driveline control units in the combustion business, transmission actuator modules for electric axle and hybrid gear boxes. The product line "Non Automotive" comprises of ICE systems for the two-wheeler market, jetskis, lawn mowers, etc. The product line "Turbocharger" comprises of turbochargers for combustion engines. The product line "Hydraulics" comprises of injectors (injectors are also offered on the two-wheeler market jointly (but not exclusively) with the joint venture partner Napino Auto & Electronics Ltd.) and high pressure pumps for gasoline and diesel combustion engines. The portfolios of the product lines "Turbocharger" and "Hydraulics" are considered Non-Core ICE Technologies.

For the Non-Core ICE Technologies, Vitesco Technologies has decided to phase out injectors and high-pressure pumps and to significantly reduce further investments in these technologies, unless they are necessary in order to fulfill existing customer contracts. Similarly, the "Turbochargers" product line is no longer considered as a growth area and will be phased out.

[25] Capital Expenditure relates to additions to property, plant and equipment, and software. First-time adoption of IFRS 16 – Leases as of January 1, 2019.

The following table provides an overview of the key technologies and products of EC:




**Engine Control Units (ECUs)** read sensor inputs to compute and precisely control the combustion process with the aim to minimize $CO_2$ and other emissions as well as to optimize fuel efficiency. EC provides hardware, software as well as finetuning calibration services for the purpose of achieving safe and efficient engine management solutions. **Exhaust Gas Aftertreatment Control Unit (*ACUs*)** read the input from NOx sensors in the exhaust pipe and control the precise injection of urea in front of the SCR catalyst. **Driveline Control Units (*XCUs*)** manage the all-wheel drive transfer-case system in a car to maximize torque output at the car's wheels. As regards **Transmission Control Units (TCUs)** produced by Vitesco Technologies, they are highly integrated transmission mechatronics which control the gear shift process of an automatic transmission to ensure the lowest fuel consumption and maximum passenger comfort. TCUs are used in all types of automatic transmission systems including stepped-automatic, continuously variable and double clutch systems. **Non-Automotive System (*NAS*)** provides ICE components and systems for two-wheeler and acts as a one stop shop for the two-wheeler customers.

**Master controllers** can be applied by OEMs across a broad spectrum of propulsion systems within their vehicle fleets. These devices play a decisive role in fuel efficiency and hence $CO_2$ reduction as they translate the driver's pedal request into precise torque demands to the various parts of the powertrain in a way which optimizes energy consumption. Furthermore, master controllers assist the driver by providing the most energy-efficient driving strategy as they integrate software which has access to traffic and road information. Regarding power electronics, EC is driving the integration of various high voltage electronic devices such as OBCs, DC/DC converters, power distribution units and devices for charging communication that were traditionally stand-alone units. In this context, the OBC is the focal point around which such integration is driven resulting in **high voltage boxes**. OBCs allow safe and efficient charging of PHEVs and BEVs from the electric grid. EC is developing OBCs for use around the globe that are compatible with a large variety of electric grids. In the view of Vitesco Technologies this is beneficial to the OEMs as it allows for cost efficiencies through less components and reduced wiring and easier packaging due to smaller and lighter devices. Also the high voltage box offers one modular solution for various OEM's plattforms. High voltage boxes are central for battery charging and power conversion. Vitesco Technologies gained a more than €2 billion order intake for its high voltage box in 2020, underlying the importance of this product. According to Roland Berger, Powertrain market, a CAGR of approximately 44% market growth is expected for high voltage boxes from 2020 to 2025.

EC's **transmission actuator modules (*TAMs*)** are used to select and switch gears with high efficiency in e-axles and hybrid gearboxes. The actuator modules play an important role in fuel efficient gear shifting and contribute to passenger comfort due to their soft-landing control and low noise operation, so that a passenger does not notice a gear shift. **Fuel cell control units (*FCCUs*)** are the brain of fuel cells, calculating the best operation mode for the fuel cell based on the requested electric energy, signal inputs and drive the actuators, like valves and air compressor with the aim of highest efficiency and safety. Fuel cell control units are currently mainly used in commercial vehicles.

EC offers a modular product portfolio for electronics and software integration. Its library of prevalidated micro chips, application-specific integrated circuits (***ASIC***s), circuit blocks and software blocks are the modular building blocks of transmission and engine controllers, master controllers and the high voltage boxes. This modular approach allows the benefit from economies of scale and aims to enable a robust fast-to-market approach.

### *9.5.2 Electrification Technology (ET)*

ET is a pioneer in electrification for light vehicles with more than ten years experience in the field. ET provides systems and components for the electrified powertrain, covering all key vehicle electrification architectures such as 48V MHEVs, PHEVs and BEVs. Its portfolio covers more than 80% of electrification components in terms of number of electrification components which are exclusively applied in electrified vehicles[26], including on-board charger offered by EC.

The Group believes that ET will outperform the electrification market which is expected to grow at a 32% CAGR from 2020 to 2025 (source: Roland Berger, Powertrain market). ET is targeting to generate more than €2 billion sales in the mid-term. As of December 31, 2020, ET had approximately €6.9 billion order backlog which is well diversified across architectures and customers. In the fiscal year 2020, ET generated €405.9 million sales and adjusted EBIT of €-345.7 million. The adjusted EBIT margin for the fiscal year 2020 amounted to -85.2%. ET's order intake for the first six months 2021 amounted to €1.4 billion.

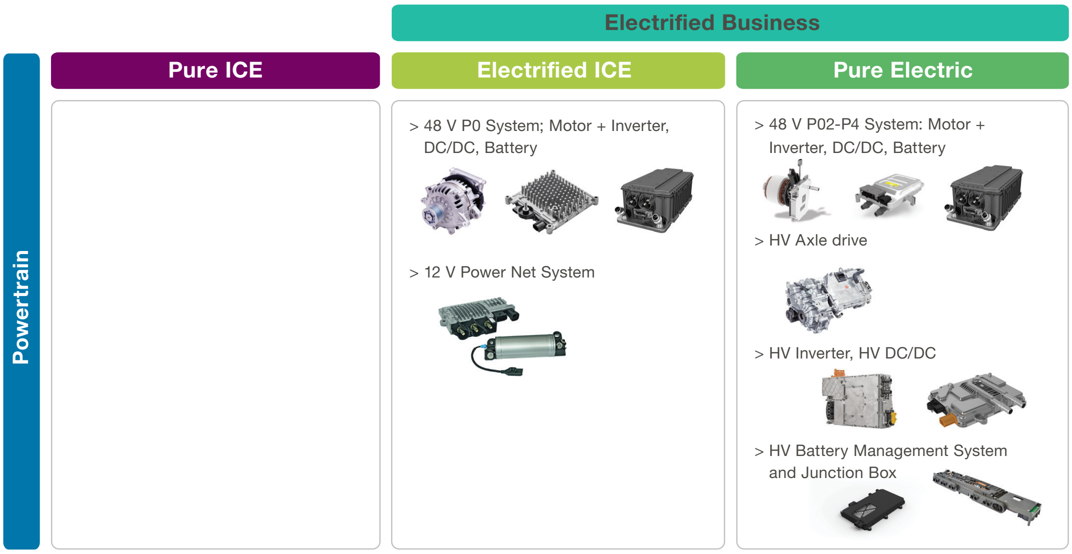
ET has increased its sales revenue by 72.6% in the fiscal year 2020 compared to the fiscal year 2019 (increase in the fiscal year 2019 compared to the fiscal year 2018: 19.5%). ET has also improved its gross margin by 44 percentage points in the fiscal year 2020 compared to the fiscal year 2019, and by 12 percentage points in the fiscal year 2019 compared to the fiscal year 2018. The ongoing optimization in ET, resulted in an improvement of gross margin by a further 23 percentage points in the first six months 2021 resulting in a positive gross margin in the first six months 2021 of 3.2% (with sales in the first six months 2021 of €312.4 million). Based on sales, in the fiscal year 2020 more than 50% of ET's products were manufactured in best-cost-countries. ET also optimized its investments by outsourcing manufacturing for selected components and signing strategic co-investment contracts. The focus of ET is on value-added manufacturing.

ET offers with its portofolio component and system solutions for all key electrification architectures such as 48V MHEVs, PHEVs and BEVs. Its electric propulsion systems can run on vehicles with ICE, battery or fuell cell. This makes Vitesco Technologies ready for any electrication scenario. ET's portfolio follows a strict platform approach, including modularity, integration, scalability and system understanding.

As the business unit's portfolio covers a wide spectrum of electrification solutions, it has divided its product groups into specific product lines in order to realize technological synergies. The product line "Battery" offers high voltage battery management systems, high voltage battery junction boxes as well as 48V battery packs including 48V battery management systems. In its product lines "High Voltage Drives" and "High Voltage Electronics", ET offers products such as electric axle drive solution, high voltage DC/AC inverters, high voltage DC/DC converters as well as combinations of DC/AC inverters and DC/DC converters. The product line "Mild Hybrid Drives" comprises products such as 48V electric drives including 48V belt starter generators, 48V DC/DC converters and other 48V electronics as well as 12V power net stabilization systems.

[26] Source: McKinsey, "Reboost", October 2019.

The following table provides an overview of the key technologies and products of ET:




HV: High Voltage

ET manufactures, amongst others, **high voltage battery management systems**. These systems manage all functions of the high voltage lithium-ion battery applied to BEVs and PHEVs as well as **high voltage battery junction boxes** which connect and disconnect the battery cell stack with and from the vehicle's high voltage power net. Such components aim to ensure the optimal usage and safety of the lithium-ion battery capacity over its lifetime.

ET's **electric axle drive solution** offers a highly integrated electric drive system which consists of an electric machine, power electronics and optionally a reducer in one unit. The Company believes that its products offer the highest specific power with less than 80 kg in the 120 kW-160 kW power class (status: 2020). The system has been developed for high volume manufacturing of BEV's axle drives focusing on the Chinese and European markets and is currently build into more than five vehicle brands. It is a multi-platform system, with more than ten vehicle models equipped as of March 2021, with ten more vehicle models contracted. More than 150,000 units were produced in the 15 months following the start of production. As an "all-in-one" solution with a very compact size, the system, in Vitesco Technologies' view, is beneficiary to OEMs as it allows for an easy integration and usability in a multitude of different vehicle platforms.

ET also offers a standalone **high voltage DC/AC inverter** with voltages up to 470V for standard applications and up to 800V with SiC semi-conductor technology. The inverter converts the direct current from the battery into an alternating current to drive the electrical machine, doing so in a reversible way, i.e. allowing a highly efficient function in motor mode (driving mode) and generator mode (regeneration mode). ET's high voltage inverter includes a highly reliable in-house power module which enables a high volumetric power density in the 90kW-150kW power class, i.e. 15kW/l, enabling easy integration. ET's **high voltage DC/DC converter** converts high voltage current into lower voltage current which is required to supply the 12V vehicle power net. ET also offers a combined solution of high voltage DC/AC inverter and DC/DC converter, the so-called **high voltage power electronics**. The scalable inverter and power electronics platform is used in all Vitesco Technologies axle drives as well as additionally by OEMs directly in eight vehicle brands and 25 vehicle models. Additionally, in the future, with the help of wide band gap semi-conductors such as SiC, highly efficient 400V and 800V applications shall be made possible, such as, for example, 800V SiC DC/AC inverter applications for which ET has already received a serial nomination.

With regards to 48V solutions, ET offers complete **48V battery packs** for MHEV applications which also include a specific battery management system. The **48V mild hybrid electric drive system**, composed of an 48V motor and an inverter, has been developed for cost-efficient mass hybridization and offers, in Vitesco Technologies' view, the highest maximum power for motor mode for efficient $CO_2$ reduction, i.e. 13.0kW for 48V belt starter generator applications (P0 system), which are mounted to the combustion engine in the place of the 12V alternator. Certain of its functions enable fuel consumption reduction, such as the regeneration and electric boost. In addition to an improved fuel economy other main benefits of the 48V mild hybrid electric drive system include more comfortable and extended start-stop functions, coasting (i.e. vehicle movement without using ICE power) and optimization of high power consumers (e.g. vehicle pre-heating), which work more efficiently in 48V applications, therefore enabling increased vehicle comfort whilst further reducing emissions. The system also enables future functions such as electric catalysators which are expected to play a significant role in the context of future emission legislation (e.g. Euro7). Additionally, ET offers **48V DC/DC converters** which link the 48V and provides 12V power nets, and **12V power net stabilization systems** which improve the stability of the vehicle power net, as well as 48V DC/AC inverter.[27]

In short- to mid-term, ET is expected to start manufacturing the 48V transmission integrated electric drive system, consisting of an electric motor with a 20kW peak power and transmission-attached power electronics. This new generation of 48V transmissions is expected to enable limited pure electric driving, advanced boosting and torque assistance in addition to conventional 48V belt starter generator (P0 system) functionalities. This 20kW high performance motor type can be integrated into a transmission, but also in front of the transmission, e.g. side mounted, directly after the transmission or even integrated as separate 48V axle drive, thus enabling the realization of numerous 48V based electric propulsion architectures (P2-P4 systems).

### *9.5.3 Sensing & Actuation (S&A)*

S&A develops components which aim to enable clean, powerful, safe and affordable powertrain propulsion solutions.

In the fiscal year 2020, S&A generated €2,237.1 million Core Technologies sales. 76.7% of the business units' sales in the fiscal year 2020 were related to its Core Technologies, with total sales of S&A also including sales from the aftermarket business (see "*9.8.2.3 Aftermarket Business*") of all business units of the Group. For more than 65% of its Core Technologies sales in the fiscal year 2020, S&A was at the top or the top two market position (according to Company estimates as per the fiscal year 2020, based on Core Technologies sales). 19.8% of the Core Technologies sales in the fiscal year 2020 were generated in the commercial vehicle market. Core Technologies adjusted EBIT amounted to €181.2 million in the fiscal year 2020 with a Core Technologies adjusted EBIT margin of 8.1%. Capital expenditure in relation to Core Technologies sales was at 5.7%[28]. The Core Technologies order backlog amounted to approximately €13.1 billion as of December 31, 2020. In the first six months 2021, order intake for S&A's Core Technologies amounted to €1.5 billion (of a total order intake for S&A of €1.7 billion).

In the fiscal year 2020, S&A delivered more than 230 million sensors and actuators to its globally located customers including more than 150 OEMs and Tier-1 supplier[29].

S&A combined its scale benefits, i.e. it more than doubled its volume of units delivered in the fiscal year 2020 compared to the fiscal year 2010 while having (as an arithmetic mean) more than 145 annual launches during the fiscal years 2018 to 2020, with its operational efficiency, i.e. 6.4% research and development expenses (net) to total sales ratio in the fiscal year 2020. S&A has established more than 20 technology platforms[30] in more than 80 different application fields.[31] S&A is developing global product platforms. Through the 25 local application centers the Group ensures the close support of its customers in the markets.

S&A's product portfolio comprises sensor and actuator solutions for the use in BEVs, hybrid vehicles as well as ICE powered vehicles for the light vehicle, commercial vehicle and two-wheeler markets. The product lines and the respective product groups of S&A are divided into basic technologies with the aim of realizing synergies and enabling a re-use of the technologies for different product applications. With regards to clean mobility and electrification, S&A's Core Technologies portfolio includes the product lines "Exhaust & Emission Sensors", "Transmission & Engine Sensors", "Actuators" as well as "Catalysts & Filters". Products offered include various types of sensors and actuators, pumps and small electric motors. Through technology platforms and the modular design

27 Benchmarks in this section "Electrification Technology (ET)" relate to mass production competitors for 2015-2019.

28 Capital expenditure relates to additions to property, plant and equipment, and software. First-time adoption of IFRS 16 – Leases as of January 1, 2019.

29 Number of final customer groups in 2020.

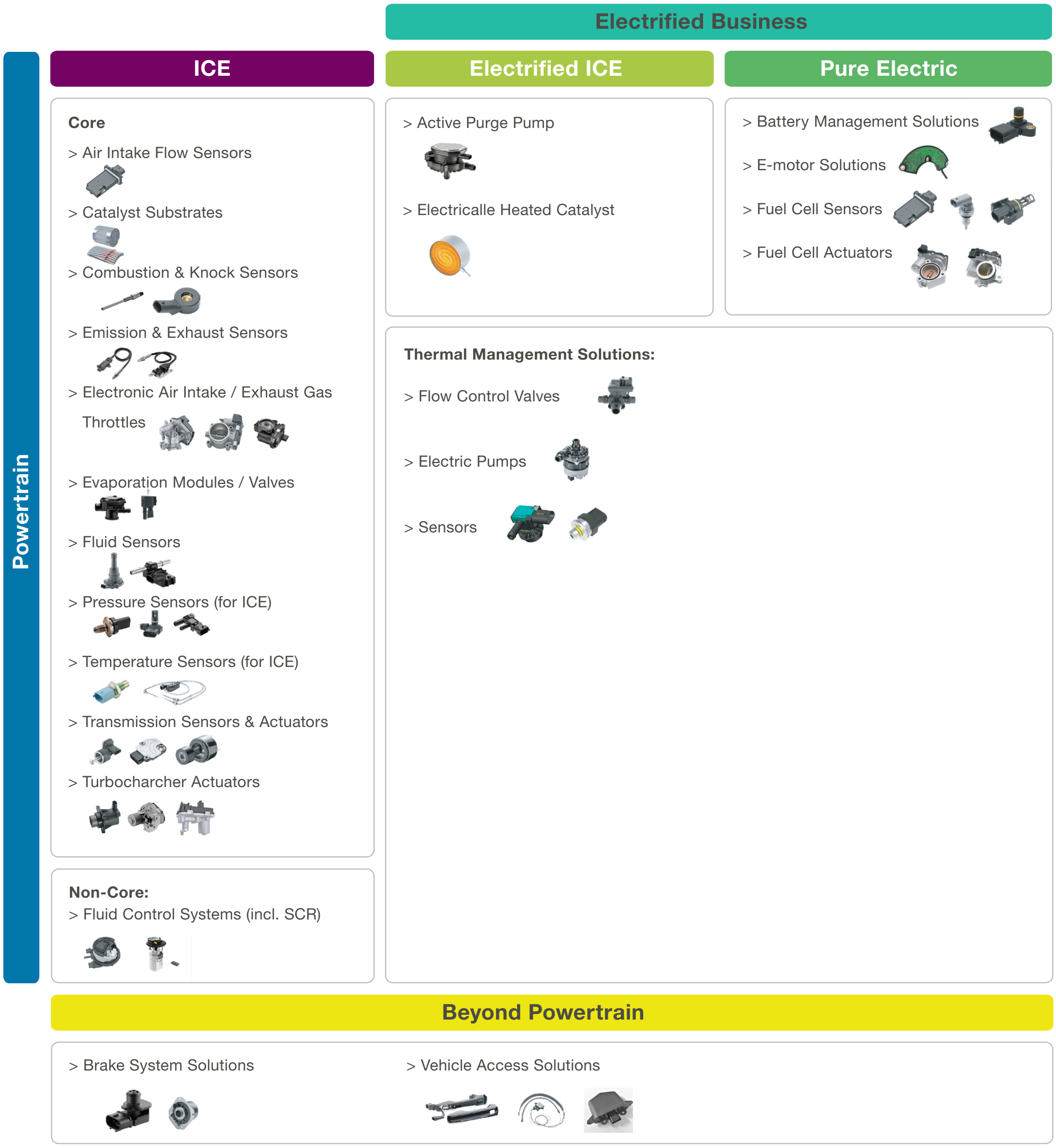
30 "Technology platforms" are based on physical or design principles and used in sensing or actuation components.

31 "Application fields" are defined as product or product families based on technology platforms.

of its components S&A offers technologies and products for a wide range of applications. This approach enables S&A to react to the different demands of markets, customers and legislation. For use in electrified vehicles S&A offers electrically heated catalysts as well as products for thermal management, e-motor and battery management systems. For ICE powered vehicles S&A offers sensor and actuator solutions that are used in air intake, turbocharging and operating fluids (fuel, oil, urea) as well as solutions for combustion and exhaust gas aftertreatment systems. S&A's portfolio also includes applications for transmissions, brakes as well as vehicle access sensors (to enable seamless opening of doors or trunks). For the Indian market, S&A established the joint venture PV Clean Mobility Technologies Ltd. to supply commodity sensing and actuation components. The "Fluid Control Systems" product line comprising fuel management modules, fuel pumps and SCR modules offered by the S&A business unit for combustion engines are each considered as Non-Core ICE Technologies.

The commercial vehicle area of the SCR product line which was primarily bundled in the subsidiary Vitesco Technologies Faulquemont SAS, Faulquemont, France, and has been sold to Anhui ActBlue Co. Ltd., a strategic investor headquartered in China. Vitesco Technologies and Anhui ActBlue Co. Ltd. entered into agreements to that effect on March 1, 2021 and the transaction has been closed on August 31, 2021.

The following table provides an overview of the key technologies and products of S&A:




**Active purge pumps** and **valves for tank evaporation modules** ensure the flow of HC vapours from the tank to the ICE which is especially important for HEVs to ensure a proper canister purge strategy. In anticipation of potential emission legislation and RDE challenges, S&A also offers **electrically heated catalysts**. Heated catalysts ensure that the exhaust gas aftertreatment system is working efficiently and is fast and continuously availabile, which is especially necessary for HEVs. S&A also offers **thermal management** products that are key for electrified vehicles. They increase vehicle range, reduce the charging time, improve the driving comfort due to better air conditioning and extend battery lifetime. The modular design of S&A's thermal management actuators enables the integration into a large variety of different vehicle platforms. Thermal management actuators include auxiliary electric water pumps and flow control valves. S&A had a more than €600 million order intake for the fiscal years 2019 and 2020 for thermal management products. To enable a precise control and monitoring in the thermal management circuits, S&A's portfolio also includes **temperature sensors** for coolant and **pressure sensors** for air-conditioning as well as battery safety monitoring sensors where the sensor is used for direct measurement of the pressure in battery cases, therefore monitoring if there is a risk of a thermal event. Vitesco Technologies believes to hold a strong market position for **$NO_x$ sensors** (according to Company estimates as per the fiscal year 2020). $NO_x$ sensors measure the $NO_x$ content in the exhaust gas and help to determine the optimum amount of urea injection which results in reduced emissions. In addition, the sensors are used to monitor the performance of the catalyst. Accurate $NO_x$ measurement is highly sought after in the market in order to ensure compliance with increasingly tight $NO_x$ emission legislations. With regards to $CO_2$ emission legislation, Vitesco Technologies focusses on the manufacturing of **knock sensors**. Knock sensors measure structural vibrations in the ICE and continuously monitor and adjust ignition parameters. They therefore support engine efficiency and performance and enable the monitoring of spark knock events to avoid possible engine damages. The Group believes to have a strong market position in the fields of knock sensors (according to Company estimates as per the fiscal year 2020). S&A also manufactures a wide portfolio of **actuators**. Here, **electronic throttles** and **valves** for air intake systems are included to control the air flow and to reduce emission and fuel consumption. Further benefits of S&A's actuators include a modular design, small size, low weight and high performance designed to aim at a fast response and low leakage. S&A's actuator technology can also be transferred to fuel cell applications to control the air flow used for the fuel cell stack. The S&A business unit also makes Vitesco Technologies (according to Company estimates as per the fiscal year 2020) a strong player in the market for metal substrates installed in **catalytic converters** for light vehicles, commercial vehicles and two-wheelers. Catalytic converters are built to clean the exhaust air in the aftertreatment system.

#### *9.5.4 Contract Manufacturing (CM)*

CM records the business relationship between Vitesco Technologies and Continental Group where companies of the Continental Group and of Vitesco Technologies each engage in manufacturing activities for customer orders of the contractual partners of Vitesco Technologies and, respectively, Continental Group.

Products of Vitesco Technologies and automotive products of Continental Group are manufactured on overall 21 manufacturing sites. As part of the Carve-Out, manufacturing sites were legally either transferred as a whole to Vitesco Technologies or retained by entities of Continental Group. Consequently it is necessary that companies of the Continental Group manufacture products for Vitesco Technologies and vice versa. For this purpose, Vitesco Technologies GmbH and Continental AG have entered into a cooperation governed by a framework contract manufacturing agreement and apply a contract manufacturing structure to ensure a time-efficient and cost-optimized exit of formerly shared production plants. In the fiscal year 2020, Vitesco Technologies generated €1.1 billion sales in its Contract Manufacturing business unit and purchased goods manufactured by Continental Group under the framework contract manufacturing agreement in a similar amount. Profitability of Contract Manufacturing is thereby largely offset on a group level.

Vitesco Technologies plans to phase out its CM activities over the long term. Sales generated by this CM business unit are expected to fall by more than 50% until the end of 2023 and to be largely limited to three locations. The phasing out of CM should be substantially completed by 2025, depending on strategic decisions and customer demand. Once the Spin-off becomes effective, the relevant agreements will be terminated and replaced with new agreements. Please see "*15.1.2 Contract manufacturing*".

### 9.6 Research and Development

#### *9.6.1 Overview and Strategy*

Vitesco Technologies is a technology focused group and therefore its R&D activities are a fundamental element. The Group aims to invent, develop and launch products which implement new technologies in line with the changing market environments, regulatory frameworks and customer needs with optimized time-to-market. In line with its strategic focus, the main emphasis of Vitesco Technologies' R&D team is to increase electrification technologies' efficiency and to strive for the best energy consumption and emissions solutions, while upgrading existing solutions.

The Group's R&D development process includes innovation as well as platform development, customer acquisition and customer application and series support. Vitesco Technologies' capabilities in the field of electrification are based on decades of outstanding experience of its predecessor companies in developing and supplying products and innovations to the market. Please see "*9.2 History*" and "*9.16 Mergers & Acquisitions and Joint Ventures since 2000*". In addition, the strong innovation and technology competence is not only backed by the legacy of the Group but also its strategically planned standardized worldwide development footprint. The premise "in the market, for the market" is also the basis for the geographic allocation of Vitesco Technologies' R&D activities. While its engineering teams are located in the headquarter locations in Europe, Vitesco Technologies has set up interdisciplinary development teams in major oversea markets such as China, Korea, Japan and the U.S.A. The Group also has engineering groups located in best-cost countries[32], which support the main markets. Here, Vitesco Technologies pursues the strategy to increase the percentage of R&D employees in best-cost countries which was around 34% as of December 31, 2020.

The key areas of Vitesco Technologies' R&D activities are driven by the market trend towards (i) clean mobility, i.e. climate protection measures and reduction of pollutant emissions, (ii) new vehicle architecture concepts as well as (iii) the focus on cost-efficient mobility. With regards to clean mobility, regulations as well as society demand for lower $CO_2$ and pollutant emissions. More stringent $CO_2$ fleet targets are speeding up the electrification of the powertrain. Here, OEMs embrace the necessary transformation to electric mobility faster than expected. The technical trends which result from this and that drive Vitesco Technologies' R&D activities are (i) hybridization of powertrains for MHEVs and PHEVs, (ii) electrification for BEVs as well as propulsion technologies for FCEV, (iii) digitization and connectivity for powertrains as well as (iv) AI and adaptive and self-learning controls. The technologies and products of the business units EC and ET mainly address the hybridization of powertrains and electrification of BEVs. Innovations include new integrated high voltage architectures including functions for charging, DC/DC voltage conversion, battery management, power distribution and inverter for electric motors, improved high voltage performance with the new semiconductor materials SiC and GaN which are included in the products, ECUs and TCUs as well as the electrification of peripheral components. Vitesco Technologies develops both battery-electric systems as well as fuel-cell-electric systems for the energy supply to the electric drive system of pure electric powertrains. Vitesco Technologies also addresses digitization, architecture and connectivity as well as AI and adaptive and self-learning controls. Innovations include exhaust gas aftertreatment with accurate control through $NO_x$ sensors, integrated thermal management especially for hybrid vehicles and BEVs (including battery management), over the air updates, online functionality, predictive maintenance and intelligent vehicle performance and energy control via live AI algorithms.

In the fiscal year 2020, the Group invested €1,001.3 million gross in R&D. This investment amount includes all expenses incurred at the functions base and application engineering (which also include all expenses for prototypes, forms or other assets solely built for a particular base or application engineering effort), but excludes industrial engineering expenses.

### *9.6.2 R&D Organization*

As of December 31, 2020, Vitesco Technologies had around 8,100 R&D employees[33] in 16 countries. Vitesco Technologies' 20 development centers[34] are located in Europe with approximately 5,800 employees, Asia with approximately 1,500 employees and the Americas with approximately 800 employees. Following the renewed strategy towards electrification, a large scale training program covering electronics, electrification and software engineering was rolled out in 2019 with more than 10,000 individual training units already performed until end of 2020. Approximately 10% of the whole R&D workforce is set to be actively retrained towards electrification. As of December 31, 2020, one third of these employees had already completed the training. The qualification training has been developed with local universities and allows each participant an additional certification in the field of e-mobility.

In 2021, a common engineering organization, VT Engineering (***VT E***), was formed which combines the development activities for the business units EC and ET. It is mainly structured in technology clusters and acts as an internal supplier towards the business units EC and ET. It comprises platform development, customer application and series support, as well as dedicated special functions like engineering performance, product safety, processes and technical compliance. The development

[32] With regards to R&D, Vitesco Technologies considers Brazil, China, the Czech Republic, India, Mexico, Romania, Singapore and Thailand to be best-cost countries (as of December 31, 2020).

[33] R&D employees are defined as all employees hosted on R&D cost centers.

[34] "Development centers" are defined as R&D locations with a minimum of 80 headcounts excluding Non-Core ICE Technologies.

organization of the business unit S&A remains unchanged due to the technology-wise independent product portfolio.

The Group's R&D employees are allocated in the unit VT E serving the business units EC and ET, in the R&D department of the business unit S&A, and in a central pre-development department "Technology & Innovation" (***T&I***). The set up enables specialized engineers to interact with other technicians with interdisciplinary collaboration at the sites. The shared use of labor and testing rigs improves the transfer of know-how. Kow-how exchange is secured via competence networks and virtual subject-matter communities in the expert landscape.

Within the R&D organization, T&I takes care of the early phase of the innovation process with the goal of identifying emerging trends, systemic and systematic benchmarking, developing new technologies and executing innovative ideas. The organizational structure of T&I allows for a systemic view with the capability to identify technology and system specific aspects beyond the focus of each respective business unit. Based on a trend evaluation and the comparison with internal core competencies, the trends identified as most relevant are used as an input for the technology strategy. To execute those projects, T&I is organized in search fields.

R&D activities within VT E and the business unit S&A focus on base product development as well as customer applications. A common VT E product development set up for the business units EC and ET was installed since the electrification technology modules and platforms are growing together. In addition, the business units ET and S&A run their own dedicated innovation / advanced development departments. In the business unit EC, innovation projects are steered from the business unit's product lines, using engineering resources of VT E.

All R&D activities follow a centralized and standardized product life cycle (PLC) and innovation management process. The business units and VT E collaborate closely to ensure knowledge transfer and synergies.

### *9.6.3 Product Development Process*

With regards to its product development process, the Group's R&D activities follow five steps:

- **Advanced Innovation** is taken care of on T&I level and focuses on inventing new products and technologies in and beyond the current scope of the Group and to bring those to a concept-ready state. To ensure this, Vitesco Technologies participates worldwide in research communities, works together with universities and closely aligns innovation targets in regular meetings with its customers' innovation and serial departments. T&I performs an agile innovation process "pioneers path", followed by a more elaborated innovation process that is completely interlinked with the internal customers.
- **Business Unit Innovation** is executed by the respective business unit and aims to introduce innovations focusing on new products and technologies and the next generation of the existing product portfolio with steps forward in function, cost, product ability and quality. The Group puts a strong focus on reacting to new regulations affecting technologies and products.
- **Platform Development** ensures that products will be pre-qualified in an elaborated platform process towards application readiness once product concepts are defined and become part of the respective business unit strategy. Platform development applies mainly to standard products which are sold to a variety of customers in several regions and if there is an expectancy of high-volume sales.
- **Customer Acquisition** works in a way that generic products will be used as a basis for requests for quotation, with clear decision criteria.
- **Customer Application and Series Support** ties into the Group's R&D activities in a way that following the acquisition of new business, the application of an existing product or technology to the individual needs of a customer will be executed within a timeframe of two to five years. As core of this activity, a state-of-the-art systematic development process product life cycle is used.

As of the date of this Prospectus, Vitesco Technologies continues to use the generic programmes and processes established at Continental Group. With effect of the Spin-off, Vitesco Technologies will continuously adopt its processes to the specific portfolio and strategy. Please see "*15 Certain Relationships and Related-Party Transactions*".

### 9.6.4 Key R&D Innovations in EC

The following examples show key R&D innovations which created EC's product portfolio.

In 1984, EC started manufacturing ECUs for passenger cars. Total units sold from start of production (***SOP***) until the end of fiscal year 2020 amount to more than 200 million and resulted in more than 35 years of being a leader in this field (according to Company estimates). In 1995, the application of ECUs for commercial vehicles followed. This application allowed for the de-bundling of electronics from fuel injection which resulted in a leadership position for more than 25 years, based on Roland Berger, Powertrain market. More than 20 million ECU units were sold until the end of fiscal year 2020. In 1999, a pioneer position regarding transmission integrated electronics followed. The technology allowed electronics to be integrated into harsh environments, e.g. within the transmission, electronics have to withstand the transmission vibrations and high oil temperature. More than 90 million units were sold until the end of fiscal year 2020. In 2003, EC pioneered the dual clutch transmission control technology and became the partner of choice for market introduction. More than 50 million units were sold until the end of fiscal year 2020. In 2016, EC became a pioneer in powertrain AutoSAR software in ECUs and TCUs, maximizing the performance of microchips with multiple cores.

EC decided to expand its portfolio with products for the e-mobility and hydrogen market, such as high voltages boxes, master controller, FCCUs and TAMs.

EC developed an unidirectional high voltage box with different voltage and power classes for PHEVs and BEVs. For this product EC received a series nomination in 2020. The business unit is developing the next generation of high voltage boxes based on wide band gap technology with the capability for bidirectional charging as well as standalone OBC.

Master controllers are used across a broad spectrum of propulsion systems. They can act as domain or cross domain controllers as well as zone controllers, depending on the vehicle E/E architecture. EC is supporting the OEMs to define their optimal vehicle E/E architecture and by that gain the knowledge to design the master controllers accordingly. Master controller run a very complex software, which request powerful micro cores. EC is constantly in discussion with micro chip supplier to safeguard the supply of micro cores at a best price.

EC developed FCCUs using proven modules of the ECUs, especially for the commercial vehicle fuel cell market.

TAMs are used to select and switch gears with high efficiency in e-axles and hybrid gearboxes. They integrate in one housing the control hardware as well as the actuators (electric motors). EC is developing the next generation of TAMs with an even higher integration of controls and actuators

All EC products benefit from the modular building block approach using a library of prevalidated micro chips, ASICs, circuit blocks and software blocks. This modular approach allows the benefit from economies of scale and aims to enable a robust fast-to-market approach. One R&D key goal is therefore the permanent update of this library to ensure all products have the highest reliability at a low cost.

In addition, EC aims to focus on the software architecture for future electronics. Multi-party software integration technology aims to integrate e.g. vehicle motion control, energy management and emission control into the master controller. For OEMs, this is expected to result in a simplified multi-party software integration. The software is expected to act as enabler for a leading position regarding master controllers and is also expected to have the potential to enter the market as standalone product.

### 9.6.5 Key R&D Innovations in ET

The following examples show key R&D innovations which created ET's product portfolio. Since 2006, more than two million vehicles have been equipped with ET's electrification solutions. ET equipped another (around) 500,000 vehicles in the first six months 2021 (based on the number of parts shipped to customers) with numbers almost evenly split between 48V Mild-Hybrid technology and high voltage technology for HEVs, PHEVs and BEVs.

In 2006, ET was the first mass-market application supplier of 42V mild hybrid components worldwide. In 2016, building on its experience in MHEVs, ET started manufacturing 48V belt starter generators. Those were used in Europe's first 48V drive systems. For the future it is planned, that further development steps focus on power electronic applications, *e.g.* inverter technologies with embedded semiconductor technology for high specific power, enabling increased power in a given packaging space.

In 2008, ET was the first mass-market application supplier regarding the world's first lithium-ion battery management system and the first power electronics in Europe for a lithium-ion battery based FHEV. In 2011, ET started manufacturing the second generation of its high voltage power electronics, with a version included in a high voltage axle drive, which then was the first mass production of a complete axle drive system for BEVs in Europe. In 2019, ET was the first independent Tier-1 supplier, which provided a fully integrated high voltage axle drive with integrated DC/AC inverter and reducer for global mass-market. With the fully integrated version of the high voltage axle drive, ET transferred its learnings from two previous generations of high voltage axle drives and made use of its system capabilities with regards to electric motors, power electronics and reducer integration.

As of June 2021, ET has equipped more than 1 million vehicles with its 48V Mild-Hybrid technology and about 1.5 million vehicles with its high voltage technology for HEVs, PHEVs and BEVs (the numbers refer to cumulated volumes since the fiscal year 2008, based on the number of parts shipped to customers).

In the future, ET aims to focus on the development of the next generation of fully integrated axle drives, further improving technology and system integration of inverters, reducers and electric motors. The development is expected to focus on an increased performance and efficiency, as well as reduced weight and cost. The underlying platform development shall be scalable and modular. Additionally, several electric motor concepts are being evaluated for future applications, including magnet-free concepts, as well as new winding and cooling technologies to improve overall system efficicency and performance.

ET is also working on wide band gap semi-conductors, such as GaN and SiC, for 400V and 800V applications (for 800V SiC, ET has already received a series nomination), which enable significant improvement of efficiency and therefore driving range of BEVs.

In terms of battery electronics, the impact of new upcoming battery chemistries such as solid-state will be considered as well as wirelessly connected battery management system. Beside that, also new balancing technologies will be investigated to provide the customer with a higher battery capacity utilization.

Together with system and product technologies, future manufacturing technology is also investigated, including, for example, improved assembly and interconnection technologies for mass production.

Regarding software, ET is closely linked to the global VT E/E architecture, and looking into the futue aspects of cybersecurity and up-date or flashing over the air (FOTA) and providing methodologies and toolchain following AutoSAR / PowerSAR standards.

Finally, regarding upcoming FCEVs, ET is driving a modular development to take care of relevant fuel cell configurations and power classes, adapting its BEV powertrain components for the specific needs of the fuel cell applications.

For every new product generation, ET focuses on significantly improving cost, performance, weight and efficiency of its products and systems. While building modular and scalable platforms, ET offers attractive electrification solutions with special focus on passenger cars and light commercial vehicles.

### *9.6.6 Key R&D Innovations in S&A*

The following examples show key R&D innovations which created S&A's product portfolio.

In 1990, S&A started manufacturing knock sensors. Since SOP and until December 31, 2020, more than 590 million units were manufactured. In 2002, S&A started manufacturing $NO_x$ sensors for passengervehicles. Since SOP, more than 85 million units were manufactured until December 31, 2020. With regards to the two technologies mentioned, Vitesco Technologies views itself to have a very strong market position (according to Company estimates as per the fiscal year 2020). Already in 1990, S&A started manufacturing electronic throttle controls. Since then, the product portfolio was enhanced for gasoline and diesel vehicles. Since SOP, more than 200 million units were manufactured until December 31, 2020. With regards to such throttle and sensors, the Group believes to be at high market positions (according to Company estimates as per the fiscal year 2020).

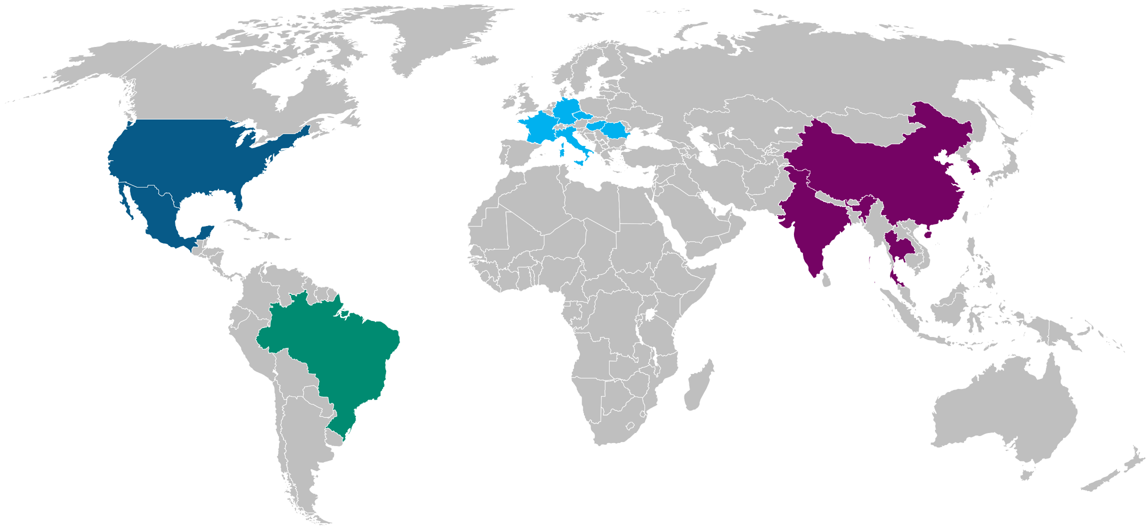
In 2011, S&A started manufacturing oil level sensors with ultrasonic technology. The applied ultrasonic technology leads to a higher accuracy especially for the detection of low levels and overfill in static and dynamic driving conditions. By that it supports the OEMs' strategy to reduce the amount of oil which results in lower fuel consumption and $CO_2$ emission. In 2018, S&A started manufacturing electrically heated catalysts such as the EMICAT for 48V topologies which are expected to play an important role with regards to future emission legislation and RDE challenges.

For the future, S&A is further focussing on thermal management products for electrified vehicles. Those products are especially relevant for PHEVs and BEVs. The market for those vehicles is expected to grow at a CAGR of 29% from 2020 to 2025.[35] Additionally, according to own Company estimates, the CPV opportunity for thermal management solutions in a BEV in 2025 is expected to be more than three times the CPV opportunity of an ICE based vehicle in 2018. For the fiscal years 2019 and 2020, S&A had an aggregate order intake of more than €600 million for all thermal management products. S&A's portfolio also includes efficient and modular electric coolant and oil pumps as well as flow control valves to take advantage of these growth opportunities. In 2020, S&A started manufacturing active purge pumps for tank evaporation modules which are especially important for HEVs and their canister purge strategy.

Regarding the fuel cell market, S&A is also focusing on balance of plant components (e.g. air flow sensors, valves and throttles) applied in air, hydrogen and thermal management subsystems.

### 9.7 Manufacturing

Vitesco Technologies manufactures its products at 28 manufacturing sites located in 14 countries around the world that are located close to its customers. Eight of these locations are pure manufacturing sites distributed at a proportion of 3:4 between high-cost and best-cost countries[36], while the other 20 locations combine manufacturing and R&D activities.



**NORTH AMERICA**

**USA** (Delavan, Newport News, Seguin)
**Mexico** (Cuautla, Juarez1/Juarez2)

**SOUTH AMERICA**

**Brazil** (Salto)

**EUROPE**

**Germany** (Bebra/Mühlhausen, Dortmund, Eisenach, Limbach-Oberfrohna, Lohmar, Nürnberg, Roding)
**France** (Boussens, Foix)
**Romania** (Brasov)
**Hungary** (Debrecen)
**Czech Republic** (Frenstat, Trutnov)
**Italy** (Pisa)

**ASIA**

**Thailand** (Amata City)
**India** (Pune GF)
**China Mainland** (Changchun, Tianjin, Wuhu, Shanghai)
**South Korea** (Icheon)

In North and South America, Vitesco Technologies has six manufacturing sites from which two sites are pure manufacturing sites and four sites combine manufacturing and R&D activities. In Europe, out

[35] Source: Roland Berger, Powertrain market.

[36] With regards to manufacturing, Vitesco Technologies considers Latin America, South America, Asia (excluding Japan), Africa, Eastern Europe, Portugal, Greece, Cyprus, Turkey and Oceania (excluding Australia) to be best-cost countries (as of December 31, 2020).

of the 14 sites, eleven sites combine manufacturing and R&D activities whereas in Asia all seven sites combine those two activities. The international presence of Vitesco Technologies ensures proximity to its global client base and to regional markets with differing regulatory and technological requirements. At the same tame it provides flexibility for cost efficiency in its R&D and manufacturing activities.

Vitesco Technologies follows a "simultaneous engineering" approach which is characterized by a close cooperation between R&D and manufacturing at an early stage to develop products in line with customer expectations and needs. With regards to the production equipment used by the Group, the manufacturing sites buy, jointly with the business units, customized production equipment based on Vitesco Technologies manufacturing needs. The Group aims to implement production equipment step by step which enables it to react to changing capacity requirements. For global projects, Vitesco Technologies aims to use the same production equipment throughout the world in order to ensure standardization and to leverage synergies. Vitesco Technologies aims to maintain a state-of-the-art quality management system as well as tools and methods for the development and maintenance of robust products and manufacturing processes. In addition, Vitesco Technologies aims to maintain an integrated Environment, Safety and Health (ESH) and Energy Management System in order to ensure, improve and monitor environmental protection, energy efficiency and work-safety on site level.

Manufacturing plants are structured either as "Focus Factories" for bigger plants or "Production Segments" for smaller plants. A "Focus Factory" is a self-sufficient operational unit equipped with all necessary resources to ensure delivery performance and quality, at efficient costs. A "Production Segment" structure is applied with the same aim but used if size of the business does not allow for self-sufficient "Focus Factories". New plant locations are designed as "Factories of the Future". Those factories have a modular plant concept by which a plant can be ramped up and down gradually to adapt to increasing or decreasing manufacturing demands. Here, the Group is using standards such as the LEED gold standard to establish buildings that are designed in an environmental and health friendly way. The "Factories of the Future" also aim to reach a climate neutral manufacturing with sustainable, energy efficient designs in line with the Group's strategic focusses. Regarding quality, Vitesco Technologies' plants work with Automotive Quality Labs which are located in each region where the Group has manufacturing or R&D activities. For manufacturing, AQLs perform incoming inspections with regards to materials from suppliers, samples during the manufacturing process and end of the line controls with regards to electronics.

Vitesco Technologies has strengthened its manufacturing capabilities through its worldwide implementation of collaborative robot (***Cobot***) systems replacing manual work and automated guided vehicles (***AGV***) improving efficiency and productivity. The Group has built its own in-house departments for developing Cobot applications (***Cobot Hub***) in the regions Limbach, Germany, Seguin, U.S.A. and Changchun, China. As of June 30, 2021, approximately 820 Cobots are installed at its 29 manufacturing sites. The Cobot Hub concept aims at the optimal use of the Cobot technology and its standardization. The Group is also focused on equipment standardization at its manufacturing facilities to secure high product quality and to reduce warehousing requirements for spare parts.

Besides Cobots and AGVs, Vitesco Technologies' "Industry 4.0" approach includes the use of AI and artificial maintenance, 3D printing, automated replenishment, asset management, data analytics (Big Data) and a manufacturing execution system to optimize the manufacturing process. For each technology, Vitesco Technologies established "Centers of Competence" in each region. AI is used for predictive maintenance and predictive product quality as AI may detect welding defects more efficiently, three Artificial Intelligence centers of competence are in operation since 2019. Artificial maintenance may detect wearing at an early stage. 3D printing is used to reproduce wear parts in order to prevent production line stoppages and additional wear parts supply costs. Automated replenishment comprises the introduction and use of new material tracking and machine communication options, e.g. the automatic reordering of manufacturing material needed. Asset management (incl. geolocation and geofencing) provides for inventory real time tracking. Data analytics (***Big Data***) is used for cloud-based manufacturing optimization and fast response tools. For example, "end of line tester" test whether a product fulfills customer requirements and if not where in the manufacturing process a potential issue occurred. In addition, Big Data is used to locate dependencies in the manufacturing process. The manufacturing execution system collects data to ensure traceability of products within the manufacturing process and with regards to the respective supplier. This aims to prevent potential (further) implementation of damaged parts in a final product.

Further, the smart glasses (i.e. headsets equipped with camera and software allowing remote support e.g., via voice, pointer, screenshots, documents and real-time sketches) coverage of 95% in Vitesco Technologies plants were achieved as of March 2021. Smart glasses ensure remote expert support, e.g. during pandemics.

### *9.8 Customers & Sales*

#### *9.8.1 Customers*

Vitesco Technologies sells its products to customers in more than 40 countries and is a partner of almost all major OEMs worldwide. The top seven customers of Vitesco Technologies, Daimler Group, Fiat Chrysler Group (merged with Groupe PSA in 2021 to form Stellantis Group), Ford Group, General Motors Group, Hyundai Motor Group, Renault-Nissan-Mitsubishi and Volkswagen Group, contributed on three year average 71% to the annual combined sales revenues between 2018 and 2020 (excluding sales of CM). The top three customers contributed on three year average 43% to the annual combined sales revenues between 2018 and 2020 (excluding sales of CM). Vitesco Technologies has been able to achieve a strong market penetration with major OEMs and in the regions Asia, Europe, U.S.A. and Canada and also has a broad customer base in key emerging markets including Mexico, Thailand, India and Brazil. In the fiscal year 2020, from a regional perspective, where the Group generates its sales, 17% of Vitesco Technologies' sales were realized in Germany. Here, the Group's top three customers were BMW, Daimler Group and Volkswagen Group. 26% were generated in Europe (excluding Germany). Here, the Group's top three customers were Groupe PSA (merged with Fiat Chrysler Group in 2021 to form Stellantis Group), Renault-Nissan-Mitsubishi and Volkswagen Group. 25% were generated in North America with the top three customers Fiat Chrysler Group (merged with Groupe PSA in 2021 to form Stellantis Group), Ford Group and General Motors Group while 31% were generated in Asia with General Motors Group, Hyundai Motor Group and Volkswagen Group being the Group's top three customers. 1% of the Group's sales revenues were generated in other countries. Customers are shown in alphabetical order in each case.

#### *9.8.2 Sales*

Group sales revenue allocated by region on the basis of the domicile of the respective customer for the fiscal years ended December 31, 2020, 2019 and 2018:

| | Germany | Europe excluding Germany | North America | Asia | Other countries | Total |
|---|---|---|---|---|---|---|
| | | | (Audited) (*€ million*) | | | |
| 2020 Sales | 1,380.0 | 2,053.0 | 2,022.3 | 2,486.4 | 86.0 | 8,027.7 |
| 2019 Sales | 1,549.7 | 2,404.3 | 2,406.0 | 2,602.3 | 130.2 | 9,092.5 |
| 2018 Sales | 1,582.8 | 2,421.3 | 2,321.0 | 2,678.1 | 139.9 | 9,143.1 |

Group sales revenue allocated by region on the basis of the location of Vitesco Technologies companies for the fiscal years ended December 31, 2020, 2019 and 2018:

| | Europe including Germany | North America | Asia | Other countries | Total[37] |
|---|---|---|---|---|---|
| | | (Unaudited) (*€ million*) | | | |
| 2020 Sales | 3,660.8 | 2,042.6 | 2,296.8 | 27.5 | 8,027.7 |
| 2019 Sales | 4,195.7 | 2,485.7 | 2,353.7 | 57.4 | 9,092.5 |
| 2018 Sales | 4,274.1 | 2,353.8 | 2,456.7 | 58.5 | 9,143.1 |

##### *9.8.2.1 Sales Process*

Vitesco Technologies' sales processes support the complete product life cycle from product innovation through end of cycle.

For mature technologies, the sales process typically starts with a request for quotation from a potential customer. Once an agreement with the customer is reached, the technology or product, tailored to the individual needs of the customer, will be developed and industrialized. New products

[37] In 2020, 20% (2019: 18%, 2018: 18%) of total sales were generated in Chinese locations of Vitesco Technologies.

and their supply generally last for the life of the customers' end product which is typically between five to ten years. However, OEMs retain the option to switch suppliers or shift supply volumes to other suppliers during the term of an ongoing supply contract. Typically, a new procurement process for a given product or sub-system takes place every three to five years.

In case of innovations and new technologies the sales force starts the acquisition at an early stage of vehicle design at the customer. Influencing the design and architecture of a product or system according to the platform strategy of Vitesco Technologies is an important factor to increase the probability to receive the business.

Vitesco Technologies undertakes various measures which aim at incentivizing OEMs to continue to use Vitesco Technologies' product portfolio in order to save re-sourcing and re-developing efforts which might occur with a shift of supplier. This includes following the concept of re-using and re-applying current technologies with future product updates and optimizations. Vitesco Technologies also approaches customers at an early stage of new product developments in order to jointly identify future customer needs for new technologies or to cooperatively further develop existing technologies. Vitesco Technologies strategically focusses to assist its customers to decide and design new system architectures with the specifications they need. In doing so, Vitesco Technologies can leverage the breadth of its portfolio and its ability to support all the components needed for electrified powertrains as well as its strong systems and software development as what it believes are unique selling propositions.

Vitesco Technologies tracks changes to customer orders on a regular basis and in case of unexpected increases or decreases, engages in direct discussion and negotiations with customers. Large increases are typically requested with a minimum of three to six months advance notice which provide Vitesco Technologies the opportunity to confirm or reject, ask for compensation of related costs or approval to manufacture in different lines or locations. Large reductions of volume or cancellations, typically result in a negotiation for compensation of related costs, including but not limited to amortization of engineering costs and amortization of investments.

#### *9.8.2.2 Sales Force Organization*

Vitesco Technologies' sales force is split between sales organizations of its business units and a "Central Sales" unit which both work together to offer OEMs tailored solutions and to address specific customer requirements.

EC, ET and S&A each have their own sales force which are organized in a decentralized way to ensure global coverage. EC is organized in customer centers supporting all products within the business unit for a particular passenger car customer, with employees located primarily in that customer headquarters' location but also with representatives close to all the key customer locations worldwide. In addition, there is one customer center, who serves all commercial vehicle customers globally. Similarly to EC, the ET sales force is also organized in customer centers which cover either several customers or a specific region, such as Asia. Additionally to sales managers, EC and ET have customer technical managers for specific customers, ensuring early involvement and forstering close collaboration in customer advanced development projects. S&A's sales force is organized in two major areas, which are product and customer related. Product sales managers have a worldwide overview about markets, competition and pricing of their products while customer account managers cover the most important customers and share the customer knowledge within S&A. Each business units' sales force is responsible for all product related sales activities such as product costing, quoting as well as coordination with the development, marketing and business development teams.

"Central Sales", acts as an interface between the customers and the business units. "Central Sales" comprise the customer specialists who are tasked with understanding the customer processes, organization and product requirements. They serve as the customers' first point of contact to the Group that can direct them further within Vitesco Technologies. "Central Sales" develops and updates regularly an account strategy for major customers and drive the execution in close cooperation with the business units. They also bring the three operating business units together with the aim to coordinate sales opportunities across the business units.

#### *9.8.2.3 Aftermarket Business*

For most of its business Vitesco Technologies serves the OEM demand for production of new vehicles. The Group's business that serves the need for replacement parts which is refered to as aftermarket business, consists of two outlet channels:

- *OES business*: After the end of a customer's series production, Vitesco Technologies typically continues the supply of spare parts until the contractually agreed end of delivery obligation through its original equipment services (***OES)***. Typically, the spare parts delivery obligation can last until ten to fifteen years after the end of series production. These spare parts sales by OES are conducted under different commercial conditions and negotiated separately from the series parts.
- *Independent Aftermarket (IAM):* Besides OES sales to OEMs, Vitesco Technologies also pursues spare parts business in the IAM. After the Spin-off, Vitesco Technologies may choose to continue working with the Continental Group to distribute its products in the IAM. Equally, Vitesco Technologies will build its own IAM organization to further explore and develop additional distribution channels.

Within the IAM business the Group intends to set up remanufacturing activities within the context of its IAM business, where used parts are rebuilt and sold as spare parts in the aftermarket in same-as-new or better condition and performance. As such, Vitesco Technologies' remanufacturing solutions contribute to the circular economy with significant energy and material savings.

### 9.9 Communications and Brand

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

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

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

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

The organization of communications and of the brand architecture at these three levels enables Vitesco Technologies to present itself on a globally coordinated basis as a strong brand, while being close to the customers and their needs. The products and solutions offered by Vitesco Technologies are distributed primarily under the brand "Vitesco Technologies". The portfolio also comprises, in particular, the brand "Emitec", which was transferred as part of the Carve-Out and is also intended to be gradually replaced by the trademark "Vitesco Technologies" (please also see "*9.13.1 Trademarks and Domains*").

### 9.10 Purchasing and Supplier Quality Management

The purchasing organization of Vitesco Technologies comprises the tasks of "Purchasing" and "Supplier Quality Management" (***SQM***). "Purchasing" is responsible for the supplier strategy and all supplier-related commercial topics. This includes supplier selection, reserving supplier capacities and general price and contract negotiation. SQM is responsible to define and safeguard the component quality requirements throughout the different phases of the product life cycle and supplier management process, using a systematic approach of methods and measures. This structure aims to leverage the purchasing power for commercial, quality and technical related issues, ensuring that global production locations are supplied with materials and costs are reduced, and delivering high quality of end products. In addition, the purchasing organization is focussed on respecting human rights and complying with sustainability standards in the supply chain.

Contractual relationships with key suppliers (which comprised more than 50% of the purchasing volume of the Group in the fiscal year 2020) and with the majority of all other suppliers are therefore derived from contract templates and include a minimum set of certain defined agreement categories in line with industry standards. In addition, the "Business Partner Code of Conduct" must be signed by every supplier. The "Business Partner Code of Conduct" aims to prevent incidents in core risk areas like antitrust, money laundering, corruption and other fraudulent activities and safeguards other legal requirements, e.g. with regards to environment and human rights.

Vitesco Technologies is purchasing a broad range of components and raw materials for its production, which are classified in the material groups:

- electronics, consisting of micro controller units, customer integrated circuits, passive components, discrete and standard integrated circuits and memories, sensors and sensor modules, printed circuit boards;
- mechanics, consisting of casting parts, machined and assembled components, plastics mechatronic parts and connectors, raw materials (such as steel), electro metal parts, stamped, forged and turned parts;
- plastic and rubber, consisting of plastic components, rubber components, auxiliaries and resin (plastic granulates).

In addition, the Group purchases non-production material (consisting of e.g. buildings and construction service, production equipment, engineering services, facility services, freight and transportation rates, packaging, services for human relations, travel, consulting, IT licenses, energy and spare parts).

Costs for materials represent the Group's largest cost item. In the fiscal year 2020, purchases of production materials comprised €3,750 million (thereof, approximately 30% were spent on the purchase of semiconductors and other electronic components). The Group also purchased non-production materials in the amount of €1,136 million in the fiscal year 2020.

For production materials, Vitesco Technologies promotes a purchasing strategy where the sourced supplier is in the same region as the manufacturing location. The main sourcing regions in terms of spend are Europe, Asia, and North America. Vitesco Technologies applies a multi-source strategy wherever economically and technically feasible and possible. A multi-source strategy aims to manage capacity needs, mitigate dependencies on suppliers (i.e. niche technologies and suppliers), and creates competition to achieve competitive material pricing. For non-production materials the purchasing strategy is to maximize the most pooling and leverage opportunities by aggreggating on a global level/scale, but heavily rely on local supplier strategies for certain commodities which require on-site presence or knowledge.

As of December 31, 2020, for production material, Vitesco Technologies has in total 1,756 suppliers (thereof 546 strategic suppliers representing 87% of Vitesco Technologies' total purchasing volume and 1,210 non-strategic suppliers). 31.4% of the total purchasing volume of Vitesco Technologies is purchased from its top ten suppliers. Multi-sourcing accounted for 18% and single-sourcing for 82% of the quantity of its purchased materials. There are over 25,000 suppliers in use for non-production materials and the top 100 in regards to spend make up nearly half the total annual purchasing volume.

***Purchasing organization regarding production materials***

As regards the supply of production materials "Purchasing" and SQM are both organized in three dimensions. So-called central material groups (***Category Management***) manage the sourcing of production material. Advanced Purchasing (***AP***) and project SQM organizations exist within each business unit to provide project specific purchasing support. Regional Purchasing and SQM structures (i.e. North America, Europe, Asia) aim to integrate the Purchasing and SQM functions and activities within the worldwide plants and business units, as well as to implement and ensure Purchasing and SQM standards globally.

Category Management is centrally organized for production materials and its main responsibilities with respect to "Purchasing" include definition, management, and execution of purchasing strategies, supplier contract negotiations as well as annual price and capacity negotiations. With respect to SQM, Category Management includes the implementation of preferred supplier and component strategies including specific quality category requirements and the execution of general quality agreements. For each production material group, Vitesco Technologies maintains a strategic supplier list and suppliers matching defined criteria will be included in this list. Criteria include, among others, a financial risk rating and the supplier automotive turnover. Any sourcing award given to an unapproved supplier, must be approved by dedicated management committee.

The task of AP is to support the development activities on a project level. AP is involved at an early stage in the projects and is responsible for ensuring that sourcing of all new parts is completed, on time, at cost, and with an approved supplier. In addition, AP is responsible for utilizing the "Risk Supply Management System" to ensure that all high-risk components are replaced within the bill of material or an alternate supply risk mitigation plan is implemented. Project SQM utilizes, amongst others, processes for a successful introduction of new components, starting from the official supplier selection until the component introduction is completed.

On a regional level, plant "Purchasing" has a team dedicated to each manufacturing location. They are mainly responsible for tactical purchasing activities during series production to ensure smooth operation of the Group's manufacturing facilities. Plant SQM is responsible to ensure supplier quality performance and to manage deviations and quality claims with appropriate measures or escalations. Purchasing and SQM are both focused on Vitesco Technologies' suppliers.

***Purchasing organization regarding non-production materials***

Purchasing for non-production-material is organized in five clusters (Capital Investments & Engineering Solutions, Facility Management, Logistics, Corporate Services & IT, and Auxillaries & Supplies) with additional central support functions (processes methods & tools, controlling, operations) which contribute toward the overall efficiency of the purchasing process. The organization has standardized reporting by functional area, and roles are split into global and regional responsibilities in order to maximize global standardization while accounting for regional specific requirements.

Operational procurement activities (order processing, tail-spend management & administrative tasks) are centralized in four regional operations centers located in Mexico, Romania, Czech Republic and China and serve the countries within their regions. Automatization of order processing via coded material, e-catalog, and robotic process automation is a major efficiency driver which increases spend pooling, while ensuring compliance of spend to cluster strategies, policies and procedures.

To the extent permitted under antitrust law, the plan is to agree on a selective purchasing cooperation between the Continental Group and Vitesco Technologies after the Spin-off. This purchasing cooperation would, in particular, seek to agree common terms and conditions for shared suppliers. In addition, it is envisaged to also evaluate a purchasing cooperation together with Schaeffler Group after the Spin-off. However, the purchasing organizations are intended to be completely separated in organizational terms.

### 9.11 Supply Chain Management

The supply chain management (***SCM***) of Vitesco Technologies is headquartered in Regensburg, Germany. There are two main SCM areas, "Central SCM" and "Plant SCM" which collaborate to ensure end-to-end support to Vitesco Technologies' business units for SCM related topics.

Vitesco Technologies' SCM organization manages the complete supply chain from suppliers to customers. "Supply Network & Risk Management" is responsible for sourcing, supply process management as well as supply risk management. "Customers Supply Chain" supports the customer-related process management, supply chain related costs in the quotation phase, coordination on the business unit level and acts as a customer interface on SCM matters. To safeguard reliable supply, the purchasing department of Vitesco Technologies oversees securing the required supplier capacity while SCM is in charge of securing the delivery of supplies. To address supply shortages, Vitesco

Technologies has implemented supplier and customer-dedicated risk management processes which both aim to secure customer deliveries.

Currently, the SCM organization has defined five strategic areas of focus: "Warehouse management" focuses on increasing the productivity of all processes within a warehouse by using "Industry 4.0" technologies. SCM investigates, pilots and implements new technologies like automated box storages, mobile robots and indoor localization technologies to increase material flow transparency and information flow. "Supply chain capacity management" focusses on providing full transparency on available capacities and possible supply chain restrictions in order to have an early warning system in the event of issues. "Layout & material flow" focusses on the development of strategic shop floor layouts for the next five years based on a rolling forecast to achieve an optimized material flow with regular reviews of layout updates. The "Autonomous automated guided vehicle" implementation focusses on automation of thus far manual material movements by using mobile robots. "Industrial engineering" focusses on the development of standards and processes with standardized tools in order to ensure best practice sharing within the industrial engineering network in the respective location.

### 9.12 Information Technology

Vitesco Technologies' information technology (***IT***) systems are designed to support and improve the daily business processes of the Group with IT capabilities and to provide the management with the financial and other information required to implement the strategy of the Group. The IT organization of Vitesco Technologies has been fully separated from the IT organization of Continental Group in the context of the Carve-Out.

Vitesco Technologies' IT is currently organized in six central "competence centers" and a regional organization that coordinates all local IT activities. The central IT competence centers with 385 employees are responsible for engineering, manufacturing and business applications as well as for infrastructure, governance (IT service management, contract and license management, information security) and IT strategy. The local ITs with 200 employees manage all local topics (e.g. local data center, local networks, business consulting, etc.). Aiming to ensure a high level of standardization and best leverage of synergies and best practices across locations, they are coordinated by a regional management team.

The Group's IT management comprises the following main aspects:

In the area of engineering applications, the Group relies on the PTC Windchill Platform. Engineering data from all disciplines, mechanical engineering, electronic engineering and software, are handled in the Windchill Integrated System for Engineering. In the area of manufacturing applications, the Group relies on the so-called production real-time control and information system for manufacturing excellence (***PRIME***). PRIME is a programmable logic controller integrated platform that combines the manufacturing execution system CamLine with solutions for predictive maintenance, automated replenishment or analytics. PRIME is the basis for the Group's ongoing "Industry 4.0" project activities. The backbone for all business applications is SAP. Driven by the growth of Continental Group during the last years, the Group currently runs 25 SAP systems (as Vitesco Technologies has adopted the Continental Group IT system following the Carve-Out). Vitesco Technologies' IT plans to consolidate down to three SAP systems globally. In parallel the introduction of SAP High Performance Analytic Appliance is being prepared. With the "Cloud Foundation Program", Vitesco Technologies started the transition of all central infrastructure to Amazon Cloud.

For the IT systems used by Vitesco Technologies (i.e. any hardware and software, including but not limited to computers, networks, servers and database systems), a logical separation has been completed, with some IT systems operating on a cross-company basis at the beginning. However, both the logically separated systems and the systems which already have been physically separated were fully integrated into the IT network infrastructure of the Continental Group until May 2021. The objective of implementing the operational independence of Vitesco Technologies' IT application structure and infrastructure was achieved as of December 31, 2020. A complete physical separation of the IT networks was achieved in May 2021. For those accesses to the Continental Group systems which will then still be necessary until the Spin-off takes effect, a (transparent and reliable) network peering of the two network structures of the Continental Group and of the Vitesco Technologies Group was set up.

Each of the companies of the Continental Group is the owner of rights in proprietary software and a party to contracts with external IT providers. Software and contracts which are used exclusively by Vitesco Technologies were transferred to Vitesco Technologies as part of the Carve-Out. In addition, Vitesco Technologies will be granted rights of use relating to proprietary software of the Continental Group on the basis of license agreements. Some of these licenses bear royalties. To the extent that a separation has not been completed by the time the Spin-off takes effect – delays may occur due to the current COVID-19 Pandemic and its impacts on resources and availabilities – companies of the Continental Group will enable Vitesco Technologies for a certain transition period of not more than two years after the Spin-off has taken effect the temporary joint use of IT resources (networks, servers, applications and data), to the extent permitted by law, in accordance with the Transitional General Services Agreement as amended on January 1, 2021 (for information in this regard, see "*15.1.5 General Services*") and related statements of work, and provide to Vitesco Technologies ancillary services such as maintenance and support, as well as certain other services currently provided by the IT functions of the Continental Group.

## 9.13 Intellectual Property

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

### *9.13.1 Trademarks and Domains*

Vitesco Technologies owns over 1,150 trademark applications and registrations worldwide.

Approximately 800 of these trademarks are product-related trademarks, such as "PCR", "RAAX", "SIMTEC", "CleanAir", "Emitec" or "METALIT". Vitesco Technologies acquired these trademarks from Continental Group as part of the Carve-Out.

In addition to these product-related trademarks, Vitesco Technologies owns around 205 trademark applications and registrations for the core element of the new company name "Vitesco" as a word mark and 120 applications for "Vitesco Technologies" (word and figurative mark) as well as 22 for the Chinese transliterations of VITESCO. As part of its naming strategy, Vitesco Technologies seeks to protect its new brand name widely in 45 relevant countries and has launched an extensive process of trademark filings at the end of 2018. Searches conducted before deciding for the name "Vitesco" have revealed a number of third-party rights that may pose a risk to the protection of the name in certain countries should such third parties file opposition or otherwise take action against the trademark applications of Vitesco Technologies. If Vitesco Technologies cannot successfully defend against such third-party oppositions or other actions, or the disputes cannot be settled through contractual arrangements, Vitesco Technologies may have to accept certain restrictions of protection and use of its company name in the affected countries.

As of the date of this Prospectus, there are no pending infringement proceedings against Vitesco Technologies (i.e. which allege that Vitesco Technologies has infringed third party trademark rights), and no cancellation actions directed against the trademarks of Vitesco Technologies that might have a material negative impact on the Group's business. With respect to the approximately 350 umbrella trademarks which have been applied for, one opposition has been filed so far, namely against the extension of the international registration of the word mark VITESCO in Turkey from the third party trademark ESCO, whose owner is a manufacturer of kitchen appliances. This third-party opposition has finally been refused by the Turkish Trademark Office after Vitesco Technologies successfully filed a counterstatement. The deadline to appeal has lapsed unused by the opponent by end of August 2021. Furthermore, a delimitation agreement has been concluded for Europe with the German company vitero GmbH which offers services in the areas "virtual team rooms", "elearning" and "webconferencing" and owns, like Vitesco Technologies, trademark registrations in the classes of goods and services 9, 38 and 42. The concluded delimitation agreement does not restrict the business operations of Vitesco Technologies. The only country where the application for registration of the word/figurative mark has been finally rejected is Iran because, due to reasons of compliance and export control, no payments were allowed to be made to the Iranian trademark office. Out of approximately 350 applications for umbrella trademark, 220 are now registered.

Vitesco Technologies has further been the target of product piracy in the past. For example, counterfeit products copying the Group's $NO_x$ sensors appear on the markets from time to time (e.g. in Poland, Belgium, Turkey and China).

Vitesco Technologies expects that third parties will continue to produce and distribute counterfeit products using Vitesco Technologies' technologies and brands in the future. Such products are usually sold at significantly reduced prices, which puts pressure on the prices Vitesco Technologies charges for original products. Vitesco Technologies may also lose market share to producers of counterfeit products, particularly in emerging markets. Vitesco Technologies determines how to enforce its intellectual property rights against counterfeit products on a case-by-case basis, but enforcement actions may be costly and prove unsuccessful. Furthermore, the lower quality standards of counterfeit products may damage Vitesco Technologies' brand and reputation and the image of products of the Group if customers unwittingly purchase such products and experience product failures or poor performance.

For the license agreement governing the use of the "Continental" trademarks and logos before and after the Spin-off, please see "*15.1 Relationship with Continental Group*".

Vitesco Technologies owns almost 150 domains, most of them relating to the names "Vitesco", "Vitesco Technologies" and "Emitec". All of these domains are registered under a large number of country-specific and generic top-level domains such as ".de", ".us", ".com" and ".org".

### *9.13.2 Patents*

Vitesco Technologies patent portfolio consists of approximately 14,800 granted patents, registered utility models as well as respective pending applications worldwide (as of June 6, 2021), especially in the respective own and competitors' key markets and in the countries of own and competitors' key manufacturing and R&D sites. The patent portfolio was acquired from Continental Group as part of the Carve-Out.

Vitesco Technologies' patent portfolio is generally not based on the ownership of a few base patents but rather aims for a broad protection of its present and future product lines, technology and search fields by many patents. By this concept Vitesco Technologies aims to compensate losses of individual patents by having one or more patents directed to different aspects of a product or technology.

In some cases, Vitesco Technologies has in-licensed certain patents (and respective know-how) from third parties. For example, a non-exclusive license was retained for patents sold and transferred with the former business segments electric motor drives & cooling fans to Brose Fahrzeugtechnik GmbH & Co. KG.

Some patents of Vitesco Technologies' patent portfolio are licensed out as a residual from former acquisitions. Usually, such "back-licenses" are given to the former mother companies of acquired entities, as e.g. in the case of the demerger of Continental Automotive from Siemens, the acquisition of TEMIC Telefunken microelectronic GmbH from Daimler or the acquisition of Valeo's engine control systems part. Some other patents of the Vitesco Technologies patent portfolio are licensed out actively to third parties e.g. to Hyundai KEFICO or Napino with respect to certain combustion engine technologies.

For the cross-license agreements concluded between Continental Automotive GmbH and Vitesco Technologies GmbH (and their limited survival after the Spin-off), please see "*15 Certain Relationships and Related-Party Transactions*".

With the objective to protect itself from patent attacks of patent assertion entities (also known as patent trolls), Vitesco Technologies has entered into so called "license on transfer" (***LOT***) agreements with respect to its patents, namely a certain patent license on transfer agreement with Intel Corporation as of December 15, 2020 and a certain LOT agreement as of August 10, 2021. Under these agreements, Vitesco Technologies and the other participants of the respective Intel or LOT network, as applicable, agree not to have their involved patents used by patent assertion entities to sue other participants, and grant each other a license under their respective patents, with any such license becoming automatically effective only in case such patents are being transferred or exclusively licensed to a patent assertion entity. Transfers of patents as part of spin-outs, mergers or change of controls are, however, carved out as trigger events for such automatic license. Vitesco Technologies is obliged to commit any subsequent acquirer or licensee of any involved Vitesco

Technologies' patents to be bound by, and at all times comply, with the provisions of the respective agreements.

## 9.14 Employees

The following table shows the number of employees of the Group based on headcount[38] as of June 30, 2021 and December 31, 2020, 2019 and 2018 broken down by business units:

| Employees by business unit | June 30, 2021 | December 31, 2020 | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| | Number of employees as of (unaudited, unless otherwise noted) | | | |
| Electronic Controls (EC) | 16,164 | 16,686 | 17,157 | 17,673 |
| Electrification Technology (ET) | 3,843 | 3,495 | 2,875 | 2,503 |
| Sensing & Actuation (S&A) | 16,175 | 16,419 | 16,350 | 16,298 |
| Contract Manufacturing (CM) | 3,429 | 3,890 | 4,140 | 4,411 |
| **Total** | **39,611** | **40,490** | **40,522** | **40,885** |

The following table shows the number of employees of the Group based on headcount as of June 30, 2021 and December 31, 2020, 2019 and 2018 broken down by geographic location:

| Employees by region | June 30, 2021 | December 31, 2020 | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| | Number of employees as of (unaudited, unless otherwise noted) | | | |
| Germany | 10,147 | 10,509 | 10,780 | 11,149 |
| Europe excluding Germany | 11,176 | 11,029 | 11,155 | 11,371 |
| North America | 8,666 | 8,964 | 8,676 | 8,415 |
| Asia | 9,485 | 9,747 | 9,554 | 9,531 |
| Other countries | 137 | 241 | 357 | 419 |
| **Total** | **39,611** | **40,490** | **40,522** | **40,885** |

There has been no material change in the number of employees in the period from June 30, 2021 until the date of the Prospectus.

### *9.14.1 Collective Agreements / Works Council Structure*

Various Group companies are members of employers' associations (*Arbeitgeberverband*) of the metal and electronics industry. Since these industries tend to be highly unionized, many of the Group's employees are organized in country-specific trade unions. In most countries in which the Group operates it is currently bound by collective bargaining agreements with trade unions, particularly in Germany, France, Italy, Mexico and (partly) in the U.S.A., which cover various basic terms and conditions of employment.

In various countries, particularly in Germany and France, employee representative bodies have been established. For example, in Germany several local works councils (*Betriebsräte*) are in place at various Group companies. In addition, there are three company works councils (*Gesamtbetriebsräte*) established for Vitesco Technologies and two of its German subsidiaries. In addition, a group works council (*Konzernbetriebsrat*) at the level of Vitesco Technologies will be established right after the Spin-off. These bodies have various information and consultation rights relating to personnel, social and economic matters, such as dismissals or changes in compensation or benefit systems, and in case of restructurings or redundancies. In addition to that Vitesco Technologies is going to establish an European Works Council and has already started the preparation. The European Works Council is expected to be operational as the Spin-off is executed. In South Korea, the union has started negotiations in order to reach the first collective bargaining agreement for around 1,000 employees. Depending on the final agreement, labor costs in South Korea might increase by a up to around 10%.

When the Spin-off takes effect, Vitesco Technologies will leave the Continental Group and will therefore no longer be part of the intercompany labor market established by the group works

[38] "Headcount" includes all employees that are on the payroll of Vitesco Technologies, including leased employees, excluding trainees.

agreement "Inter-group labor market" ("*Konzerninterner Arbeitmarkt*") of the Continental Group. However, upon the Spin-off taking effect, a new intercompany labor market of Vitesco Technologies will be established for its employees for which the rules of "Inter-group labor market" shall continue to apply. According to a temporary transitional arrangement, employees of the respective other group can be equated with internal applicants without there being an exchange of information between the goups or the creation of any hiring rights for the applicants.

Some collective agreements applicable to the Group impose certain obligations and restrictions on the Group that may adversely affect its flexibility to undertake adjustments to its workforce, restructurings, reorganizations and similar corporate actions. In addition to the protections which its employees generally have under applicable employment laws, some employees of the Group enjoy some form of special protection against dismissal included in collective agreements. Based on this protection ordinary dismissals of these employees are in general not possible or are subject to special requirements. In Germany, such collective agreements on site guarantees (*Standortsicherungsvereinbarungen*) are in place for Vitesco Technologies GmbH in Bebra and Dortmund. This site guarantee, *inter alia*, stipulates obligations to make significant investments on the employee side but doesn't exclude generally dismissals for operational reasons.

As a significant number of employees is unionized, wage costs are dependent on collective bargaining agreements. Therefore, good relationships with its employees, employee representatives and trade unions are particularly important to the Group. The Group aims to foster these relationships to avoid labor disputes and strikes, as recently experienced in Mexico.

### *9.14.2 Remuneration Structure*

In general, most of the Group's employees receive a fixed gross monthly salary according to their job level and experience within the Group. They are often entitled to additional payments and benefits which are usually laid down in company directives or works council agreements and not agreed upon an individual basis, e.g. company car allowance, health care benefits, anniversary benefits.

On executive and senior executive level, there is a group-wide uniform compensation structure in place as regards to the ratio between fixed and variable remuneration as well as target structures. Approximately 700 of the Group's executives globally are in particular entitled to a short-term incentive (***STI***) as well as to a substantial amount of long-term incentive variable remuneration (***LTI***), based on the fulfilment of specific Group and long-term incentive targets. The STI rewards the contribution made in the previous fiscal year, to achieving Vitesco Technologies' strategic goals. Already for the period beginning 2021, the STI consists of goals which are solely based on the performance of Vitesco Technologies and its subsidiaries. The LTI is compensated in cash and does not grant the right to receive shares in the Company. Insofar as tranches of the LTI programmes, that have not yet been completed according to plan, are linked to the share price of Continental AG, an adjustment may be made in order to take appropriate account of any direct effects of the Spin-off. The LTI plan for the period beginning in 2021 provides that, in the event of the Spin-Off, the sustainability criteria shall be linked to targets of the future Group. The Group also reserves its right to review the group of eligible employees and the terms of the LTI plans at a later date with effect for future tranches and to better align them with the focus of the Group. Moreover, the Company reserves its right to consider the introduction of new share-based remuneration plans.

### *9.14.3 Retention Bonus*

Vitesco Technologies GmbH promised to pay a retention bonus to a certain limited number of employees at the management levels below the Management Board of Vitesco Technologies Group Aktiengesellschaft who have special responsibilities in connection with the Spin-off and the success of the independent operation of the business of Vitesco Technologies.

The retention bonus comprises a specific cash amount payable in two tranches, the second of which may increase depending on the future performance of the Company's share price once the Shares are listed. The first tranche of the fixed payment under the plan was a one-time special payment which was due and payable after the shareholders' meeting of Continental AG has approved the Spin-off. In order to set a specific incentive also over the medium term, the second tranche of the payment, constituting the major part of the retention bonus, will be due and payable only upon expiry of a two-year vesting period starting from the date of commencement of trading in the Company's Shares. The payment amount under the second tranche depends on the performance of the

Company's share price during this period. In case a beneficiary leaves the Group or is appointed as a member of the Management Board prior to the expiry of the two-year vesting period, the second tranche of the retention bonus is automatically forfeited. The retention bonus plan (taking already into account a possible increase of payments under the second tranche) has a total volume of approximately €20 million.

### *9.14.4 Recruitment and Training*

The Group places great value on hiring and retaining highly competent employees and providing them with regular professional training to enhance their skills and qualifications and strengthen their identification with the Group. In order to ensure that the requirements for skilled personnel are achieved, the Group provides its employees with the relevant forms of training.

For example, the Group has developed electrification trainings with various local universities that offer the Group's employees to receive certifications in specialization courses in the field of electrification. The time investment for theses trainings are shared equally between the Group and the participants.

### *9.14.5 Pension plans and other long-term employment benefits*

#### *9.14.5.1 Pension plans*

In addition to statutory pension insurance, the majority of employees is also entitled to defined benefit or defined contribution plans after the end of their employment.

The Group's pension strategy is focusing on switching from defined benefit to defined contribution plans in the recent past which is why many defined benefit plans were closed for new entrants or frozen for the future service and replaced by defined contribution plans. In countries in which defined contribution plans are legally or commercially not possible, defined benefit plans were optimized or changed to minimize the associated risks of longevity, inflation and salary increases.

#### *9.14.5.2 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 structure of the Carve-Out with the majority of deals being asset deals, pension obligations essentially relate to active employees. As of December 31, 2020, the defined benefit pension plans cover 25,125 beneficiaries (fiscal year 2019: 27,302; fiscal year 2018: 23,958), including 23,664 active employees (fiscal year 2019: 26,197; fiscal year 2018: 23,012), 717 former employees with vested benefits (fiscal year 2019: 428; fiscal year 2018: 311), and 744 retirees and surviving dependents (fiscal year 2019: 677; fiscal year 2018: 635). The pension obligations are concentrated in four countries: Germany, the U.S.A., Canada and France, which account for more than 96% of total pension obligations.

The weighted average term of the defined benefit pension obligations is around 24.1 years. This term is based on the present value of the obligations.

*Germany*

In Germany, the Group provides pension benefits through the cash balance plan, deferred compensation and some legacy plans.

Nowadays, active members are primarily participating in the cash balance plan and thus on benefit modules. As of December 31, 2020, 11,835 beneficiaries, including 11,368 active employees, 402 former employees with vested benefits, and 65 retirees and surviving dependents, participate in the cash balance plan. In case an event triggering the pay-out of pension benefits occurs, payments are made as a lump-sum, in instalments or as a pension, depending on the amount of the benefit level saved under the cash balance plan for the respective beneficiary.

Most pension plans which were transferred to or assumed by Continental AG and its subsidiaries in the context of acquisitions in the past, e.g. Siemens VDO, TEMIC Telefunken microelectronics GmbH, Teves, were fully replaced by the cash balance plan in 2011 by an "one for one valuation" of the accrued pension benefits. There were no claims and objections of beneficiaries with respect to the replacement. Certain pension plans were not replaced by the cash balance plan and are therefore still applicable to retirees or deferred pensioners.

Until the effective date of the Spin-off the cash balance plan as well as certain legacy plans are partly covered by assets held under three respective contractual trust arrangements (***CTA***) by a trustee of Continental Group (Continental Automotive Pension Trust e.V. (***Continental Trustee***)) whereby there is no obligation to fund the CTAs. As a consequence of the Carve-out, the funds in the CTA were splitted and Vitesco Technologies' assets are shown separately within the CTAs. All three CTAs have largely the same structure. As after the Spin-off the Continental Trustee can no longer operate as a trustee, Vitesco Technologies GmbH has entered into new trust agreements for all three CTAs with Helaba Pension Trust e.V. as an external trustee, effective as of the Spin-off. The CTAs are legally independent from the Group companies and manage the plan assets as trustees in accordance with the underlying CTA documentation. The investment strategy of the plan assets can generally be determined by Vitesco Technologies GmbH. The investment principles including certain investment restrictions (e.g. no investment in intangible assets) are regulated in the trust agreements. The CTAs provide for the dual trust model (*Doppeltreuhandmodell*). Assets are irrevocably transferred to the trustee to secure the pension obligations. In addition, the pension beneficiaries of the secured pension plans have an independent and irrevocable right to claim the pension benefits directly from the trustee in case of an insured event (*Sicherungsfall*).

Vitesco Technologies also supports private contribution through deferred compensation schemes.

Deferred compensation is essentially offered through a fully funded pension fund, the so called 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 the respective sponsoring companies are ultimately liable under the German Company Pensions Law, whereby Vitesco Technologies is not liable for guarantees to employees of other sponsoring companies.

Entitled employees can use the cash balance plan for deferred compensation contributions above the 4% assessment ceiling whereby this proportion is administered and funded by insurance annuity contracts.

*U.S.A.*

Vitesco Technologies maintains various defined benefit pension plans in the U.S.A. which have been closed to new entrants and frozen for active Vitesco Technologies employees.

The frozen defined benefit pension plans provide for future payments following a participating employee's retirement based on a variety of factors, including, without limitation, years of service, average final salary and pension multipliers.

Closed defined benefit plans were replaced by defined contribution retirement plans which are currently maintained for the benefit of certain of active employees in the U.S.A.

The assets of the defined benefit pension plans are managed by a multi-employer trustee. Investment decisions and supervision are delegated to the Pension Committee, a body appointed within the Group. The legal and regulatory framework for the plans is primarily governed by the U.S. Employee Retirement Income Security Act of 1974 as amended (ERISA). The valuation of the financing level is required on the basis of ERISA. 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 – Employee Benefits. The statutory valuation therefore gives rise to a lower obligation than that in line with IAS 19. There is a statutory requirement under ERISA to ensure a minimum funding standard for the defined benefit pension plans is attained in order to prevent the imposition of taxes and other penalties.

*Canada*

Vitesco Technologies maintains some defined benefit plans as a result of previous 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 U.S.A. and Canada and have no material impact on Vitesco Technologies.

*France*

In addition to the basic retirement pension scheme and the mandatory AGIRC-ARRCO complementary pension scheme, the following benefits apply within Vitesco Technologies France SAS:

- A supplementary defined-contributions pension plan (colloquially known as "*article 83*") mandatory for executive-level employees working under a work-per-day scheme (classified HC, 3B or 3C under the industry-wide Metallurgy collective bargaining agreements) set up within Vitesco Technologies France SAS. Contributions are equal to 5% (2,45% borne by the employee and 2,55 by the company) of the beneficiaries' salaries up to €164,543 a year, and 5,45% (2,45% borne by the employee and 3% by the company) from €164,544 up to €329,008 a year. This plan is still open for new entries.
- A company retirement savings plan ("*plan d'épargne pour la retraite collectif*") entered into within Continental Automotive SAS and extended to Vitesco Technologies France SAS by a collective agreement signed on January 23, 2020. This plan does not provide for the obligation for the employing company to pay for a top-up amount in case an employee invests amounts in the savings plan but this is something that may be considered in the future. Employees can chose whether they want to participate in the plan, which is still open for new entries.
- An end-of-career scheme allowing beneficiaries to be released from activity while remaining on the company's payroll and benefitting from "substitution allowances" that range from 55% to 80% of said beneficiaries' reference salary, set up within Vitesco Technologies France SAS. This scheme, set up through a collective bargaining agreement, is open for new entries. Employees participating in this scheme by December 31, 2021 may be entitled, under certain conditions, to a supplementary bonus equal to 6 months of their gross reference salary.

Also, in France, all employees who retire are entitled to a lump sum in proportion to their seniority. The retirement indemnities benefit formula is defined as follows by the applicable industry-wide Metallurgy collective bargaining agreements: 0,5 month of salary after 2 years of seniority, 1 month after 5 years, 2 months after 10 years, 3 months after 20 years, 4 months after 30 years, 5 months after 35 years, 6 months after 40 years. These indemnities are subject to social security contributions. These indemnities are subject to social security contributions.

#### *9.14.5.3 Defined contribution plans*

The Group offers its employees pension plans in the form of defined contribution plans, particularly in the U.S.A., South Korea and China. Not including social security contributions, expenses from defined contribution pension plans amounted to €13.5 million in the fiscal year 2020.

#### *9.14.5.4 Other long-term employment benefits*

Employees of the Group are also entitled to partial early retirement programs (*Altersteilzeitprogramme*) and anniversary and other long-service benefits.

The early retirement programm applicable for Vitesco Technologies GmbH, Vitesco Technologies Germany GmbH, Vitesco Technologies Emitec GmbH and Vitesco Technologies Roding GmbH employees in Germany is based on a company works agreement (*Gesamtbetriebsvereinbarung*) which refers to the collective bargaining agreement on flexible transition to retirement with employers' associations in the metal and electrical industry (*TV FlexÜ*). The early retirement liabilities (*Altersteilzeitverpflichtungen*) as of December 31, 2020 amount to the following:

- Vitesco Technologies GmbH: €37.07 million;
- Vitesco Technologies Germany GmbH: €8.76 million;
- Vitesco Technologies Emitec GmbH: €1.77 million;
- Vitesco Technologies Roding GmbH: €3.39 million.

Vitesco Technologies GmbH provides for the statutory required insolveny protection for the employee benefit account (*Wertguthaben*) including the employer's share of the social security contribution. Employees of the Group are entiteld to an early retirement programm for a maximum of six years under the company works agreement. The early retirement programm provides for the so called "block-model", i.e. the early retirement is divided into the work phase (full working hours) and the release phase (reduced working hours) at half salary for both phases.

### 9.15 Properties & Plants

Vitesco Technologies operates through 50 locations worldwide. Eight locations are pure manufacturing sites, 22 locations are pure R&D locations and 20 locations combine manufacturing and R&D activities.

In August 2019, Vitesco Technologies announced its strategic focus on the electrification of the powertrain and the corresponding transformation of Vitesco Technologies towards electrification. Because of this transformation, certain restructuring measures were announced, including the phase-out of certain locations over the next five to eight years.

The following table shows Vitesco Technologies' main manufacturing and R&D locations as of August 31, 2021.

| Site | Primary Use | Product lines/Research | Owned/Leased |
|---|---|---|---|
| **Europe** | | | |
| Bebra/Muehlhausen, | Manufacturing R&D | Drivetrain, Actuators, Fuel Management (***FM***) | Owned |
| Germany | | | Leased |
| Berlin, Germany | R&D | High Voltage Drives (***HVD***), Battery | Leased |
| Brasov, Romania | Manufacturing R&D | Product lines: FM, SCR | Owned |
| | | Research lines: FM, SCR | Leased |
| | | Products lines: FM, SCR | Owned |
| Dortmund, Germany | Manufacturing R&D | Research: FM | Leased |
| Frenstat, Czech Republic | Manufacturing | Drivetrain, Electronics, FM, Transmission & | Owned |
| | | Engine Sensors (***TES***) | Leased |
| Iasi, Romania | R&D | FM, Mild Hybrid Drives (***MHD***), HV Electronics | Leased |
| | | Product lines: Hydraulics | |
| Limbach, Germany | Manufacturing R&D | Research: System engineering | Owned |
| | | Product lines: Drivetrain, HV Electronics | Owned |
| Nuremberg, Germany | Manufacturing R&D | Research: Drivetrain, TES, HV Electronics | Leased |
| | | Products lines: Hydraulics | |
| Pisa, Italy | Manufacturing R&D | Research: System engineering, Hydraulics | Owned |
| Regensburg, Germany | R&D | Exhaust & Emissions Sensors (***EES***), TES, MHD | Leased |
| Schwalbach, Germany | R&D | System engineering, Actuators, FM | Leased |
| | | Drivetrain, System engineering, Electronics, | |
| Timisoara, Romania | R&D | Actuators, EES | Leased |
| | | Non-Automotive, Electronics, System | |
| Toulouse, France | R&D | engineering, TES | Leased |
| | | Product lines: Hydraulics, Turbocharger, | |
| | | Actuators, EES, TES | |
| Trutnov, Czech Republic | Manufacturing R&D | Research: Hydraulics, Turbocharger | Owned |
| **The Americas** | | | |
| Cuautla, Mexico | Manufacturing | Product Line: Electronics | Owned |
| | | Product lines: Actuators, EES, FM, TES | Owned |
| Juarez, Mexico | Manufacturing R&D | Research: FM | Leased |
| Seguin, TX, U.S | Manufacturing | Electronics, EES, FM, TES, Battery | Owned |
| **Asia** | | | |
| Bangalore, India | R&D | FM, Non-Automotive, System engineering, | Leased |
| | | Electronics | |
| | | Product lines: Electronics, Hydraulics, Non- | |
| | | Automotive, Actuators, EES, FM, TES | |
| | | Research: Electronics, Non-Automotive, | |
| | | Hydraulics, System engineering, Actuators, | |
| Changchun, China | Manufacturing R&D | EES, TES | Leased |
| | | Product lines: Drivetrain, Electronics, Actuators | |
| | | Research: Electronics, Drivetrain, Actuators, | Owned |
| Icheon-si, South Korea | Manufacturing R&D | EES, TES, HVD | Leased |
| Pune, India | Manufacturing | Catalysts & Filters (***CTF***), EES, FM, TES | Leased |
| | | Product lines: CTF | |
| Pune, India | Manufacturing R&D | Research: CTF, EES, TES | Leased |
| | | Drivetrain, System engineering, Electronics, | |
| | | Turbocharger, HVD, HV Electronics, | |
| Shanghai, China | R&D | Battery, MHD | Leased |
| | | Product lines: HVD | |
| Tianjin, China | Manufacturing R&D | Research: HVD | Leased |
| | | Product lines: Non-Automotive, Actuators, | |
| | | FM, SCR | |
| Wuhu, China | Manufacturing R&D | Research: Actuators, FM, SCR | Owned |

## 9.16 Mergers & Acquisitions and Joint Ventures since 2000

The following table provides an overview of Vitesco Technologies (respectively its legal predecessors) key acquisitions and joint ventures since 2000:

| Year | Target / Joint Venture / Cooperation | Products | Rationale |
|---|---|---|---|
| 2000 | VDO Tachometer AG (acquired by Siemens AG, resulting in the formation of Siemens VDO Automotive AG) | Electronics and mechatronics for powertrains, engine management systems, fuel injection systems | Expanding knowledge in the field of electronics |
| 2001 | TEMIC Telefunken microelectronic GmbH | Driveline control electronics and sensors | Expanding knowledge in the field of electronics |
| 2006 | The automotive electronics business of Motorola Inc. | Electronic gearbox controls, sensors, interior electronics, telematic units, high pressure sensors | Expanding knowledge in the field of electronics and controls |
| 2007 | Siemens VDO Automotive AG | Transmission control units, engine control units, inverters, power electronics | Expanding knowledge in the field of electrification |
| 2010 | Grundfos NoNox Holding A/S (acquired by Emitec GmbH) | Exhaust after gas treatment | Expanding knowledge in the field of clean mobility solutions |
| 2014 | Emitec GmbH (former joint venture, remaining interest was acquired) | Catalysts, exhaust gas aftertreatment, particle filters | Expanding knowledge in the field of clean mobility solutions |
| 2015 | Synerject LLC (former joint venture, remaining interest was acquired) | Gasoline engine management systems | Expanding knowledge in the field of non-automotive applications |

The joint venture in South Korea was terminated in 2020 (see "*15.1.13 Terminated Joint venture in South Korea*").

## 9.17 Legal and Administrative Proceedings

In the Group's ordinary course of business, Vitesco Technologies is party to or is threatened with litigation, claims (e.g. customer or supplier warranty and product liability claims) and disputes incidental to its business, e.g. alleging violations of due care, violations of warranty obligations, product defects, treatment errors due to design weakness, manufacturing failures, deviation from specification or quality spills at suppliers and claims arising from breaches of contract, recall actions or fines imposed by governmental or regulatory authorities. These proceedings or potential proceedings could involve substantial claims for damages or other payments. Based on a judgment or a settlement agreement, Vitesco Technologies could be obligated to pay substantial damages. The Group's litigation costs and those of third parties could also be significant. Vitesco Technologies regularly analyses current information, including its defenses and insurance coverage, to assess the risks of litigation the Group is exposed to and provides accruals for liabilities that the Group deems to be probable.

In particular, in the course of its ordinary business activities as manufacturer, Vitesco Technologies becomes involved in warranty and product liability claims, both as active and passive party. This includes claims against or by customers and claims against or by suppliers. Claims by customers include, for example, claims in connection with product liability of products produced by Vitesco Technologies or products used in Vitesco Technologies' products or claims where Vitesco Technologies is unable to deliver the agreed volume in time. Claims against customers include claims with respect to the cancellation or reduction of order capacity, where manufacturing capacities were pre-agreed. Claims against suppliers include, for example, claims in relation to products or goods required by Vitesco Technologies that were not supplied in the agreed quality, specification or quantity as well as regress claims for product liability. Claims by suppliers include claims for canceling costs for no longer needed materials and goods. In general, claims are made solely in respect of damages, but not in relation to loss of profit. Vitesco Technologies' internal claim management department directly negotiates the claims with the respective customers or suppliers and, in most cases, aims for an amicable settlement. Only few warranty and product liability cases are brought to a court or a mediator. When negotiating a settlement, the claim management team takes into account the individual circumstances of a case as well as the relationship with the customer or supplier. Settlement agreements are negotiated individually and may result in various financing modalities, such as one-time payment, a long-term payment plan, increases in future pricing, a quantity raise of other product lines, transfer of the business relationship to other products etc. Vitesco Technologies has entered into strategic supplier contracts with most of its suppliers to ensure a specified relationship between the parties in advance of any potential claims. Theses strategic supplier contracts provide the legal framework for project management, warranty, liability and allocation of intellectual property. For more information on the related risks, please also see "*1.5.1 Vitesco Technologies is exposed to warranty, product liability and recall claims and may incur additional costs in connection with such claims.*".

In the course of Vitesco Technologies' transformation towards electric mobility, the Group enters a novel field of market environment and serves it with new market technology. This might lead to an increase of unknown and unanticipated issues in relation to new products and could result in the Group experiencing an increase in warranty claims in relation to new products which is expected to decline again in mid-term. On the other hand, current products with an increased product liability risk (compared to other of Vitesco Technologies' products), for example the EC product line "Hydraulics", will be phased-out due to portfolio adjustments (see "*7.3.8 Specific Warranty Expenses, Provisions and Warranty Claims*").

Since 2013, Vitesco Technologies is involved in an ongoing court proceeding against Kemet Electronics GmbH in relation to a product liability claim for defective lytic film capacitors before the regional court (*Landgericht*) of Nürnberg-Fürth, Germany, seeking compensation for damages in an amount exceeding €35 million (consisting of a recourse claim of €35 million, paid as settlement to Daimler because of the defective capacitors, and an additional single digit million euro amount for internal and external damages and costs incurred by Vitesco Technologies). Vitesco Technologies expects a preliminary assessment by court by the end of 2021.

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

The public prosecutor's office in Hanover searched locations of Continental AG and certain companies of the Continental Group including premises of the Vitesco Technologies Group as part of investigations in connection with the alleged use of illegal defeat devices in VW diesel engines. The investigations concern products of the (former) Powertrain division of the Continental Group that belong to the business transferred as part of the Carve-Out to Vitesco Technologies. These investigations are currently directed, inter alia, against individuals of the Continental Group and of Vitesco Technologies and against Continental AG and certain companies of the Continental Group but not against companies of the Vitesco Technologies Group.

Pursuant to the terms of the Carve-Out agreements and the Group Separation Agreement (see "*15.1.12 Group Separation Agreement*"), Vitesco Technologies Group AG and Vitesco Technologies GmbH must indemnify Continental AG and other companies of the Continental Group under the terms and conditions defined therein from and against expenses and liabilities attributable to the businesses transferred to the Vitesco Technologies Group as part of the Carve-out. This is consistent with the agreement between the parties that all benefits and all risks attributable to the transferred business shall be borne by the Vitesco Technologies Group. In connection with the proceedings initiated by the Hannover and Frankfurt am Main (see below) public prosecutors, Vitesco Technologies Group is exposed to the risk that financial liabilities will be imposed on and expenses will be incurred by companies of the Continental Group which Vitesco Technologies Group AG and Vitesco Technologies GmbH must indemnify the Continental Group for. These liabilities may consist of administrative fines and, in particular, amounts representing the disgorgement of economic benefits (*Gewinnabschöpfung*) that the public prosecutors may determine to have accrued to the businesses transferred to Vitesco Technologies Group in connection with alleged breaches of law as well as costs of legal advice and internal investigations.

Continental Group and Vitesco Technologies Group are cooperating with the public prosecutors. The investigation of the relevant facts and the further procedures are expected to take a protracted period of time to conclude. Given the early state of the investigations, the financial exposure of Vitesco Technologies Group cannot currently be determined with certainty, but overall exposure could be substantial. Furthermore, Vitesco Technologies Group will incur further material costs (including costs for legal and other advisors) in connection with the proceedings, costs relating to legal and other advisors occurred so far amount to a low double-digit million euro amount. Moreover, it cannot be ruled out that third parties may bring civil claims based on the facts established in the investigations or that other investigations will be initiated related to the alleged use of illegal defeat devices. Investigations will also bind considerable resources at Vitesco Technologies Group including senior management attention and may result in reputational damage. To date, no provisions or other liabilities for future costs have been recognized by either Vitesco Technologies Group AG or any other entity in the Vitesco Technologies Group in respect of the proceedings. The potential overall financial exposure may have a significant negative effect on the future development of Vitesco Technologies' results of operations.

On January 21, 2020, the public prosecutor's office of Frankfurt am Main conducted searches of the premises of Mitsubishi Motor Corporation (***MMC***) and certain suppliers of MMC including Continental Group and Vitesco Technologies based on accusations against MMC of using illegal emission controls in certain diesel engines. The public prosecutor's office in Frankfurt am Main is conducting investigations against at least one former employee of MMC and against unknown employees of the Continental Group with regard to alleged illegal defeat devices in diesel engines of MMC. Vitesco Technologies Group and Continental Group are cooperating with the public prosecutor's office in Frankfurt am Main. There is a risk that, in the future, investigations could be conducted against Continental AG and/or companies of the Continental Group. In this case, fines could be imposed and civil claims could be brought by third parties. Within the scope of an indemnification under the Carve-Out agreements and the Group Separation Agreement (see "*15.1.12 Group Separation Agreement*"), these investigations may, like those described in the foregoing paragraph, have, directly or indirectly, financial consequences for Vitesco Technologies.

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

Vitesco Technologies Group has recently evaluated its internal regulations, safeguards and control systems related to technical compliance and has initiated revisions to further strengthen technical compliance within the Group.

**Action plan regarding lead in electronic components**

In 2019, Continental Group identified a slight excess of lead in some of its electronic components, including components manufactured by Vitesco Technologies, most of which have been delivered since 2016. The issue was reported to the authorities immediately at the beginning of June 2019. Continental Group has presented an action plan, under which it intends to immediately reduce the lead content in the relevant electronic components to comply with the legally prescribed maximum quantities in accordance with the European End-of-Life Vehicles Directive (Directive 2000/53/EC). In addition, the plan contains a voluntary commitment to reduce the quantities of lead in electronic components beyond statutory requirements in order to compensate the excess of lead in components already sold between 2016 and 2019. The action plan was accepted by the Lower Saxony Ministry of the Environment and was fully implemented in accordance with the agreed timeframe. In addition to the action plan, Continental Group agreed to support development projects of the German Federal Environmental Foundation (*Deutsche Bundesstiftung Umwelt*) in relation to recirculation and efficient use of environmentally-critical metals and mineral residual waste (*Kreislaufführung und effiziente Nutzung von umweltkritischen Metallen und mineralischen Reststoffen*) with an amount of €25 million over a period of three years, starting 2021. Further, agreements with a number of customers of Continental Group, including Vitesco Technologies' customers, in Europe and South Korea have been reached regarding payments for compensation. In total, approx. €13.9 million of the payments for projects of the German Federal Environmental

Foundation (*Deutsche Bundesstiftung Umwelt*) and the compensation payments to customers have been or will be borne by Vitesco Technologies.

**Semiconductor shortage**

The disruptions caused by the COVID-19 Pandemic have caused extreme volatility in the automotive industry. After the industry shutdown in the early phase of the crisis and the resulting abrupt drop in demand, automobile manufacturers across all regions increased their production volumes much faster than expected by market experts. This resulted in large scale supply shortages for semiconductors. With lead times of 6-9 months, the semiconductor industry has not been able to scale up fast enough to meet this unexpected growth in automotive demand. This is largely attributable to the overbooking at the semiconductor sub-suppliers (silicon foundries) from other industries – like consumer electronics e.g. in the telecom and home automation area – which remained stable or grew during the same period. Future investment in these foundries will therefore be critical so that the automotive industry can avoid such supply chain upheavals in the future.

The bottlenecks from the semiconductor industry are expected to continue well into 2022, causing major disruptions in Vitesco Technologies' production and elevated costs, such as from inefficiencies in Vitesco Technologies' production activities, including additional logistic costs. Impacts on procurement activities have and will continue to be felt, including increasing prices for semiconductors or related components as well as more disadvantageous business framework conditions with semiconductor suppliers in the areas of payment terms, delivery terms and consignment contracts. An internal taskforce is working "round-the-clock" to take immediate actions to manage the critical situation. The taskforce is directly reporting to the CEO of Vitesco Technologies. Despite all efforts, unfortunately, Vitesco Technologies has not been able to avoid requesting customers to adapt their production or adjust their product mix in specific cases.

Additionally, there have been a number of unforeseen, significant events which have impacted Vitesco Technologies and its supply chain partners, such as the Japan earthquake and the snowstorm in Texas and the Southern United States, as well as Northern and Central Mexico. Due to these natural calamities, Vitesco Technologies was compelled to declare a Force Majeure event. A thorough investigation of the complete supply chain is currently underway to understand which suppliers are affected and to what extent.

Vitesco Technologies is continuing to communicate with customers and suppliers with complete transparency in order to find mutually acceptable solutions to address the critical situation caused by the ongoing semiconductor shortage.

**Tax Audits and Tax Litigation**

As described in more detail in "*1.5.14 Vitesco Technologies' tax burden could increase due to changes in tax laws and regulations or their application or interpretation or as a result of current or future tax audits.*", the Company and many German as well as foreign companies of Vitesco Technologies are subject to routine tax audits by the competent tax authorities. As a consequence of the Romanian tax audit for the years 2013 to 2019, for example, the tax authorities challenge the Group's qualification of Vitesco Technologies Romania SRL as an entrepreneur for transfer pricing purposes and argue that Vitesco Technologies Romania SRL should be treated as a so-called routine-company.

As described in more detail in "*1.5.3 If outstanding claims for input value added tax in Mexico recognized on the Group's financial statements cannot be collected and/or must be written off, this could have material adverse effects on the Group's net assets, financial condition, cash flows and results of operations.*", Vitesco Technologies Mexico S. de R.L. de C.V. and Vitesco Technologies Maquila Mexico S. de R.L. de C.V. (the ***Mexican Vitesco Technologies Subsidiaries***) have accrued claims for input value added tax against the tax authorities in Mexico. To the extent the respective refund applications have been denied or are will be denied, the Mexican Vitesco Technologies Subsidiaries have brought and will continue to have to bring their claims to the Mexican tax courts.

**Other**

Vitesco Technologies was notified in June 2021 by a supplier that an internal review had identified certain products imported by the supplier into the U.S. and delivered to customers, including Vitesco Technologies, may contain small amounts of Cuban-derived cobalt. If true, the import of those products into the U.S. may not be permitted by regulations administered by the United States Department of the Treasury's Office of Foreign Assets Control (***OFAC***). Following the supplier's notification, Continental Group notified OFAC that it was a potentially affected customer of the supplier, in a voluntary self-disclosure. Continental Group's notification to OFAC was made on behalf of the Continental Group, including Vitesco Technologies. Vitesco Technologies intends to fully cooperate with OFAC's review of the supplier's importation of the products into the U.S.

The Company believes that, other than the proceedings described below, there have been no governmental, legal or arbitral proceedings (including any proceedings which are pending or threatened of which the Company is aware), during the twelve months preceding the date of the Prospectus, that may have or have had in the recent past significant effects on the Company's and the Group's financial position or profitability.

## 9.18 Insurance

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

These insurance programs will include, in particular, a general and product liability insurance and a directors and officers (***D&O***) liability insurance for the members of the Company's Management Board, its Supervisory Board as well as certain employees. The D&O insurance covers financial losses that may arise in the course of the exercise of the corporate duties of the insured persons. As required by German law, every member of Company's Management Board remains personally responsible, in the event they are adjudged to have personal liability, for 10% of the total amount of such liability, up to an amount that equals one point five times of such member's total annual fixed remuneration from Vitesco Technologies. In addition, separate insurance programs were already taken out in some areas of insurance as of January 1, 2021. These include, in particular, a property damage and business interruption insurance, a transport insurance, construction insurance, group accident insurance and automobile insurance. By the time the Spin-off takes effect, the assessment for taking out an automotive recall insurance and a cyber protect insurance will have been initiated, provided that the latter can only be taken out after complete separation of the IT infrastructure.

The insurance coverage to be taken out by Vitesco Technologies is intended to adequately cover the risks of the Group, taking into account commercial aspects. Vitesco Technologies believes, according to its current knowledge, that its insurance coverage, including the maximum coverage amounts and terms and conditions of the insurance policies, are both standard for its industry, appropriate and economically reasonable. However, it cannot be ruled out that insurance coverage may be available only on less favorable terms and conditions or to a lesser extent than was the case when Vitesco Technologies was co-insured through Continental Group.

## 9.19 Compliance Management System

Vitesco Technologies has set up and is constantly enhancing further its own stand-alone CMS. The CMS is largely based on the system currently in place at Continental Group. To the extent new structures, policies and procedures had to be implemented, key elements of the Continental Group compliance organization have been adopted at the level of Vitesco Technologies, in particular regarding responsibilities, reporting lines and focus areas.

The Management Board and the Supervisory Board will regularly (on a yearly basis) evaluate the effectiveness of the CMS and will take an active role within the CMS together with the key compliance personnel. The Management Board approves the annual compliance plan (including data protection plan).

### *Legal Compliance*

The legal compliance organization of Vitesco Technologies is responsible for anti-bribery and corruption, antitrust as well as anti-money laundering, while other compliance topics such as technical compliance, capital markets compliance, environmental protection, data protection, safety & health, IT and cyber security, donations & sponsoring, supply chain duties and trade sanctions are handled by other departments and/or functions. Currently, the legal compliance management system is largely based on a compliance risk analysis conducted at Continental Group in 2020 for its at that time Powertrain business area and relating to bribery and corruption, cartel and anti-competitive behavior and money laundering risks. Vitesco Technologies will review and analyze potential legal compliance risks as well as the effectiveness of the CMS on a continuous basis *inter alia* by annual compliance risk assessments. The next compliance risk assessment is scheduled for the first quarter of 2022.

At board level, the legal compliance function, together with the legal function, falls within the primary responsibility of Vitesco Technologies' CFO. Vitesco Technologies' legal compliance organization comprises of the Chief Compliance Officer/General Counsel, the Head of Compliance and Antitrust and four corporate compliance officer/manager positions as the corporate compliance team. In addition to compliance officers for each key market/region (North America, South America, China and Asia (without China)), Vitesco Technologies has nominated compliance coordinators in each country, who are the first point of contact for compliance matters.

While the General Counsel is also the Chief Compliance Officer, the compliance function is professionally independent from both the legal and internal audit functions and headed by the Head of Compliance and Antitrust. A stand-alone legal compliance reporting system involving the compliance function has been set up.

Key tasks of Vitesco Technologies' compliance function include, inter alia, (a) adopting and further developing policies, procedures and standards for relevant compliance topics such as gifts and hospitality, sponsoring and donations as well as antitrust and anti-money laundering, (b) supporting business partner/third party due diligence, (c) developing and providing compliance-related instructor-led trainings and e-learnings, (d) offering legal and compliance-related advice to employees, (e) managing Vitesco Technologies' global whistleblower hotline and compliance tools, (f) executing regular compliance risk assessments, (g) investigating alleged anti-trust law violations (internal audit department is responsible for investigating potential violations in other legal compliance areas) and sanctioning proven compliance violations, and (h) fostering the compliance culture by supporting Vitesco Technologies' top and middle management in setting the respective tone from the top.

In order to comply with the applicable requirements for environment, safety and health (ESH) matters, Vitesco Technologies has established an ESH management system, containing internal provisions, in particular in regard to risk assessments. Each plant has to appoint its own ESH manager and management principles ensure direct reporting to the plant manager. Safe workplaces in accordance with applicable regulations are in particular ensured by way of trainings, operating procedures, safe tools and equipment. In the recent past, one material accident concerning an external co-worker has occurred in 2016 which has been analyzed and necessary adjustment of trainings and controls for external workers have been taken. Other violations of certain safety regulations have occurred from time to time at Vitesco Technologies' sites and cannot be fully excluded for the future.

Vitesco Technologies will further develop relevant management systems in order to implement the due diligence, documentation and reporting obligations under the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*) as well as pursuant to the relevant forthcoming due diligence duties on human rights, environmental and governance risks throughout the supply chain at the EU-level. The German Supply Chain Due Diligence Act was approved by the German Parliament (*Bundestag*) on 11 June 2021 and shall strengthen companies' due diligence in the field of human rights and environmental protection along their supply chains, including vast business partner due diligence. The Act will become effective for Vitesco Technologies – employing more than 3,000 employees annually in Germany – on January 1, 2023 (please see also "*10.3 ESG-related Disclosures and Human Rights*"). Vitesco Technologies is already preparing to fulfill the imposed due diligence, documentation and reporting duties laid out in the Supply Chain Due Diligence Act and, thus, has defined "human rights and environmental due diligence and transparency" as one of the focus topics of its sustainability agenda. For more information see also "*9.20 Sustainability and ESG.*".

***Sanctions and Export Controls Compliance***

Vitesco Technologies has implemented compliance policies in relation to export controls (e.g. a manual related to the internal compliance program and standards covering export control classifications, screening of partners, e.g. suppliers, customers / end users against relevant sanctions lists, assessment of end-use of items subject to export controls, document storage). Vitesco Technologies has also implemented export control-related clauses in its contracts with customers and suppliers. With regards to the export control compliance organization, the central export control department (including an export control officer, an export control advisor and export control specialists) and the local export control coordinators are responsible for ensuring export control compliance. The central export control department is responsible for providing instructions and guidelines as well as ensuring – with support from the local export control coordinators – that these are applied by the local organizations.

### *Technical Compliance*

In order to ensure the legal and regulatory compliance of its products, Vitesco Technologies has consolidated several technical compliance elements out of distributed organizational units, like quality, engineering and T&I into one technical compliance management system (***TCMS***) and is continuously improving this system. For this purpose, Vitesco Technologies has established a technical compliance department with a technical compliance manager who reports directly to the management of the Company and Vitesco Technologies GmbH and manages the development of the department. A TCMS was introduced in order to preventively counter the specific risks in the product development process from the outset. At the same time, however, the products that are already being manufactured and distributed are to be continuously monitored and further development is to be integrated into the monitoring process. TCMS is strongly linked and aligned to CMS and is supplemented by further measures and processes. At the time of this Prospectus, it is intended to define a globally binding standard for product development that is aligned with national and international standards. The effectiveness of the TCMS is regularly reviewed and continuously developed.

TCMS will be integrated into the existing product life cycle (***PLC***) processes. The PLC describes the phases of a product or service from acquisition to disposal. Legal technical regulations may impact a product at all phases of its lifecycle. PLC phases include acquisition or quotation, development, production, until the end of delivery obligation and disposal. Legal technical regulations have to be considered as well for products with post service requirements (e.g. recycling).

Vitesco Technologies' products, including materials and services, must comply with all applicable legal technical regulations, which vary according to application, markets and countries. Therefore, Vitesco Technologies has released an internal standard which is part of the overall TCMS. It ensures compliance with upcoming, new, updated and existing legal technical regulations as well as national and international public standards and aims at minimizing the risk of using incomplete, incorrect, and outdated information in regards to legal technical regulations and standards.

This internal standard defines the Group-wide framework and processes as well as roles and responsibilities in different organizational units. It focuses on providing information on upcoming, new, updated and existing legal technical regulations and aims to ensure that this information is available, understood and applied in the Group.

Vitesco Technologies' procedures are designed to ensure the collection, procurement, processing and communication of legal technical regulations, within the whole Group. Vitesco Technologies uses national and international external sources (e.g. government pages or external legal technical regulation databases, as well as publishers of national and international public standards) in order to collect new, updated, future and available legal technical regulations national and international public standards. All procured documents are stored in a central database and provided to the whole Group.

## 9.20 Sustainability and ESG

Sustainability forms an integral part of Vitesco Technologies' business model and is a strategic focus area for the management of the Vitesco Technologies Group. "Powering Clean Mobility" is the mission of Vitesco Technologies which is pursued by providing innovative solutions and electrified powertrain technology. Vitesco Technologies aims to reduce the environmental impacts of the automotive industry and to promote zero-emission mobility worldwide. At the same time and beyond its sustainable products, Vitesco Technologies is strongly committed to make its business sustainable all the way: environmentally, socially, and governance related – along the entire value chain. Therefore, Vitesco Technologies has established an ESG framework with clearly defined topics, goals and key performance indicators. Among the material ESG topics on Vitesco Technologies' sustainability agenda are:

- Environmental: clean mobility, climate protection, resource efficiency and circularity,

- Social: fair working conditions and employer attractiveness, occupational health and safety, responsible sourcing and partnerships including human rights due diligence,
- Governance: diversity, integrated sustainability management, business ethics and anti-corruption.

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

Building on its business strategy DIRECTION 2030 (please also see "*9.4 Strategy*") and its ESG framework, Vitesco Technologies' commitment is underlined by specific sustainability targets, key performance indicators and measures. These include on the environmental level roadmaps for 100% carbon-neutral operations (direct and indirect emissions) (by 2030), lifecycle engineering for new products (i.e., new products undergo a certified lifecycle assessment in order to make the impacts of the product on climate transparent and identify potential improvements) (by 2030), waste recycling including thermal recovery (95% by 2030). As regards the topics "social" and "governance", Vitesco Technologies targets to increase of employer attractiveness (+20 employee net promoter score by 2030), have 90% of its employees covered by occupational safety management system certifications, environmental protection management system certifications and energy management system certifications (by 2030), and reducing the accident rate to 1.4 per million working hours (by 2025), promoting the proportion of women in executive positions with a target of 20% by 2025, and increased human rights due diligence and sustainability in the value chain. The target of purchasing 100% of its electricity from renewable sources is achieved by Vitesco Technologies already since 2020. In addition, the cut of $CO_2$ is supported by energy efficiency measures and other compensation measures. In addition, Vitesco Technologies' sustainability approach is supported by management systems for occupational health and safety as well as environmental and quality management, together with Vitesco Technologies' CMS which (inter alia) deals with business ethics, anti-corruption, antitrust and data protection issues. Finally, these efforts are complemented by Vitesco Technologies' activities in the areas of innovation, R&D, community engagement and corporate citizenship. Vitesco Technologies will continue to develop its strategies at group level and to implement the necessary processes, systems, standards and structures, including measures and regional activities at its locations worldwide.

In order to set up an organizational structure for managing and implementing the sustainability agenda, Vitesco Technologies has established the "Sustainability, Security, Safety & Health" center of excellence which coordinates and handles all activities in the field of sustainability, including the task of non-financial reporting. A sustainability committee at top management level whose members are permanent members of the executive management (including the CFO and the CHRO) as well as experts steers and supervises all activities in the field of sustainability and prepares resolutions of the executive board. At the operating level, a sustainability core team with designated roles for handling ESG-related tasks in the various functions (e.g. technology & innovation, environmental protection, operations, sales or purchasing) is responsible for the implementation of the Group's sustainability approach. Vitesco Technologies is closely monitoring the legal developments in order to further develop and duly adapt its sustainability reporting as a standalone company. In addition, the strategic importance of sustainability is also reflected in Vitesco Technologies' remuneration system through the integration of selected sustainability key performance indicators in the long-term incentive plans for the top management and executives.

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

## 9.21 Material Contracts

### *9.21.1 Customer Agreements*

The top OEM customers of the Group mostly mirror the overall market for automotive suppliers. The contractual arrangements between Vitesco Technologies and these customers are mainly based on standard documentation customary for the market. Accordingly, most OEM customer relationships are governed by framework agreements and general purchasing terms and conditions (***GTC***) of the respective OEM customer specifying the commercial terms of supply and establishing a legal standard framework with the relevant customer. Within that contractual framework, Vitesco Technologies concludes project-specific agreements with some of its customers. Binding orders for specific quantities of products are usually made through individual purchase orders which are submitted in writing or, in most cases, via electronic data interchange.

Changes and amendments to the OEM customer's GTC are an exception. Frame supply agreements are generally based on the OEM customers' templates. Although Vitesco Technologies engages in negotations of individual provisions from time to time, OEM friendly provisions in the frame supply agreements are largely upheld. To account for operational differences and local law requirements, with many OEM customers special sets of GTC or occasional regional framework supply agreements are in place for certain regions, in particular in respect of Vitesco Technologies' business activities in North America and Asia. The framework agreements and GTC are often accompanied by warranty agreements or policies regarding the rights and the procedures applicable in case of defective products. In principle, these warranty agreements foresee that Vitesco Technologies shall, at its own cost, conduct a technical investigation of defects to identify the root cause and reimburse the OEM's warranty costs at pre-defined quotas (considering Vitesco Technologies' contribution to the product development). Some warranty agreements even require Vitesco Technologies to bear the respective share of costs if the OEM customer settles end customer damages from goodwill.

Where products are developed together with (potential) OEM customers, individual development agreements are concluded which in particular govern the allocation and use of newly created intellectual property. Under these agreements, OEM customers are usually granted exclusive entitlement or free license rights for any work results generated by Vitesco Technologies in the development projects. Development agreements usually do not include a commitment of the (potential) customer to engage Vitesco Technologies also for the serial manufacturing of the relevant products. In certain supply agreements for serial production, the intellecutal property rights to any work results and products arising through Vitesco Technologies' performance under the respective agreement are exclusively allocated to the OEM.

Some of the contracts with top OEM customers provide for change of control termination rights, i.e. the ability of customers to terminate the relevant agreement if a third party gains control over Vitesco Technologies. In some cases, OEM customers may terminate framework agreements or project-related contracts for convenience, either with immediate effect or with several months notice prior to the end of the applicable term. Some contracts provide for compensation for work in progress and raw materials in the event of such termination.

OEM customer agreements usually contain commitments of Vitesco Technologies to provide for minimum supply volumes or manufacturing capacities. On the other hand, however, they do not provide for guaranteed sales volumes by Vitesco Technologies in respect of the customers. Specific purchases of products occur on the basis of individual orders placed by the customers under the relevant supply agreements. The Group does usually not enter into any exclusivity arrangements with its customers.

OEM customer agreements in general do not contain liability caps to the benefit of Vitesco Technologies. Only few agreements exclude Vitesco Technologie's liability for specific types of damages, such as loss of profits or indirect damages. Some agreements provide for liquidated damages to be paid by Vitesco Technologies, in particular in case the OEM customer's production processes are interrupted due to delayed or non-performance by Vitesco Technologies. In case of delay in delivery caused by Vitesco Technologies, some agreements explicitly require Vitesco Technologies to cover premium freight costs. Under some of the contracts, Vitesco Technologies is obliged to indemnify the OEM customer for third-party claims, in particular with regard to infringements of third-party intellectual property rights.

Under the agreements with its top OEM customers, Vitesco Technologies is responsible for sourcing raw materials timely and in sufficient quantities to meet its customers' demands and therefore solely bears the risk of any supply shortfalls from its suppliers.

Most agreements provide for fixed prices applicable during certain time periods. Only few agreements with the top OEM customres contain price-volume-matrices under which product prices are automatically adapted based on the volumes actually taken off by the customer during a specific period of time. Under some OEM customer contracts prices shall be re-negotiated in good faith discussions, if the volumes ordered by OEM customers materially deviate from the forecasted volumes which set the basis of the initial prices calculations, or if raw material prices or other costs materially increase.

### *9.21.2 Supply Contracts*

Relationships with key suppliers are generally based on the following major categories of agreements:

Vitesco Technologies' strategic supplier contracts (***SSC***) constitute the most important document in the contractual relationship with a supplier and Vitesco Technologies aims to enter into SSCs with all its suppliers. Vitesco Technologies signed SSCs, and in one case a "Business Agreement" which is based on the SSC template, with 25 out of its 36 key suppliers (with the suppliers that accounted in the fiscal year 2020 for more than 50% of the purchasing volume of the Group being considered "key suppliers"). The SSCs provide the legal framework for project management, warranty, liability and allocation of intellectual property. SSCs with key suppliers are mostly based on contract templates. Key terms of the SSCs that suppliers typically aim to negotiate individually are in respect of warranties and liability as well as allocation of intellectual property rights.

Out of Vitesco Technologies' 36 key suppliers, Vitesco Technologies has not entered into a standard SSC with its biggest supplier. The relationship with this supplier (being a long term business partner concerning the development and supply of components for $NO_x$ sensors, which are mainly used in diesel vehicles) is based on various contracts, e.g. a business cooperation agreement, a development agreement and a delivery agreement. Contracts originally were concluded by Siemens VDO and taken over by Continental Group in the context of the Siemens VDO acquisition or concluded by Continental Group after the Siemens VDO acquisition and is expected to be taken over by Vitesco Technologies mid of September 2021.

Vitesco Technologies enters into (additional) framework agreements with suppliers in different areas, such as "yearly pricing and supply agreements" to provide for prices, capacities, payment terms and delivery conditions, "logistic requirements" or a "global supply chain concept" to govern certain supply chain management related aspects, "general quality agreements", in accordance to IATF 16949:2016, with customer specific requirements and expectations of Vitesco Technologies with respect to the quality and environmental management system of suppliers and "business partner codes of conduct" to ensure corporate compliance in order to prevent incidents in the core risk areas antitrust, anti-money laundering, anti-corruption and other fraudulent activities. Such (additional) framework agreements either apply to the entire relationship with a certain supplier or to specific products or product groups. In certain areas (such as electronics), it has in recent years become more difficult to negotiate binding capacity reservations or price guarantees for longer periods of time.

In respect of specific projects, Vitesco Technologies often enters into further individual agreements to govern more detailed aspects of the project, e.g. project agreements, non-disclosure agreements or tooling and development agreements, and orders products through purchase orders, delivery schedules or other call-off processes. To the extent supplier relationships are not based on SSCs or other framework agreements, e.g. with smaller suppliers, such orders are based on Vitesco Technologies' general terms and conditions.

### *9.21.3 Financing*

On March 24, 2021, a syndicate consisting of two banks as mandated lead arrangers (Deutsche Bank AG and J.P. Morgan), with two original lenders (Deutsche Bank Luxembourg S.A. and JPMorgan Chase Bank, N.A., London Branch), Vitesco Technologies Group Aktiengesellschaft and Vitesco Technologies GmbH concluded a facilities agreement regarding two multicurrency revolving facilities with an aggregate volume of €1,000 million (the ***Facilities Agreement***). The Facilities Agreement was amended on April 28, 2021 in connection with the syndication to a group of lenders. This Facilities Agreement encompases a core revolving credit facility in a total volume of €750 million (***Core RCF***) and an incremental revolving credit facility in a total amount of €250 million (***Incremental RCF***).

The revolving credit facilities may be drawn in euro or USD and, subject to the consent of the banks, in other currencies. The loans will each be used to finance general corporate purposes. A sublimit of €250 million of the Core RCF may also be used as a swingline facility with a shortened drawing notice period in order to refinance any note or other instrument maturing under a euro commercial paper program of a member of the Group. The initial borrower is Vitesco Technologies GmbH.

Vitesco Technologies Group Aktiengesellschaft and Vitesco Technologies GmbH will guarantee for all payment obligations of the borrowers under the Facilities Agreement.

Beside these guarantees, the Facilities Agreement is secured by a comprehensive collateral package comprising of

a) share pledges over all shares in Vitesco Technologies GmbH and each Material Subsidiary,

b) pledges of bank accounts held by the Company, Vitesco Technologies GmbH and each Material Subsidiary, and

c) security over intercompany receivables of each of the Company, Vitesco Technologies GmbH and each Material Subsidiary.

***Material Subsidiaries*** comprise Vitesco Technologies GmbH, any member of the Group that holds shares in Vitesco Technologies GmbH and any member of the Group which total sales exceeding 4% of the consolidated sales of the Group, or which total assets exceeding 3% of the consolidated assets of the Group, or which contributes more than 4% to the consolidated EBITDA.

The Facilities Agreement has an initial term of three years from the earlier of the date of the Spin-off and October 31, 2021, with two extension options for one year each, which are at the discretion of the lenders.

The loans will bear interest at a variable currency-related reference rate (which may be EURIBOR or LIBOR) plus a margin. The Facilities Agreement provides for an initial margin as well as upwards and downwards adjustments of such margin (i) depending on a specified leverage ratio (ratio of adjusted net financial indebtedness incl. pension-related or post-employment liabilities to the adjusted EBITDA), until the publication of an assignment of any long term credit rating by Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc, Moody's Investor Service, Inc and/or Fitch Ratings, Inc or, (ii) after the publication of the assignment of any long term credit rating by Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc, Moody's Investor Service, Inc and/or Fitch Ratings, Inc, depending on the rating of Vitesco Technologies Group Aktiengesellschaft. In each case, the reference rate will have a floor of zero so that the full margin will remain payable in the case of a negative reference rate. In addition, the Facilities Agreement provides for fees and indemnifications in favor of the banks.

In addition, the Facilities Agreement contains certain covenants, obligations and termination rights. In particular, Vitesco Technologies GmbH or, after the date of the Spin-off, Vitesco Technologies Group Aktiengesellschaft, are subject to restrictions regarding the entering into financial indebtedness. The Facilities Agreement provides for the following financial covenants: on certain quarter end testing dates, Vitesco Technologies GmbH or, after the date of the Spin-off, Vitesco Technologies Group Aktiengesellschaft (i) must not exceed a specified leverage ratio (ratio of adjusted net financial indebtedness incl. pension-related or post-employment liabilities (as at the last day of the relevant testing period) to the adjusted EBITDA for the relevant testing period), (ii) has to reach a certain minimum average month-end consolidated liquidity for the respective prior six-month period and (iii) has to reach a minimum adjusted EBITDA based on a defined ratched, in each case as described in the Facilities Agreement.

The Facilities Agreement further contains the provision that payment of dividends, distributions or repayment of shareholder loans by the Company may only be made if, at the time the dividend proposal or distribution of shareholder loans is resolved by the management board, the cash flow (in respect of the most recent testing period) taking into account the relevant dividend payment on a pro forma basis and deducting the amount of any capital expenditure made in cash during such testing period is positive. Testing period means a period of twelve months ending on the last day of a quarter.

The lenders are entitled, subject to certain exemptions and cure periods, to accelerate and terminate the Facilities Agreement in a number of circumstances, including, but not limited to, (i) breach of any financial covenants, (ii) if any obligor under the Facilities Agreement does not comply with its duties under the Facilities Agreement (including any payment obligations, material misrepresentation or cross default in excess of a limit of €50 million), (iii) if grounds for the commencement of insolvency proceedings against an obligor under the Facilities Agreement or certain material subsidiaries arise or such proceedings are initiated, (iv) if an obligor under the Facilities Agreement (other than the Company) ceases to be a subsidiary of the Company, (v) if the Group ceases, or threatens to cease to carry on all or a material part of its business, or (vi) if Listing of the Company on the Frankfurt Stock Exchange does not occur within ten business days of the Spin-off becoming effective.

If (a) any person or a group of persons acting together acquires direct or indirect control over more than 50% of the share capital of the Company or Vitesco Technologies GmbH (other than (I) Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, (II) Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG and (III) IHO Holding GmbH & Co KG (***IHO***) and its subsidiaries (excluding (x) Schaeffler AG and its subsidiaries and (y) Continental AG and its subsidiaries) but only as long as (xx) no IHO CoC (as defined below) has occurred and (yy) no domination agreement has been entered into between IHO or its subsidiaries and the Company) or (b) any person or a group of persons acting together acquires the majority of the voting rights and/or interests in IHO and/or shares in its general partner (*Komplementär*) (other than directly or indirectly, a ***Family Shareholder***) (the ***IHO CoC***) at any time after IHO directly or indirectly holds 50 per cent or more of the share capital of the Company, and after a negotiation period of ten business days between the lenders and Vitesco Technologies GmbH or, after the date of the Spin-off, the Company, each lender may request, within ten business days after the negogiation period but in any event no later than 20 business days after the date of the receipt of the change of control event notice by the agent, that its participation in the outstanding loans and all other amounts accrued under the Facilities Agreement and related agreements are declared due and payable. ***Family Shareholder*** means Maria Elisabeth Schaeffler-Thumann, Georg F.W. Schaeffler and any of their respective legal and/or appointed heirs (*gesetzliche und/oder gewillkürte Erben*).

### *9.21.4 Material Contracts between Vitesco Technologies and Continental Group*

Please see "*15.1 Relationship with Continental Group*" and "*15.2 Supply and service relationship*" for material contracts between Vitesco Technologies and Continental Group before and after the Spin-off becomes effective.

### *9.21.5 Joint Venture Agreements*

On July 1, 2020, Vitesco Technologies entered into a joint venture agreement with a local partner in India, Padmini VNA Mechatronics Private Limited, to establish a joint venture company with a shareholding of the Vitesco Technologies of 50% with closing on July 3, 2020. The joint venture company had been incorporated initially by the local partner as its wholly owned subsidiary on January 23, 2020. The joint venture was created to address the Indian sensing and actuation market with a strong, competitive local player in India, since India offers strong growth potential for sensing and actuation products given its need for clean air. The joint venture generated a sales volume amounting to approximately €6.8 million in the year 2020.

On June 27, 2017, the Continental Group entered into a joint venture agreement (as amended on September 12, 2017 and April 19, 2019) with Napino Auto & Electronics Ltd., a leading automotive supplier in India in electronic products / components, wiring harness and handle bar switches, to incorporate a joint venture company with a shareholding of the Continental Group of 30%. This joint venture was created to supply defined products and provide defined services to the three largest wheeler customers in India (including the Hero Group with a market share of over 30%). The sales volume generated by this joint venture amounted to approximately €74.5 million in the year 2020. All shares held by the Continental Group in this joint venture (30% of the shares in the joint venture) were purchased by Vitesco Technologies as part of the Carve-Out by purchase agreement dated December 20, 2018 with effect of January 1, 2019 (as amended on April 18, 2019 and February 11, 2020). The actual transfer of the shares from Continental Group to Vitesco Technologies is pending and expected after the Spin-off.

# 10. REGULATORY AND LEGAL ENVIRONMENT

## 10.1 Overview

Vitesco Technologies' business mainly focuses on the manufacturing of drive technology for all types of vehicles. Vitesco Technologies' portfolio includes drive solutions for 48V electrification, electric motors and power electronics for hybrid and purely battery electric vehicles. In addition, Vitesco Technologies manufactures electronic control systems, fuel injection systems, sensors and actuators as well as solutions for exhaust gas treatment.

Against this background, Vitesco Technologies' operations and the products that it manufactures are subject to various laws, rules and regulations at international, EU, national, state and municipal levels, in all of the jurisdictions in which the Group operates. Such laws, rules and regulations in particular include product safety and liability, environmental protection and emission, state aid, building, occupational health and safety, chemicals and hazardous substances, water and waste, export control laws, rules and regulations, as well as several technical standards. While some requirements are directly applicable to Vitesco Technologies' operations and products, others are rather customer- or market-related.

At EU level, for example, the regulatory environment of Vitesco Technologies' operations and the products that Vitesco Technologies uses and manufactures includes several EU directives and regulations, which either apply directly or have to be implemented in the individual EU Member States (***Member States***) through national legislation. In addition, international agreements, including bilateral and multilateral agreements between countries concerning customs duties or other regulations related to the import and export of products, apply directly or indirectly to the Group.

In addition to the existing requirements, there is an increasing number of new or evolving laws, rules and regulations. In the EU, new laws, rules and regulations are evolving, for example, relating to external reporting on ESG aspects of Vitesco Technologies' operations and products, as well as its direct and indirect business along the value chain. (e.g. mandatory due diligence processes). The European Commission has further communicated the so-called "European Green Deal" that aims to tackle climate and environmental-related challenges, which has since then led to additional regulatory activity. Vitesco Technologies further expects that many environmental laws rules and regulations will be harmonized at the EU level over the near to medium term. However, often Member States will remain free to adopt laws, rules and regulations that are more stringent than those required by the EU.

The cost of compliance with existing and evolving legal and regulatory requirements as well as technical standards can be significant, is ongoing and is very difficult to accurately predict. Vitesco Technologies expects that in almost all countries where it does or intends to do business, laws, rules and regulations, including those concerning product safety and environmental protection, will over time become more comprehensive and stringent.

In the following sections, the most important laws, rules and regulations that are key factors for Vitesco Technologies in its operations and for its products within the EU/Germany are summarized. In addition, Vitesco Technologies has to comply with the laws rules and regulations of several other jurisdictions, such as the U.S. and China (of which particular requirements are also set out below), Mexico, or India due to the Group's production sites in these countries and/or customer (end-)markets in such jurisdictions. Any reference in this section to any law, rule or regulation is deemed to refer to such law, rule or regulation as amended, supplemented, or otherwise modified, and all further rules and regulations promulgated thereunder, unless the context requires otherwise.

## 10.2 Permits and Compliance

For many of Vitesco Technologies' operations, including the construction, operation and alteration of industrial facilities, such as manufacturing plants, Vitesco Technologies is required to obtain and maintain permits from governmental authorities for example emission control permits or, alternatively, building permits and permits under water laws. Application of the different regulations depends on the specific circumstances at the different business locations in different jurisdictions and is managed locally.

In the application process for such permits, the competent authority assesses whether the specific facility will be in compliance with applicable provisions of environmental and regulatory law, in particular, with regard to emissions, building codes, waste disposal, occupational health and safety (which are further described in the sections below). Some permitting procedures, such as those for an emission control permit, include public participation that is open to the general public. As a result of the involvement of the public, objections may be raised and thereby complicate and delay procedures. Moreover, permits, once granted, may be legally challenged by third parties, foremost neighbors but also environmental interest groups who have been granted participation rights e.g. based on EU law and may initiate legal review of permits irrespective of an individual standing.

Non-compliance with the requirements set out in specific permits and their ancillary conditions may trigger administrative orders to remediate the non-compliance and fines (enhanced penalties have in particular been adopted in China). The responsible individuals may also be subject to criminal prosecution which may lead to criminal liability and incarceration. Furthermore, in a worst-case scenario, the authority may order a stop of production, (partial) shutdown or removal of the facility or individual assets and, under certain circumstances, revoke the permit. Also, within the limits of the principle of proportionality, competent authorities may impose restrictions in subsequent orders even after the initial permit can no longer be challenged.

In China, non-compliances in several areas of operations (such as environmental protection, tax, foreign exchange, customs, advertising, antitrust, product quality etc.) are tracked and assessed under the newly and gradually rolled-out corporate social credit system (***CSCS***) and may lead to a negative rating. Depending on the severity of the non-compliance, consequences under the CSCS may range from an increasing number of inspections and targeted audits by authorities to blacklisting and impacts on responsible individuals of the company.

One of the major sections of the U.S. Code of Federal Regulations (***CFR***) is Title 40 Chapter I CFR, which, among other authorizations and duties, regulates environmental standards and the issuance of environmental permits. In addition, sites are obliged to follow applicable state and local/municipal environmental regulations and permit requirements. Non-compliance with these requirements may trigger administrative orders, court-ordered injunctions or court orders enforcing cleanup or the issuance of monetary penalties, fines or restitution. In some cases, responsible individuals could also be subject to criminal liabilities which may include incarceration.

## 10.3 ESG-related Disclosures and Human Rights

In addition to increasing expectations and demands from external stakeholders (e.g. investors and OEM's) regarding transparency on Vitesco Technologies' ESG measures and disclosures, Vitesco Technologies is also facing a number of new or changing laws, rules and regulations related to the external reporting on ESG and sustainability (in particular concerning human rights) aspects in several jurisdictions Vitesco Technologies operates.

### *10.3.1 EU and Germany*

In the EU, ESG-related disclosures are governed by the Directive 2014/95/EU on the disclosure of non-financial and diversity information by certain large undertakings and groups (the ***Non-Financial Reporting Directive***). Accordingly, large public-interest companies are required to report both (double-materiality) on how sustainability issues affect their performance, position and development (the 'outside-in' perspective), and on their impact on people and the environment (the 'inside-out' perspective).

Major changes to these reporting requirements are expected for the financial year beginning as of 2023. The European Commission recently published a proposal (COM(2021) 189 final) for a Directive on corporate sustainability reporting (***CSRD***), amending, among others, reporting requirements of the Non-Financial Reporting Directive. The CSRD sets a much stronger focus on disclosing the company's impacts on external stakeholders and the environment, independently from the financial relevance for the company. For example, it stipulates the obligation to report on plans of the company to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement.

The CSRD is furthermore linked to the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (***Taxonomy Regulation***). The Taxonomy Regulation aims to allow investors to know whether an economic activity is environmentally sustainable by setting common EU-wide criteria, which companies have to report on as part of their annual management report. Certain criteria have already been adopted and will be mandatory for reporting from financial year

2021 on, other legislation regarding further sustainable economic activities is still ongoing, as is the transfer of these disclosure requirements into the existing regulations on non-financial reporting.

Based on the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*), Vitesco Technologies will be obliged (inter alia) to commit to respecting human rights and environmental protection through a publicly available policy, to conduct (annual) risk assessments for its own operations as well as for direct and (in case of known/identified risks or violations) indirect suppliers, to provide for controls (audits) as well as third party due diligence, grievance and remediation mechanisms as well as for documentation for seven years and reporting of the fulfilment of its imposed duties. Reporting will be due annually within four months upon completion of the financial year and has to be submitted electronically to the competent authority (Federal Office for Economic Affairs and Export Control) as well as published on the company's website for seven years. The Supply Chain Due Diligence Act also stipulates the imposition of administrative fines and the exclusion from public procurement for up to three years in case of non-compliance.

#### *10.3.2 China*

Also in China, increasing attention has been paid to sustainability and ESG-related issues in the economic growth at the state level. Topics such as sustainable development, green economy, carbon neutral and renewable energy have been mentioned in various official meetings and governmental reports. With the introduction of the general ESG-related principles and requirements as well as disclosure obligations applicable to listed companies in China, it is expected that further laws, rules or regulations may roll out in the future, imposing ESG-related compulsory obligations on private companies (such as Vitesco Technologies' operation in China) as well.

#### *10.3.3 U.S.A.*

In the U.S., regulators are also increasingly focusing on climate, sustainability, human capital, diversity and inclusion, and other ESG matters. For example, the U.S. Securities and Exchange Commission (***SEC***) has adopted rules requiring reporting companies to disclose certain information regarding their human capital resources in their annual reports or requires companies that use conflict minerals to perform due diligence. While these requirements currently only apply to reporting companies, there have been some indications that the SEC may adopt some of these requirements also for non-reporting companies in the future.

### 10.4 Health and Safety

Vitesco Technologies has to comply with applicable laws and regulations on occupational health and safety in all jurisdictions in which Vitesco Technologies operates. Typically, these set out that employers have to organize the workflow and establish conditions in a way that effectively prevents dangers to employees. In particular, employers must observe certain medical and hygienic standards and comply with certain occupational health and safety requirements, such as permissible maximum levels for noise at the work place, the use of personal protective equipment (such as goggles and face shield versus safety glasses for sandblasting activities, or cut-resistant gloves when cutting tools with sharp edges) and requirements relating to maximum temperatures and air ventilation.

#### *10.4.1 EU and Germany*

In the EU, several directives and regulations require employers to provide for their employees' safety, in particular Council Directive 89/391/EEC, and Council Directive 91/383/EEC and other directives *inter alia* concerning the minimum safety and health requirements for the use of work equipment by worker at work or for the workplace. Also, the applicable workplace regulations concerning dust exposure maximum levels have been further tightened.

Germany has transposed these directives into German law by the German Act on Occupational Protection (*Arbeitsschutzgesetz*) and the German Act on Occupational Safety (*Arbeitssicherheitsgesetz),* which require employers to provide for their employees` safety. These general obligations are substantiated in several ordinances under the respective laws, which are further detailed in technical guidelines.

### *10.4.2 China*

In China, the Labor Law, in force since 1995, regulates both employees' and employers' basic occupational safety and health obligations and rights. Further obligations and rights on occupational safety are set in the Work Safety Law, on occupational health in the Law on the Prevention and Control of Occupational Disease. To support the enforcement of the laws, competent authorities and / or government units establish and publish administrative regulations, departmental regulations and local laws, respectively. The Standardization Administration of China publishes mandatory and recommended occupational health and safety technical standards. Miscellaneous health and safety related legal requirements exist, including, for example, the Regulation on the Safe Management of Hazardous Chemicals or the Fire Control Law of China.

### *10.4.3 U.S.A.*

In the U.S., Vitesco Technologies' must comply with the regulatory requirements of the Federal Occupational Safety and Health Act of 1970 (***OSH***) that requires that employers provide employees with an environment free from recognized hazards. Further, several of Vitesco Technologies' operations are in U.S. states that have state run Occupational Safety and Health Administration (***OSHA***) plans. State plans are OSHA approved workplace safety and health programs operated by individual states or U.S. territories, that allow for states to develop and operate their own job safety and health programs (i.e. regulations, agencies). There are currently 22 state plans which cover private sector workers. These state plans are monitored by OSHA and must be at least as effective as OSHA in protecting workers and in preventing work-related injuries, illnesses and deaths. OSHA regulations are published in Title 29 of the CFR.

OSHA also administers the whistleblower protection program. This program ensures that an employer cannot retaliate by taking "adverse action" against workers who report concerns about hazards or violations of more than 20 federal laws, such as the OSH or those regarding environmental protections and consumer product safety, among other.

## 10.5 Environmental

### *10.5.1 Industrial Emissions Control*

In many countries in which Vitesco Technologies operates, the emission of, *inter alia,* air pollutants, noise, odours, vibrations as well as greenhouse gases (such as $CO_2$) is governed by specific laws and regulations, and, if the operation of an industrial facility, as typically, is subject to a permit, by specific conditions set forth therein. Operators of facilities are required to maintain all installations in compliance with the respective permits in terms of the reduction of certain emissions and implementation of safety measures. In some cases, a continuous improvement or retrofitting of installations to maintain facilities at "state-of-the-art" safety standards may be required. Compliance with these requirements is monitored by local authorities and operators may be required to submit emission reports on a regular basis. Non-compliance with maximum emission levels may result in administrative fines.

#### *10.5.1.1 EU and Germany*

In the EU, Directive 2010/75/EU on industrial emissions (***IED Directive***) sets out rules on the authorization, operation, monitoring and decommissioning industrial installations with particular environmental relevance. It is the main EU instrument regulating pollutant emissions from industrial installations, *i.e.* on the prevention and control of pollution from industrial activities including reducing emissions into air, water and land, as well as preventing the generation of waste. It is expected that the European Commission will propose a revision of the IED Directive by the end of 2021, which might change specific aspects rather than the overall structure.

Under the IED Directive and its implementing law, the production of copper, aluminium and ferroalloys, among other industries, is subject to thresholds regarding various polluting substances, such as CO and dust including fine particulate matter. Such thresholds, as well as operational conditions and other descriptions of industrial processes for various industrial activities, are set forth in so-called Best Available Techniques Reference Documents (***BREFs***), adopted inter alia under the IED Directive. The BREFs are continuously reviewed and updated to correspond with new developments. Member States are required to take the so-called Best Available Techniques (***BAT***) conclusions, which are part of the BREFs, as a reference for setting or reconsidering permit conditions to installations covered by the IED Directive.

Germany has implemented the IED Directive with changes to the German Federal Emissions Control Act (*Bundesimmissionsschutzgesetz*), the Federal Water Act (*Wasserhaushaltsgesetz*), and the German Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*), resulting in thresholds, authorization requirements and supervisory obligations for new and existing facilities. Only recently, the German Federal Cabinet finally decided on an amendment of the Technical Instructions on Air Quality Control (*TA Luft*), which will enter into force presumably in autumn 2021.

Under the IED, a periodical review of ancillary conditions in existing permits is required, and, if necessary, amendments of these conditions to ensure compliance with the IED and especially with the BAT conclusions. Against this background, Vitesco Technologies may also be required to incur significant capital expenditures to upgrade production plants to comply with future applicable maximum emission levels.

#### *10.5.1.2 China*

In China, industrial emissions are governed by a set of environmental laws and regulations, among others, the Environmental Protection Law and the Law on Prevention and Control of Atmospheric Pollution.

A pollutant emission permit regime has been established in China over the past years. It is seen as the core of the environmental management of fixed pollutant source, as it connects the environmental assessment and approval system with the total quantity control system for pollutant emission. Accordingly, companies, such as Vitesco Technologies must obtain pollutant emission permit or registration, discharge pollutants based on the pollutant emission permit as well as comply with other prescribed compliance obligations, as applicable. Further, an environmental protection tax regime has been implemented since January 1, 2018, imposing environmental protection tax on such companies emitting the defined taxable pollutants within the territory of China.

#### *10.5.1.3 U.S.A.*

The U.S. Clean Air Act (***CAA***) is a comprehensive federal law regulating air emissions. The CAA authorized the U.S. Environmental Protection Agency (***EPA***) to set National Ambient Air Quality Standards (***NAAQS***) for six common air pollutants: Carbon Monoxide, Ground-level Ozone, Lead, Nitrogen Oxides, Particulate Matter, and Sulfur Dioxide. The EPA can designate areas as meeting (attainment) or not meeting (nonattainment) these standards. The EPA also requires to develop a general plan to attain and maintain the NAAQS in all areas of the country, and a specific plan to attain the standards for each area designated nonattainment for a NAAQS. The EPA works with its regulatory partners through a CAA monitoring program, which ensures the regulated entities obey environmental laws and regulations through on-site inspections and review of records.

### *10.5.2 Waste from Production Processes*

#### *10.5.2.1 EU and Germany*

Vitesco Technologies is subject to statutory provisions regarding waste management in some jurisdictions. These provisions may govern permissible methods of, and responsibility for, the generation, handling, possession, discharge and recycling of waste depending, among other things, on the dangers posed by the waste. In particular, the handling of waste is often restricted to licensed facilities.

On EU level, Directive 2008/98/EC on waste (***Waste Framework Directive***) redefines and governs the legal framework on waste treatment within the EU. The Waste Framework Directive applies to all substances or objects which the user discards or which the user plans or is required to discard. The Waste Framework Directive introduced a new waste hierarchy that Member States generally have to follow for the treatment of their waste (with highest priority on prevention and lowest priority on disposal) and several accompanying measures. In light of this, Member States have to ensure that any company intending to carry out waste treatment obtains a permit and does so in compliance with the waste hierarchy. Certain other activities are subject to registration.

Vitesco Technologies has to comply with the requirements set out in the Waste Framework Directive as implemented by the national laws, in Germany the provisions are stipulated in the German Closed

Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*). In accordance with this act, generators, owners, collectors and transporters of waste must demonstrate to the competent authority and to other parties that they have properly disposed of hazardous waste (*gefährliche Abfälle*) by providing a proof of waste disposal (*Entsorgungsnachweis*). In addition, a "taking back" obligation for certain types of waste may be introduced.

#### *10.5.2.2 China*

In China, industrial solid waste and hazard waste are subject to the Law of China on Prevention and Control of Environment Pollution Caused by Solid Waste (***Solid Waste Prevention Law***) as amended and effective from September 1, 2020 and ancillary regulations. Accordingly, companies that generate industrial solid waste shall establish a sound responsibility system for the prevention and control of environmental pollution caused by industrial solid waste in the whole process of generation, collection, storage, transportation, utilization and treatment, set up a management ledger for industrial solid waste to faithfully keep records on the sorts, quantity, whereabouts, storage, utilization and treatment of industrial solid waste generated, so as to realize the traceability.

In addition, companies that generate hazardous waste (as defined in the hazardous waste catalog issued and managed at the state level) shall comply with more stringent statutory requirements and obligations, inter alia, a plan for hazardous waste management is required to be developed and filed with competent environmental authority, and a management ledger for hazardous waste shall be set-up and information regarding type, quantity, storage, transfer and treatment of hazardous waste shall be filed with competent authority.

#### *10.5.2.3 U.S.A.*

In the U.S., the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.) is the public federal law that creates the framework for the proper management (identification, classification, generation, management and disposal) of hazardous and non-hazardous solid waste, providing basic requirements that states then adopt and enforce. Vitesco Technologies generates both non-hazardous and hazardous waste at all of its R&D and productions sites in the US. The regulations governing hazardous waste identification, classification, generation, management and disposal are found in title 40 CFR parts 260 through 273.

### *10.5.3 Pollution Prevention and Control in Soil and Water*

Vitesco Technologies is subject to several laws relating to the use and contamination of soil as well as ground and surface water in the jurisdictions in which Vitesco Technologies operates. In most of these jurisdictions, the use of ground and surface water requires a permit and is strictly regulated. For example, the discharge of any pollutant substances into the surface water may be subject to a permit whereas the discharge of any such substances into the ground water may generally be prohibited. Under German law, as well as in other European jurisdictions, water use permits are generally only granted for specific periods of time and must be renewed frequently. In certain circumstances such water use permits may be revoked without compensation. If a contamination of ground or surface water occurs or is discovered, the party who caused such contamination but also the respective landowner (irrespective of fault) may be subject to a comprehensive range of remediation obligations, which can be costly. Non-compliance with such obligations may result in administrative fines or, in certain cases, criminal liability.

At the moment, Vitesco Technologies carries out remediation measures in Burlington (Canada) and in Salto (Brazil) with expected costs of approximately €500,000-800,000 the next five years. In addition, the necessity of remediation measures in Toulouse (France) and Newport News (U.S.A.) in the near future is currently being investigated. Furthermore, Vitesco Technologies operates and has operated production sites that are or have been located on sites with a history of industrial use, also by third parties. Vitesco Technologies cannot exclude that the Group might be held liable for soil and groundwater contamination on these sites. Vitesco Technologies further cannot exclude that remediation measures related to these sites may be required in the future. In addition, Vitesco Technologies cannot exclude that soil and groundwater contamination may be identified on further currently used sites.

#### *10.5.3.1 EU and Germany*

Vitesco Technologies is subject to EU regulations on water use and protection (implemented by the applicable national laws) as during the course of the production processes water is used and disposed of. Directive 2000/60/EC, establishing a framework for community action in the field of water policy, (***Water Framework Directive***) includes a comprehensive approach to water protection. Groundwater is protected by both the Water Framework Directive and its subsidiary related Directive 2006/118/EC on the protection of groundwater against pollution and deterioration (***Groundwater Subsidiary Directive***), which lays down detailed quality criteria for the assessment of the groundwater's chemical status, including standards set at the EU level and requirements for threshold values to be set at the Member State level. The Groundwater Subsidiary Directive requires Member States to establish measures to prevent the input of hazardous substances into the groundwater and limit the introduction of other pollutants. The Water Framework Directive was implemented into German law by the German Water Management Act (*Wasserhaushaltsgesetz*), setting the framework for sustainable water management. The requirements of the German Water Management Act (*Wasserhaushaltsgesetz*) are set forth in several ordinances stipulating technical and organizational requirements handling hazardous substances at installations. The requirements of the Groundwater Subsidiary Directive were implemented into German law by the German Groundwater Ordinance (*Grundwasserverordnung*) that sets criteria for the assessment and monitoring of the status of the ground water and requires the authorities to establish programs of measures to limit the contamination of groundwater by pollutants.

Discharge of waste water and its treatment is regulated by Council Directive 91/271/EEC concerning urban waste water treatment. This directive addresses the collection, treatment and discharge of urban waste water and the treatment and the discharge of waste water from certain industrial sectors. Its aim is to protect the environment from any adverse effects caused by the discharge of such waters. As urban waste water treatment falls within the competence of the German federal states (*Länder*), the requirements of this directive are implemented at the federal state level through ordinances (*Kommunalabwasserverordnungen*).

In addition, under the German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz*) and several regulations promulgated thereunder, owners of land and operators of facilities are required to prevent any contamination of the soil by taking necessary precautions. If any soil contamination (*schädliche Bodenveränderung*) has occurred, or where pollution was caused in the past (*Altlasten*), owners of land, operators of facilities, the party having caused the pollution or its universal legal successor (*Gesamtrechtsnachfolger*) and the previous owner (subject to certain additional conditions) may be held responsible for investigation and remediation measures and the cost thereof, irrespective of fault. In certain cases, a party may even be held liable for the entire cost of remediation, the lawfulness of disposal or the actions of other parties. A statutory cost sharing mechanism between several responsible parties exists but in practice depend on other responsible parties actually being available and capable to share costs. In choosing the responsible party, environmental authorities are only bound by the principle of effective hazard prevention and remediation and are not required to take bilateral agreements between different responsible persons into consideration. Thus, solvency and the ability to conduct necessary measures is frequently a key factor considered by authorities. Typically, environmental authorities may issue investigation and remediation orders against the owner of the land, potentially also against a lessee, if the lessee is the operator of facilities on the premises. Environmental authorities increasingly tend to choose the owner of the land if the question of who caused any pollution is unclear, for example, due to many changes in ownership, or if the pollution appears to have been caused over many years. Non-compliance with the obligations under applicable laws and regulations may result in administrative fines or, in certain cases, criminal liability.

In May 2021, the European Commission has published the "EU Action Plan: 'Towards Zero Pollution for Air, Water and Soil'" (COM(2021) 400 final), which might lead to stricter requirements in some of the above mentioned regards during the next years.

#### *10.5.3.2 China*

In China, discharge of water pollutants is subject to the Law of the China on Prevention and Control of Water Pollution (***Water Pollution Prevention Law***). Pursuant to the Water Pollution Prevention Law, the discharged water pollutants shall not exceed the national or local standards for discharge of water pollutants and total discharge control index of key water pollutants. Non-compliance with such obligations may result in administrative fines and be ordered to rectify, or in more serious circumstances, suspension of business or shut down, or even criminal liability if the violation constitutes criminal offense.

Soil pollution within the territory of China is subject to the Law of China on Prevention and Control on Soil Pollution (***Soil Pollution Prevention Law***). The Chinese authorities have implemented soil environmental monitoring system and the mechanism for risk management and control and restoration of soil pollution, which include a series of measures, such as investigations of soil pollution status, soil pollution risk assessment, risk management and control, restoration, evaluation of the effects of risk management and control, evaluation of the effects of restoration as well as post management. Pursuant to the Soil Pollution Prevention Law, enterprises that carry out production and operation activities, shall take effective measures to prevent and reduce soil pollution and bear prescribed liability in case of soil pollution.

#### *10.5.3.3 U.S.A.*

The Clean Water Act (33 U.S.C. §1251 et seq.) (***CWA***) regulates discharges of pollutants into water of the U.S. and quality standards for surface waters. Under the CWA, EPA has developed pollution control programs such as setting wastewater standards for industry and national water quality criteria recommendations for pollutants in surface waters. According to the CWA it is unlawful to discharge any pollutant from a point source into navigable waters, unless a permit was obtained (so called National Pollutant Discharge Elimination System (NPDES) permit program). Non-compliances with permit requirements may, among others, lead to administrative orders and fines, civil and criminal actions or to independent legal actions by members of the general public.

In 1990, the U.S. Congress passed the Pollution Prevention Act (42 U.S.C. Section 13101 et seq.) which states the EPA must establish a source reduction program which collects and disseminates information, provides finial assistance to States, and implements other activities. Vitesco Technologies is committed to reducing or where possible eliminating waste at the source by modifying production processes, promoting the use of nontoxic or less toxic substances, implementing conservation techniques and finding ways to reuse materials rather than putting them into the waste stream.

## 10.6 Chemicals and Hazardous Substances

### *10.6.1 EU and Germany*

The EU requires control of the use of chemical products within the EU, requiring all affected industries to ensure and demonstrate the safe manufacture, use and disposal of chemicals. The Regulation (EC) No 1907/2006 on registration, evaluation, authorization and restriction of chemicals (***REACH Regulation***), requires the registration of all chemical substances manufactured in, or imported into, the EU, in quantities of more than one ton per annum with the European Chemicals Agency (***ECHA***). Authorization by ECHA is required for the import, manufacture and use of certain chemical substances.

Without a (pre)registration in place, it is impermissible to produce this chemical in the EU, to import or to use it ("no data no market" principle). Users of registered chemicals (so called downstream users) must inform their sellers about the intended use of the chemicals, as the importer or producer must add this information to its documentation. Furthermore, the REACH Regulation contains restrictions on bringing substances to market for defined applications or under certain circumstances (Annex XVII of the regulation). If necessary, substances will be listed on the so-called candidate list (SVHC list) or on Annex XIV to the REACH Regulation. These substances may be subject to a full ban or requirement for authorization in the future, which may or may not be granted by the European Commission. In addition, the REACH Regulation was accompanied by legislation providing for a comprehensive system on the classification, labeling and packaging of substances and mixtures, in particular regulation (EC) No 1272/2008 on the classification, labeling and packaging of substances and mixtures.

Vitesco Technologies does not hold registrations or authorizations under the REACH Regulation, but is, as downstream user, subject to information, notification and labelling requirements and must comply with certain safety obligations arising for example under the German Chemicals Act (*Chemikaliengesetz*), which mainly reflects and accompanies the REACH Regulation at the national level, but also establishes additional national requirements.

Regulation (EU) 2019/1021 on persistent organic pollutants and Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment stipulate forbidden or hazardous substances in products. Further, in December 2020, the European Commission proposed a regulation concerning batteries and waste batteries, among others, repealing Directive 2006/66/EC (COM(2020) 798 final), which provides for substantial revisions to the existing regulatory framework. It is expected that Vitesco Technologies must endeavor to reduce the use of hazardous substances when designing batteries, design and produce batteries which facilitate the dismantling, re-use, recovery and recycling and increase the use of recycled materials in batteries manufacture.

National regulations on chemicals may impose further obligations on producers, processors, and handlers of chemicals and hazardous substances.

#### *10.6.2 China*

In China, several legislative acts ban hazardous chemicals from products. One example is the national standard GB/T 30512-2014, which entered into force in 2014 and prohibits the use of certain hazardous substances in automobiles. Banned substances cover mercury, hexavalent chrome, lead, cadmium, poly-brominated biphenyls and poly-brominated diphenyl ethers. Similar to EU legislation certain exemptions apply.

The requirements are regularly audited by the China Automotive Technology & Research Center. These audits include a presentation of the audited plants, a detailed review of the material compliance processes based on a checklist and a testing of samples for potentially detecting prohibited substances.

#### *10.6.3 U.S.A.*

The Toxic Substances Control Act of 1976 (***TSCA***) addresses the production, importation, use, and disposal of specific chemicals in 15 U.S. Code Chapter 53. In particular, manufacturers must submit pre-manufacture notification for new chemical substances before manufacture in order for those chemicals to be tested for potential hazards. Further, manufacturers may be required to (i) test chemicals where risks or exposures are found, (ii) comply with certification reporting and record-keeping in the manufacture, importation and distribution of chemicals in commerce and (iii) inform EPA if they have obtained information which reasonably supports the conclusion that a chemical presents a substantial risk of injury to health or to the environment.

The TSCA provides EPA with authority to require reporting record-keeping and testing requirements, and restrictions relating to chemical substances and/or mixtures. While the regulatory authority and program implementation of the TSCA rests predominantly with the EPA, states can be authorized by EPA to operate their own programs for some portions of the statute.

The California Safe Drinking Water and Toxic Enforcement Act of 1986 (***Proposition 65***) requires businesses that sell, manufacture, supply or distribute products sold in California to provide warnings on their products, to their downstream supply chain or retailers about significant exposures to certain chemicals that cause cancer, birth defects or other reproductive harm. Proposition 65 also prohibits Californian businesses from knowingly discharging significant amounts of such chemicals into sources of drinking water. In accordance with Proposition 65, the State of California maintains and regularly updates a list of chemicals known to cause cancer, birth defects or other reproductive harm.

### 10.7 Technical Product Compliance

#### *10.7.1 General*

Vitesco Technologies' products and production processes have to comply with numerous laws, rules and regulations in all jurisdictions it operates. Some requirements are directly applicable to Vitesco Technologies, most of them are indirectly applicable, i.e. customers (in particular OEMs) require Vitesco Technologies to comply with relevant laws, rules and regulations and customer-specific requirements as they would otherwise not be able to place their vehicles containing respective components on the market.

Legislative developments (such as the greenhouse gas or zero emission regulations, and political commitments for climate neutrality) in these regards are of major importance for Vitesco

Technologies. For example, the Regulation (EU) 2021/1119 (European Climate Law), which established the objective of the EU to reach climate neutrality by 2050 and set out a target of at least 55% reduction of net greenhouse gas emissions by 2030 compared to 1990 levels, came into force in July 2021. These legislative developments may strongly influence the requirements and marketability of future products of Vitesco Technologies but also promote concepts involving further electrification and enhanced aftertreatment systems including such Vitesco Technologies' products like electrically heated catalysts, additional sensors and 48V technology. These developments are described in more detail under "*9.4 Strategy*".

The above holds true for all major markets world-wide as for example the EU, China, U.S.A., India, Korea or Japan. Details in these regards of Vitesco Technologies' main market, the light-duty vehicles, are set out below.

### *10.7.2 Vehicle/Engine Type Approval for Light-Duty Vehicles*

Most of Vitesco Technologies' products are used in light-duty vehicles of OEMs which require approval by competent authorities before they can be placed on the market and used on public roads. In respective processes the OEM has to show that the vehicles comply with numerous requirements related to diverse technical aspects, including emissions and safety before these are placed on the respective market. Most countries either provide for a type approval process (e.g. EU, China) or for a self-certification system (especially the U.S.A.).

In the EU, vehicles must comply with numerous requirements related to diverse technical aspects, including emissions and safety, in order to receive an EU type approval by the competent authority, in Germany the Kraftfahrtbundesamt.The type approval for most motor vehicles, including light and heavy-duty vehicles and their trailers, is regulated in Regulation (EU) 2018/858 on the approval and market surveillance of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles (***EU Type Approval Regulation***).

In Annex II of the EU Type Approval Regulation, about 70 separate regulatory requirements on EU and UNECE level are set out for various models of vehicles, including in relation to emissions, braking, steering and mechanical coupling components. In China, a comprehensive type approval regulation similar to the EU type approval regulation exists (China Compulsory Certification – ***CCC***), including approximately 50 different standards.

In the U.S., EPA, the National Highway Transport Safety Agency (***NHTSA***) and the California Air Resource Board (***CARB***) require a self-certification process. Conformity certificates are issued after the OEM has provided test data from recognized testing labs in accordance with prescribed certification procedures (e.g. on emission, fuel consumption, vehicle safety etc.). EPA, NHTSA and CARB perform limited audits of vehicles to ensure compliance. In addition to federal and state regulations, OEMs also need to consider requirements from industry associations including the Society of Automotive Engineers, Underwriter Laboratories and the Highway Safety Insurance Association.

Only few of the comprehensive regulatory requirements are generally directly or indirectly of relevance for Vitesco Technologies' products. The most important among these relate to vehicle safety and emissions and are further set out below.

### *10.7.3 Technical Standards relating to Vehicle Safety*

#### *10.7.3.1 EU*

The EU Type Approval Regulation lists a large number of safety relevant requirements, concerning vehicle active and passive safety and safety of different components and systems.

Most vehicle safety requirements are regulated in Regulation (EC) No 661/2009 concerning type-approval requirements for the general safety of motor vehicles, their trailers and systems, components and separate technical units intended therefor (***EU Safety Regulation***). It includes, inter alia, requirements related to heating systems, steering, masses and dimensions, flammability and electric safety. Many of these requirements are also regulated by the UNECE. The EU has accepted a significant number of regulations annexed to the UNECE 1958 Agreement, and therefore has the obligation to accept type-approvals granted in accordance with those regulations as complying with the equivalent EU requirements. Annex IV of the EU Safety Regulation lists the UNECE regulations which apply on a compulsory basis (over 70 items).

The most important regulation for Vitesco Technologies' products is UNECE Regulation No 100 (Uniform provisions concerning the approval of vehicles with regard to specific requirements for the electric power train). A new series of amendments to the regulation is under discussion and Vitesco Technologies follows the relevant UNECE working groups.

In addition to the EU Safety Regulation, hydrogen-powered vehicles are regulated by Regulation (EC) No 79/2009 on type-approval of hydrogen-powered motor vehicles, and Commission Regulation (EC) No 406/2010 implementing Regulation (EC) No 79/2009 on type-approval of hydrogen-powered motor vehicles.

As from July 6, 2022, Regulation (EU) 2019/2144 on type-approval requirements for motor vehicles and their trailers, and systems, components and separate technical units intended for such vehicles, as regards their general safety and the protection of vehicle occupants and vulnerable road users, will repeal the EU Safety Regulation, Regulation (EC) No 79/2009 and further (implementing) regulations. Amongst others, the new regulation aims to further replace EU regulations with existing UNECE Regulations, to remove safety requirement exemptions for vans, sport utility vehicles (SUVs) and multi-purposes vehicle (MPVs) and to introduce a set of new technologies (for expected requirements in regard to cyber security see below "*10.9 Software and Cyber Security*").

#### *10.7.3.2 China*

Similar to the EU, the CCC certification (CNCA C11-01:2020) sets out comprehensive safety relevant requirements of which the following are of major importance for Vitesco Technologies' products:

The national Standards GB 18384-2020 for electric vehicles safety requirements (passenger vehicles and trucks), GB 38032-2020 for electric buses safety requirements, and GB 38031-2020 for electric vehicles traction battery safety requirements, which all refer to the Global Technical Regulation No. 20 (Electric Vehicle Safety) and came into effect on January 1, 2021.

The GB 18384-2020 mainly regulates the electrical safety and functional safety requirements of electric vehicles. It sets out the battery system thermal event alarm signal requirements, strengthens the waterproof, and governs the insulation resistance and monitoring. This standard has been updated in accordance to the latest international technology standard, specifically referring to the UN GTR No.20, and has been modified in regard to Chinese specifics.

#### *10.7.3.3 U.S.A.*

In the U.S., the Federal Motor Vehicle Safety Standards (***FMVSS***) (49 CFR 571) are the main regulations specifying design, construction, performance, and durability requirements for motor vehicles and regulating safety-related components, systems, and design features. Only few regulations are relevant for Vitesco Technologies' products.

Most important for Vitesco Technologies are the electric vehicle relevant safety standards, e.g. FMVSS No. 305, "Electric-powered vehicles: Electrolyte spillage and electrical shock protection" latest amendment (final rule) published on August 23, 2019. The final rule, among other things, adopted various electrical safety requirements found in Global Technical Regulation No. 13, "Hydrogen and fuel cell vehicles", and other sources. It further facilitated the introduction of new technologies, including hydrogen fuel cell vehicles and 48V mild hybrid technologies.

### *10.7.4 Technical Standards relating to Vehicle Emissions*

#### *10.7.4.1 EU*

In the EU, vehicle emissions are regulated by Regulation (EU) 715/2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information.

As to pollutant emissions, the regulation defines the limits for harmful emissions for light duty vehicles, commonly known as Euro 5 and Euro 6 standards. The latest Euro 6 emission standard (Euro 6d) for newly registered passenger cars and light commercial vehicles of category N1 class I has been applicable since January 2021. It will be applicable for light commercial vehicles of category N1 class II and III and category N2 starting January 2022.

As to $CO_2$ emissions, there are no limits that apply to the individual vehicles of an OEM. However, the OEMs have to comply with annual EU fleet-wide emission targets, exceedance of which will result in a so called excess-emission premium, pursuant to Regulation (EU) 2019/631, setting $CO_2$ emission performance standards for new passenger cars and for new light commercial vehicles (see further "*9.4 Strategy*"). Compared to 2021, the regulation requires that the annual EU fleet-wide average $CO_2$ emissions from new cars and new vans be reduced by 15% for the period 2025–2029 and by 37.5% for new cars and 31% for new vans from 2030 onwards. In July 2021, the European Commission published a proposal to amend Regulation (EU) 2019/631, which provides for stricter targets: Compared to 2021, a reduction of the annual EU fleet-wide average $CO_2$ emissions by 55% for new cars and 50% for new vans is required from 2030 onwards, a 100% reduction from 2035 onwards.

Implementing Comission Regulation (EU) 2017/1151 supplementing Regulation (EC) No 715/2007, specifies the test procedures to be used for the vehicle type approval process. This includes ambient conditions, test cycles and on-road test conditions, vehicle preparation and preconditioning, characteristics and calibration procedures for measurement equipment and data processing methodologies and final reporting of results. The combination of test procedure and limit values defines the technical requirements for the powertrain system for a given vehicle. Vitesco Technologies must take this in account for the product development and must have the capacity to test and qualify its products in conformity with this legislation.

Currently, the next step of emission regulation in the EU (Euro7) is under discussion but will most likely not be applicable before 2025. The final legislative proposal from the Commission is expected at the end of 2021, followed by the adoption process by the legislators in parliament and council.

#### *10.7.4.2 China*

Similar to the EU, China has implemented a pollutant emission regulation which is in particular of relevance for the type approval process. The latest emission regulation is the China 6 light-duty vehicle emission standard (GB18352.6-2016) which was published on December 23, 2016 and enters into force in two phases:

Accordingly, all new light-duty vehicles have to comply with the requirements of phase 6a since January 1, 2021 (in some cities already since July 1, 2020) and will have to comply with phase 6b from July 1, 2023. The China 6 standard includes RDE testing, which will be enforced from July 2023. RDE limits (so-called "conformity factors") are currently reevaluated until July 2022. Pollutent limits of China 6b are expected to be more stringent than EU Euro 6d. Since July 2020, a future China 7 light duty vehicle emission regulation is under discussion, but no details are known yet.

Instead of a $CO_2$ regulation, China relies on fuel consumption standards: Standard GB 19578-2021 sets out fuel consumption limits for passenger cars and was implemented on July 1, 2021. It accompanies standard GB 27999-2019 on fuel consumption evaluation methods and targets, which sets out a corporate fleet average fuel consumption target (GB 27999-2019).

Further targets are set out in the China Average Fuel Consumption regulation (***CAFC***) and New Energy Vehicle (***NEV***) credits management (so-called dual credit policy). The NEV sets annual mandatory requirements for OEMs on NEV credits, which need to be achiebed by producing or importing new energy vehicles. Credits for CAFC and NEV targets may be compensated and traded between the different credits and companies. A failure to comply with the targets may lead to stricter requirements for new vehicle model approvals and a production stop for high fuel consumption vehicles.

New fleet targets of $CO_2$ emissions based on the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) from 2026 to 2030 are currently being discussed. The new standard is expected to be approved in 2023, with a final release in 2024.

#### *10.7.4.3 U.S.A. and California*

In the U.S., there are two co-existing emission regulations: On federal level, emissions standards established by the EPA, supplemented by the fuel economy regulation of the NHTSA, apply. Vehicles placed on the market in California have to comply with the (often more stringent) emission standards of the CARB. Other states have the choice to either implement the federal or to adopt the Californian requirements.

As regards pollutant emissions, OEMs have to comply with so-called Tier 3 emission standards (different sections of 40 CFR) on federal level and with the low-emission vehicle III (***LEV III***) emission standards in California (Section 1900 California Code of Regulations). Common emission limits and targets until 2025 have been agreed by EPA and CARB. CARB has already started the process of developing the next generation of pollutant emissions standards post 2025 (Advanced Clean Cars II program), which aimes at continued emission reductions. These emission standards require that all vehicles produced by an OEM in a given year (i.e. the fleet) must meet a specified emission limit (so-called "fleet average"). This fleet average declines over the years. Specific emission limits for vehicle models apply insofar, as the OEM is, unlike in the EU and China, to a certain degree free to choose between different emission limits (so-called "bins") for its vehicle models. This regulatory approach gives more flexibility for the phase-in and phase-out of new technologies and vehicle models. To achieve the required fleet average, every year more vehicles have to be registered in lower bins.

Various regulations and standards also address fuel consumption and greenhouse gas emissions in the U.S. On federal level, for example, Corporate Average Fuel Economy (***CAFE***) standards concerning passenger cars and light trucks set out fleet-wide averages of fuel economy that must be achieved by each OEM for its vehicle fleet each year. Further, EPA sets related greenhouse gas emissions standards. Latest amendments to these standards were made by the Safer Affordable Fuel Efficient Vehicle Rule (*SAFE Vehicle Rule*) that sets fuel economy and carbon dioxide standards that increase 1.5% in stringency each year from years 2021 through 2026. for light duty vehicles sets fuel economy and $CO_2$ standards that increase each year from model years 2021 through 2026.

In California, the ZEV program (Section 1962.2 California Code of Regulations) requires OEMs to produce a number of zero emission vehicles and plug-in hybrids each year, based on the total number of cars sold in California by the OEM. Respective requirements are getting more stringent during the next years. The program has been adopted by a numer of other states, and together with California, these states represent nearly 30 percent of new car sales in the U.S.

Regulations on greenhouse gas emisssions are currently under review by the Biden administration.

#### *10.7.5 Technical Standards relating to Electromagnetic Compatibility*

Electronic components are an essential part of vehicles and electromagnetic compatibility (***EMC***) has become significantly more important, also for Vitesco Technologies' products. EMC is the ability of electrical components and systems to function acceptably in their electromagnetic environment, by limiting the unintentional generation, propagation and reception of electromagnetic energy which may cause unwanted effects such as electromagnetic interference or even physical damage in operational equipment. Vitesco Technologies' products need to be developed and measured in accordance with the customers' EMC specifications. In the EU, for example, OEMs in particular have to comply with UNECE Regulation No 10 on uniform provisions concerning the approval of vehicles with regard to electromagnetic compatiblitiy which is referred to in the EU Safety Regulation. Respective measurements can be done in internal or external laboratories. Several internal laboratories of Vitesco Technologies are certified in accordance with ISO 17025 (Testing and Calibration Laboratories).

In China, Standard GB/T 36282-2018 sets out electromagnetic compatibility requirements and test methods of drive motor system for electric vehicles.

In the U.S., international EMC standards set out by the Institute of Electrical and Electronics Engineers and the American National Standards Institute are part of the Federal Communications Commission (FCC). Further, standard SAE J551 of the Society of Automotive Engineers (***SAE***) specifies measurement procedures and performance levels for magnetic and electric field emissions for vehicles incorporating electric propulsion systems, e.g., battery, hybrid, or plug-in hybrid electric vehicles.

#### *10.7.6 Disposal, Reuse, Recycling and Recovery*

In the EU, regulatory requirements related to disposal, reuse, recycling and recovery of motor vehicles, selected examples of which are set out below, apply to Vitesco Technologies' customers in the passenger and commercial vehicle industry. Furthermore, Vitesco Technologies is legally obliged to support the Group's customers in fulfilling such requirements.

Directive 2000/53/EC on end-of life vehicles (***ELV Directive***), stipulates measures to prevent waste arising from end-of-life vehicles and to promote the collection, re-use and recycling of vehicle components. Among others, OEMs in liaison with material and equipment manufacturers like Vitesco Technologies must (i) endeavor to reduce the use of hazardous substances when designing vehicles, (ii) design and produce vehicles which facilitate the dismantling, re-use, recovery and recycling of end-of-life vehicles, (iii) increase the use of recycled materials in vehicle manufacture, and (iv) ensure that components of vehicles placed on the market after July 1, 2003, do not contain mercury, hexavalent chromium, cadmium or lead, except in a limited number of applications. The European Commission is currently reviewing the ELV Directive. A legislative proposal is expected in 2022. Germany has transposed the Directive into German law by the Ordinance on end-of-life vehicles (*Altfahrzeugeverordnung*).

Other jurisdictions outside the EU are similarly introducing or enhancing laws, rules and regulations concerning the disposal, reuse, recycling and recovery of motor vehicles.

In China, recyclability requirements are mainly addressed to the OEMs and therefore only indirectly apply to Vitesco Technologies. While there are no fixed recycling quotas, OEMs have to report and get their quotas certified in accordance with standard GB/T 19151-2015. The U.S.A. generally follow a more market based approach, i.e. in the absence of specific ELV regulations recycling and reuse are conducted where profitable.

### 10.8 Product Safety and Liability

Vitesco Technologies must comply with general requirements on product safety unless specific provisions apply.

For example, in the EU, Directive 2001/95/EC on general product safety applies in the absence of specific provisions among the EU regulations governing the safety of products concerned, or if sectoral legislation is insufficient. The directive was transposed into German law by the Product Safety Law (*Produktsicherheitsgesetz*).

Under this Directive, manufacturers of products may only place safe products on the market, i.e. such products that do not present any risk or only the minimum risks compatible with the product's use considered to be acceptable and consistent with a high level of protection for the safety and health of persons. In addition, manufacturers must provide consumers with the necessary information in order to assess a product's inherent risks, and take the necessary measures to avoid such threats (for example, withdraw products from the market, inform consumers, recall products which have already been made available on the market). Distributors are also obliged to only supply safe products, to monitor their safety and to provide the necessary documentation ensuring the traceability of the products. Potential safety concerns must be notified to the competent authorities. Unsafe products must be listed in an EU-wide publicly accessible database (*e.g.* RAPEX). Comparable public databases are available *e.g.* in China, the U.S.A. and South Korea.

Measures, as described above, may also be ordered by competent authorities such as the German federal motor transport authority (*Kraftfahrt-Bundesamt*), the U.S. NHTSA or the Chinese General Administration of Quality Supervision, Inspection and Quarantine (***AQSIQ***). Generally, competent authorities will consider such measures especially if severe defects with danger to human health and safety are identified. Depending on the authority the approach may be different. NHTSA, for example, sometimes orders a recall if there is a certain frequency of defects (irrespective of the severity of the defect). In all jurisdictions certain defects have to be reported to the competent authorities, but the person responsible for the report may differ. *E.g.* in the U.S.A. it is usually the OEM that has to report a defect to the NHTSA and the supplier is only required to inform the OEM. In China, however, the OEM and the supplier not only have to inform each other about defects but they each also have to report these to AQSIQ.

Regulation (EU) 2019/1020 on market surveillance and compliance of products complements and strengthens the existing provisions for ensuring compliance of products and the market surveillance of products.

In addition, similar provisions on product liability apply to Vitesco Technologies in other jurisdictions as well, and Vitesco Technologies may be held liable if a product manufactured by Vitesco Technologies is defective.

For example, Council Directive 85/374/EEC on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (***Product Liability Directive***), applies to movables which have been industrially produced, whether or not incorporated into another movable or into an immovable. The principle of strict liability applies, *i.e.*, liability without fault of the producer, in cases of damage caused by a defective product. The Product Liability Directive applies to damage caused by death or by personal injuries and damage to an item of property intended for private use or consumption other than the defective product, with a lower threshold of a €500 damage caused by defective products. The Product Liability Directive does not in any way restrict compensation for non-material damage under national legislation. Member States are only allowed to derogate from the principle of unlimited liability if the limit established under national law is sufficiently high to guarantee adequate protection of the consumer. For example, in Germany, the German Product Liability Act (*Produkthaftungsgesetz*) stipulates a limit of €85 million. Member States may grant additional or more far-reaching rights to injured parties based on grounds of contractual or non-contractual liability.

Furthermore, the German Civil Code (*Bürgerliches Gesetzbuch*) obliges the manufacturer of a product to observe and put in place adequate safety precautions. Thereby, it shall be prevented that defective products cause personal injury or damage. In particular, the manufacturer must avoid faults relating to the design and/or manufacture of the product. Furthermore, the manufacturer must instruct the users on how the product is intended to be used. For products that are already on the market, the manufacturer must monitor how its products are used and must inform the users about potential harmful uses which the manufacturer originally did not anticipate. According to the legal definition, "manufacturer" is anyone who produces a product, including suppliers and sub suppliers. If the manufacturer fails to comply with its obligations, it shall be liable for the occurred damage. While potential claimants must prove that a product is defective and that this caused personal injury or damage, the manufacturer is obliged to prove with evidence that it has fulfilled its duties relating to design, manufacture and monitoring of the products as well as regarding information of the users.

Vitesco Technologies takes product safety, compliance, and market analysis seriously and established the department of Product Integrity. The German association of the automotive industry (*Verband der Automobilindustrie,* ***VDA***) has published recommendations for organizations regarding product safety and conformity, called "Product Integrity". These recommendations were adapted by the Product Integrity department.

### 10.9 Software and Cyber Security

Vitesco Technologies products and internal processes (development, testing, production etc.) have to comply with various requirements in the area of software and cyber security of road vehicles and further requirements are currently being discussed. While most of the requirements are not directly be applicable to Vitesco Technologies' products and internal processes, the OEMs usually pass on the relevant obligations and / or their own standards to their suppliers like Vitesco Technologies.

In particular, the international industry standards ISO 26262 on functional safety of road vehicles and upcoming ISO 21434 on automotive cybersecurity are of relevance. These standards are complemented by common automotive or customer specific standards for software development like coding guidelines by the Motor Industry Software Reliability Association, Volkswagen AG's software requirement or a standard governed by the VDA.

In the EU and other UNECE countries, UNECE Regulation No. 155 on uniform provisions concerning the type approval of vehicles with regards to cyber security and cyber security management system will become an important regulation in the area of software and cyber security in the automotive industry. This regulation will require an adequate cyber security management system throughout the whole supply chain. It is envisaged that these rules become mandatory for new vehicle types from July 2022 and for all new vehicles produced from July 2024.

Vitesco Technologies is adapting its engineering processes to be compliant with existing best practices (e.g. SAE J3061 by the Society of Automobile Engineers) and the industry-wide and manufacturer-specific standards mentioned above. This includes introducing the capability to perform a product security risk analysis (TARA), to establish traceability of security requirements, to employ coding guidelines for security and to establish security testing at all levels (e.g. fuzzing tests, penetration tests). Furthermore, Vitesco Technologies introduces processes, methods and tools to handle security incidents.

### 10.10 Data Protection

Vitesco Technologies is required to comply with strict data protection and privacy legislation in the jurisdictions in which it operates.

In the EU, Regulation (EU) No 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (***GDPR***) applies. The GDPR has introduced substantial fines for breaches of the data protection rules (up to €20 million or up to 4% of the total worldwide annual group-turnover of the preceding financial year, whichever is higher), increased powers for regulators, enhanced rights for individuals, and new rules on judicial remedies and collective redress. Vitesco Technologies may be subject to claims by third parties, such as regulatory bodies, that Vitesco Technologies or Vitesco Technologies' employees or independent contractors inadvertently or otherwise breached GDPR and related data protection rules. Litigation may be necessary to defend against these claims. There is no guarantee of success in defending these claims, and if Vitesco Technologies does not prevail, Vitesco Technologies could be required to pay substantial fines and/or damages and could suffer significant reputational harm. Even if Vitesco Technologies is successful, litigation could result in substantial cost and be a distraction to management and other employees.

In the U.S., Vitesco Technologies' is subject to state specific data privacy laws. In particular, the California Consumer Privacy Act of 2018 (***CCPA***) applies. The CCPA requires organizations to implement and maintain a broad range of measures related to data protection and introduced substantial fines and the rights for individuals for statutory damages in the event of certain breaches of unencrypted personal information, where a business has failed to implement reasonable data security.

In China, the Cybersecurity Law of the People's Republic of China (***CSL***) is applicable to Vitesco Technologies. The CSL provides requirements for maintaining network security, protecting the rights and interests of individuals and organizations and data localization requirements. Additionally, National Standard of Information Security Technology – Personal Information Security Specification (PIS Specification) Guidelines on Internet Personal Information Security Protection; and National Standard of Information Security Technology – Guidelines on Personal Information Security Impact Assessment apply.

Other jurisdictions outside the EU, the U.S. and China, in which Vitesco Technologies operates, have introduced or may introduce similar data protection and data security laws, rules and regulations, which may also change in the future.

### 10.11 Export Control and Sanctions

Vitesco Technologies may manufacture products which may be used for civil or non-civil purposes even if not specifically designed for military purpose. These products may be subject to export control and sanction regulations in different jurisdictions, including, among others, the EU. In addition, sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time.

German national control regulations included in the German Foreign Trade Act (*Außenwirtschaftsgesetz*) and German Foreign Trade Ordinance (*Außenwirtschaftsverordnung*) may require notifications of or permits for exports and imports but may also limit or prohibit the export of products if specific countries, entities or individuals are the destination or recipient of such exports. In addition, export control and sanction regulations by other jurisdictions and organizations including the U.S.A., China, the United Nations and the EU, are of relevance for Vitesco Technologies.

Under these laws and regulations, as well as anti-corruption laws, anti-money-laundering laws, other export controls and sanctions laws, customs laws and other laws governing Vitesco Technologies' operations, various government agencies may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities and modifications to compliance programs, which may increase compliance costs, and may subject Vitesco Technologies to fines, penalties and other sanctions. A violation of these laws or regulations could adversely impact Vitesco Technologies' business, results of operations and financial condition.

### 10.12 Competition and other Laws, Rules and Regulations

Competition and antitrust laws, rules and regulations are also applicable to Vitesco Technologies. In general, such competition and antitrust laws are designed to preserve free and open competition in the marketplace in order to enhance competitiveness and economic efficiency. National and supranational competition and antitrust authorities may initiate investigations and proceedings for alleged infringements of competition or antitrust laws, which may result in fines or other forms of liability or impose certain limitations or conditions regarding acquisitions and certain business practices if Vitesco Technologies was found to have obtained a dominant position in certain markets or to be otherwise non-compliant with such regulation.

Moreover, in the countries in which Vitesco Technologies is present, Vitesco Technologies is subject to labor and social security laws, including, for example, anti-discrimination laws.

## 11. SHAREHOLDER STRUCTURE

Prior to the completion of the Spin-off, the Company's sole shareholder is Continental AG, a German stock corporation (*Aktiengesellschaft*) organized under the laws of Germany and registered with the commercial register (*Handelsregister*) maintained by the local court (*Amtsgericht*) of Hanover under register number HRB 3527. Continental AG's LEI is 529900A7YD9C0LLXM621.

The following table contains information on the major shareholders which have been reported to and published by Continental AG to directly or indirectly hold an interest of 3% or more (calculated pursuant to Sections 33 *et seqq*. of the German Securities Trading Act (*Wertpapierhandelsgesetz*)) in Continental AG. Based on these shareholding notifications, the Company's capital and voting rights, immediately after completion of the Spin-off will be as follows.

| | Before the Spin-off | | Immediately after completion of the Spin-off | |
|---|---|---|---|---|
| **Shareholder** | **Number of Shares/ voting rights** | **In %** | **Number of Shares/ voting rights** | **In %** |
| **Continental AG** | 20,000 | 100 | 20,000 | 0.05[39] |
| **Shareholders of Continental AG** | | | | |
| Maria-Elisabeth Schaeffler-Thumann and Georg F.W. Schaeffler via | — | — | 18,400,596 | 45.98 |
| *IHO Verwaltungs GmbH, Herzogenaurach, Germany*[40] | — | — | *14,398,091* | *35.98* |
| *IHO Beteiligungs GmbH, Herzogenaurach, Germany*[41] | — | — | *4,002,505* | *10.00* |
| Harris Associates Investment Trust[42] | — | — | 2,006,027 | 5.01 |
| BlackRock, Inc., Wilmington, Delaware, U.S.A.[43] | — | — | 1,215,543 | 3.04 |
| Freefloat | 0 | 0 | 18,379,030 | 45.92 |
| **Total** | **20,000** | **100** | **40,021,196** | **100** |

Continental AG was founded in 1871 as Continental-Caoutchouc- und Gutta-Percha Compagnie in Hanover. Today, Continental AG, still headquartered in Hanover, Germany, is the parent company of the Continental Group. Continental Group is a worldwide automotive supplier of a broad range of electronic systems and components, tires and non-tire rubber products. Continental Group primarily focuses on the improvement and integration of individual components as well as the cross-linking of such components to sophisticated systems, with the goal of making individual mobility safer, more comfortable and more sustainable. It develops, produces and markets products that address the key growth trends of the automotive industry, such as enhanced driving safety, comfort and convenience, increased fuel efficiency and climate protection. As of December 31, 2020, the

39 The voting rights in the Company held by Continental AG will also be attributed to the IHO Shareholders pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz*).

40 The voting rights in Continental AG held by IHO Verwaltungs GmbH, Herzogenaurach, Germany, as of the notification to Continental AG on January 4, 2016, were attributed to (i) IHO Beteiligungs GmbH, Herzogenaurach, Germany; (ii) IHO Holding GmbH & Co. KG, Herzogenaurach, Germany; (iii) IHO Management GmbH, Herzogenaurach, Germany; (iv) INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany; (v) Schaeffler Holding LP, Dallas, U.S.A.; (vi) Georg F.W. Schaeffler and (vii) Maria-Elisabeth Schaeffler-Thumann pursuant to Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). The voting rights in the Company immediately after completion of the Spin-off will be held and attributed accordingly.

41 The voting rights in Continental AG held by IHO Beteiligungs GmbH, Herzogenaurach, Germany, as of the notification to Continental AG on January 4, 2016, were attributed to (i) IHO Holding GmbH & Co. KG, Herzogenaurach, Germany; (ii) IHO Management GmbH, Herzogenaurach, Germany; (iii) INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany; (iv) Schaeffler Holding LP, Dallas, U.S.A.; (v) Georg F.W. Schaeffler and (vi) Maria-Elisabeth Schaeffler-Thumann pursuant to Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). The voting rights in the Company immediately after completion of the Spin-off will be held and attributed accordingly.

42 The voting rights in Continental AG as of the notification to Continental AG on May 10, 2021, were attributed to Harris Associates L.P. in accordance with Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). The voting rights in the Company immediately after completion of the Spin-off will be held and attributed accordingly.

43 2.997% of the voting rights in Continental AG as of the notification to Continental AG on July 8, 2021, were attributed to BlackRock, Inc.in accordance with Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) and 0.04% of the voting rights in Continental AG were attributed to BlackRock, Inc.as instruments in accordance with Section 38 (1) sentence 1 No. 1 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). The voting rights in the Company immediately after completion of the Spin-off will be held and attributed accordingly.

Continental Group comprised, in addition to Continental AG, 563 companies, including non-controlled companies. As of December 31, 2020, the Continental Group had 236,386 employees at a total of 561 locations in 58 countries and markets. Added to this are the distribution locations, with 955 company-owned tire outlets and a total of around 5,000 franchises and operations with a Continental brand presence.

Continental AG's shares (ISIN DE0005439004, WKN 543900) are listed on the regulated markets of the stock exchanges in Frankfurt (Prime Standard), Hamburg, Hanover, and Stuttgart as well as members of the DAX 30.

# 12. GENERAL INFORMATION ON THE COMPANY AND THE GROUP

## 12.1 Formation and incorporation

The Company was formed as a German stock corporation (*Aktiengesellschaft*) under the laws of Germany by Articles of Association dated November 15, 2019. Its legal name was Vitesco Technologies EINS Aktiengesellschaft with its registered office in Hanover, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Hanover, Germany under registration number HRB 219172.

On December 17, 2019, the extraordinary shareholders' meeting resolved to change the Company's legal name to Vitesco Technologies Group Aktiengesellschaft. The change in legal name was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Hanover, Germany on January 3, 2020.

## 12.2 Legal name, commercial name, registered office, LEI

The Company is a German stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany having its registered office in Hanover, Germany. The legal name of the Company is Vitesco Technologies Group Aktiengesellschaft.

Upon the Spin-off becoming effective, the Company is the parent company of the Vitesco Technologies Group. The Company and the Vitesco Technologies Group operate under the commercial name "Vitesco Technologies".

The Company's registered business address is at Siemensstraße 12, 93055 Regensburg, Germany (telephone +49 941 2031-8823 or +49 941 2031-6381). The shareholders' meeting of the Company has resolved on August 25, 2021 that the registered seat of the Company shall be moved to Regensburg shortly after the Spin-off.

The Legal Entity Identifier (LEI) of the Company is 529900CCDMZ7UCYYS252.

## 12.3 Fiscal year and duration

The Company's fiscal year is the calendar year. The Company was established for an unlimited period of time.

## 12.4 Corporate purpose

Upon the Spin-off becoming effective, according to the Company's Articles of Association, the Company's purpose is:

"(1) The object of the Company is the development, manufacture and sale of products for every kind of vehicles and other mobility concepts as well as other industrial products, in particular the development, manufacture and sale of systems and components and the provision of services for powertrains including electrical machinery, power electronics, control electronics, software, energy converters (like fuel cells) and energy storage devices (like batteries), sensors for physical and chemical properties, actuators, emission-reduction technology and combustion technology. In these sectors and in other sectors the Company may operate in the field of research, development, manufacture and sale of electronic, mechatronic and mechanical components and systems as well as software and technical equipment and render relating advisory and other services.

(2) The Company may directly or indirectly pursue its corporate purpose through group or affiliated companies (including joint ventures). It may also limit its activities to a portion of the activities listed in paragraph 1.

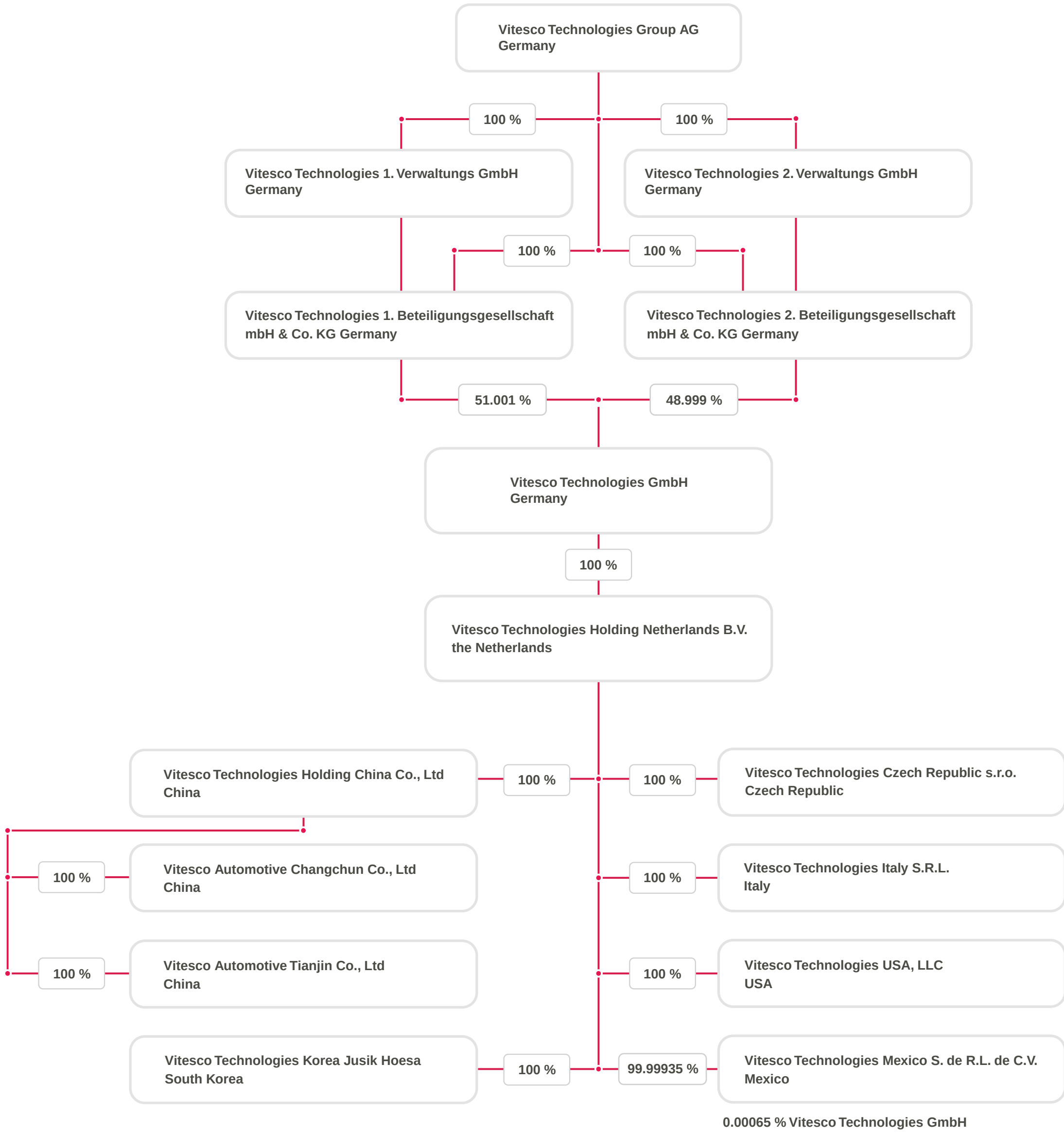
(3) The Company is entitled to engage in all transactions and take all measures which are connected with the object of the Company or which appear suitable to promote the object of the Company directly or indirectly, in particular to acquire and sell real estate, to establish auxiliary and subsidiary companies and branches at all locations in Germany and abroad, as well as to conclude joint venture agreements and inter-company agreements. The Company may combine companies under its uniform management and limit itself to the management of the companies or the administration of the investment. In particular, the Company is entitled to establish, take over, acquire or invest in other companies of the same or similar type. The Company may

establish affiliated companies, acquire interests, alter the structure of companies it holds an interest in, combine companies under its uniform management or limit itself to the administration of the investment, sell interests and furthermore conclude intercompany agreements and cooperation agreements of any kind."

### 12.5 Group structure

At the date of the Prospectus and until the Spin-off becoming effective, the Company is a subsidiary of Continental AG and has neither a subsidiary nor an operating business.

Up to the date of the Prospectus, the business activities of Vitesco Technologies have been conducted by Vitesco Technologies GmbH and its subsidiaries. Upon the Spin-off becoming effective, which is expected for September 15, 2021, a new holding structure with Vitesco Technologies Group Aktiengesellschaft as the parent company of Vitesco Technologies Group will be created. Vitesco Technologies Group Aktiengesellschaft indirectly holds 100% of Vitesco Technologies GmbH. The following diagram provides a simplified overview of the future structure of Vitesco Technologies Group and the material direct and indirect investments of the Company following the Spin-off becoming effective, namely the subsidiaries of Vitesco Technologies GmbH (except as otherwise indicated, all shareholdings are 100%; certain subsidiaries are owned by other subsidiaries):



### 12.6 Subsidiaries

Prior to the Spin-off becoming effective, the Company does not have any subsidiaries.

The following table provides an overview of the Company's significant subsidiaries following the Spin-off becoming effective, shareholdings are directly or indirectly held by the Company. As of the date of this Prospectus, no amount was outstanding under the issued shares for each of the below listed subsidiaries.

| | Fiscal Year ended December 31, 2020 (unaudited) | | | | | |
|---|---|---|---|---|---|---|
| **Legal name, registered office, business area/field of activity** | **Direct and/or indirect interest** | **Issued Capital** | **Reserves** | **Net profit/loss** | **Payables to the Company** | **Receivables from the Company** |
| | *(in %)* | | | *(€ million)* | | |
| Vitesco Technologies GmbH, Hanover, Germany (LEI: 529900T1OG7LGT95R167) Automotive industry/ supplier for car manufactures; development, production and distribution | 100% | 0 | 3.371 | -449 | 0 | 0 |
| Vitesco Automotive Tianjin Co., Ltd., Tianjin, China Automotive industry/ research, development, design, manufacture and sales and distribution | 100% | 46 | 167 | 2 | 0 | 0 |
| Vitesco Technologies Korea Jusik Hoesa, Icheon-si, South Korea (LEI: 52990059M1SRQ1JHCN42) Automotive industry/ manufacture, sale and trade | 100% | 9 | 151 | 46 | 0 | 0 |
| Vitesco Automotive Changchun Co., Ltd., Changchun, China Automotive industry/ application, production, R&D, wholesale, retail | 100% | 388 | -65 | 204 | 0 | 0 |
| Vitesco Technologies Italy S.R.L., Pisa, Italy (LEI: 529900SYTOSGJA1YSI13) Automotive industry / research, development and design, production and marketing, wholesale and retail | 100% | 0 | 99 | 18 | 0 | 0 |
| Vitesco Technologies USA LLC, Wilmington, Delaware, U.S.A. Automotive industry/ development, sales, production | 100% | 0 | 322 | 45 | 0 | 0 |
| Vitesco Technologies Czech Republic s.r.o., Trutnov, Czech Republic (LEI: 52990000YG7UCHG8IB18) Automotive industry/ production, trade and development of automotive original equipment, mechanic and electronics | 100% | 249 | -62 | 24 | 0 | 0 |
| Vitesco Technologies Mexico S. de R.L. de C.V., Silao, Mexico Automotive industry/ production sales and distribution | 100% | 0 | 132 | 25 | 0 | 0 |

For a list of all subsidiaries within the Group, please refer to note 3 of the Annual Combined Financial Statements, as included in the section "*19 Financial information*" of this Prospectus on page F-39 *et seqq*.

### 12.7 Auditors

The Company appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, Germany with business address at Ganghoferstraße 29, 80339 Munich, Germany, as (i) the statutory auditor of its unconsolidated annual financial statements to be prepared in accordance with German GAAP as of and for the fiscal year ending December 31, 2021, and (ii) the auditor of its consolidated financial statements to be prepared in accordance with IFRS as of and for the fiscal year ending December 31, 2021.

The Company appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, Germany with business address at Prinzenstraße 23, 30159 Hanover, Germany, as the statutory auditor of (i) the audited combined financial statements of the Company as of and for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 prepared in accordance with IFRS and (ii) audited unconsolidated financial statements of the Company as of and for the fiscal year ended December 31, 2020 prepared in accordance with German GAAP. KPMG has issued an unqualified independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*) thereon.

KMPG is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

### 12.8 Announcements

In accordance with the Articles of Association, the announcements of the Company are published in the German Federal Gazette (*Bundesanzeiger*), unless otherwise required by law.

In accordance with Regulation (EU) 2017/1129, announcements in connection with the approval of this Prospectus or any supplements thereto will be published in the form of publication provided for in this Prospectus, in particular through publication on the Company's website (www.vitesco-technologies.com). Printed copies of this Prospectus and any supplements thereto are available at the Company's offices at Siemensstraße 12, 93055 Regensburg, Germany (telephone +49 941 2031-8823 or +49 941 2031-6381).

### 12.9 Paying agent

The Company's paying agent is COMMERZBANK Aktiengesellschaft. The business address of the paying agent is: Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany.

## 13. DESCRIPTION OF THE COMPANY'S SHARE CAPITAL AND APPLICABLE REGULATIONS

### 13.1 Share Capital

#### *13.1.1 Current and Future Share Capital; Shares*

As of the date of this Prospectus, the issued share capital of the Company amounts to €50,000 and is divided into 20,000 registered shares (*auf den Namen lautende Aktien*) with no-par value (*Stückaktien*). The share capital has been fully paid up. The Company's Shares were created pursuant to the laws of Germany and are denominated in euro.

Upon the Spin-off becoming effective, which is expected for September 15, 2021, the Company's issued share capital will be €100,052,990 and consist of 40,021,196 registered shares (*auf den Namen lautende Aktien*) with no-par value (*Stückaktien*). All Company's Shares will be fully paid up. While this capital increase of the share capital of the Company has already been registered with the commercial register of the Company as of the date of this Prospectus, the capital increase as well as the issuance of the new shares will only be consummated upon the Spin-off becoming effective (see also "*13.1.2 Development of the Share Capital*").

Each Share in the Company carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. Major shareholders do not have different voting rights. The Company's Shares will be represented by one or more Global Share Certificates, which will be deposited with Clearstream.

The Company's Shares are freely transferable in accordance with the legal requirements for registered shares, except for the restrictions set forth in "*3.12 Listing Agreement, fees, indemnity, lock-up*", there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's Shares.

The Shares carry full dividend rights from January 1, 2021. In the event of the Company's liquidation, any proceeds remaining after satisfaction of all liabilities of the Company will be distributed to the holders of the Company's Shares in proportion to their interest in the Company's share capital.

#### *13.1.2 Development of the Share Capital*

The Company was originally incorporated in the legal form of a German stock corporation (*Aktiengesellschaft*) by Articles of Association dated November 15, 2019 under the laws of Germany with a share capital of €50.000.

In connection with the Spin-off, a capital increase of the share capital of the Company by €100,002,990 to €100,052,990 against contribution in kind, namely the transfer by Continental AG of all limited partnership interests in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG and the shares in their respective general partners, Vitesco Technologies 1. Verwaltungs GmbH and Vitesco Technologies 2. Verwaltungs GmbH, to Vitesco Technologies Group Aktiengesellschaft has been registered with the commercial register of the Company on August 20, 2021 whereby such capital increase will only be consummated upon the effectiveness of the Spin-off. The Spin-off and thus the consummation of the capital increase becomes effective upon the registration with the commercial register of Continental AG, expected to occur on September 15, 2021. See also "*3.3 The Spin-off procedure*".

The Company does not have an authorized capital pursuant to Section 202 *et seqq*. of the German Stock Corporation Act (*Aktiengesetz*) or a conditional capital pursuant to Section 192 *et seqq.* of the German Stock Corporation Act (*Aktiengesetz*).

The Company does not have authorization to purchase or sell treasury shares.

### 13.2 General Provisions Governing a Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Company may be liquidated by a resolution of the general shareholders' meeting that is passed by a majority of the votes cast, provided that those votes represent 75% or more of the share capital represented at the general shareholders' meeting at which such vote is taken. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), in the event of the Company's liquidation, any assets remaining after all of the Company's liabilities have been settled will be distributed among the shareholders in proportion to their shareholdings. The German Stock Corporation Act (*Aktiengesetz*) provides certain protections for creditors that must be observed in the event of liquidation.

### 13.3 General Provisions Governing a Change in the Share Capital

Under the German Stock Corporation Act (*Aktiengesetz*), a German stock corporation (*Aktiengesellschaft*) requires a resolution of the shareholders' meeting to be passed by a majority of the votes cast, as well as a majority of at least 75% of the share capital represented at the time the resolution is passed, to increase its share capital. However, Section 20 (2) of the Articles of Association provides that resolutions of the shareholders' meeting shall be passed with a simple majority of the valid votes cast and, where a majority of capital is required, by a simple majority of the share capital represented at the meeting at the time the resolution is adopted, unless mandatory provisions of law or the Articles of Association stipulate otherwise. In so far as the law requires a capital majority in addition to a majority of votes for resolutions of the Company's shareholders' meeting, a simple majority of the share capital represented shall be sufficient to the extent legally permissible. Accordingly, certain capital measures that do not mandatorily require a majority of at least 75% of the share capital represented at the vote, such as capital increases from the Company's own funds, may be adopted by a simple majority.

Shareholders can also create authorized capital. This requires a resolution passed by a majority of the votes cast as well as a majority of at least 75% of the share capital represented when the resolution is passed, authorizing the Management Board to issue a specific quantity of shares within a period not exceeding five years. The nominal amount of the authorized capital may not exceed 50% of the share capital existing at the time the authorization is granted.

In addition, shareholders can create conditional capital by a resolution passed with a majority of the votes cast as well as a majority of at least 75% of the share capital represented at the time the resolution is passed, for the purposes of (i) issuing shares to holders of convertible bonds or other securities granting a right to subscribe for shares, (ii) issuing shares as consideration in a merger with another company, or (iii) issuing shares offered to managers and employees. The nominal amount of conditional capital may not exceed 10% of the share capital at the time the resolution is passed in cases where it is created to issue shares to managers and employees, and may not exceed 50% in all other cases.

Resolutions to reduce share capital require a simple majority of the votes cast as well as a majority of at least 75% of the share capital represented at the time the resolution is passed.

### 13.4 General Provisions Governing Subscription Rights

In principle, Section 186 of the German Stock Corporation Act (*Aktiengesetz*) grants to all shareholders the right to subscribe for new shares issued in a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. However, shareholders do not have a right to request admission to trading for subscription rights. The general shareholders' meeting may, subject to a majority of at least 75% of the share capital represented at the vote, resolve to exclude subscription rights. Exclusion of shareholders' subscription rights, wholly or in part, requires a report from the management board that justifies and demonstrates that the company's interest in excluding subscription rights outweighs the interest of the shareholders being granted subscription rights. Excluding shareholders' subscription rights when new shares are issued is specifically permissible where:

- the company is increasing share capital against cash contributions;
- the amount of the capital increase does not exceed 10% of the share capital at issue; and
- the price at which the new shares are being issued is not materially lower than the stock exchange price of the Company's shares.

### 13.5 Exclusion of Minority Shareholders

Under Sections 327a *et seqq.* of the German Stock Corporation Act (*Aktiengesetz*), which govern the so called "squeeze out under stock corporation law", upon the request of a shareholder holding 95% of the share capital (***Majority Shareholder***), the shareholders' meeting of a stock corporation may resolve to transfer the shares of minority shareholders to the Majority Shareholder against the payment of adequate compensation in cash. The amount of the cash payment that must be offered to minority shareholders has to reflect "the circumstances of the company" at the time the shareholders' meeting passes the resolution. The amount of the cash payment is based on the full value of the company, which is generally determined using the capitalized earnings method. The minority shareholders are entitled to file for a valuation proceeding (*Spruchverfahren*), in the course of which the fairness (*Angemessenheit*) of the cash payment is reviewed.

Under Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), in the case of a so called "squeeze out under takeover law", an offeror holding at least 95% of the voting share capital of a target company (as defined in the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) after a takeover bid or mandatory offer, may, within three months of the expiry of the deadline for acceptance of the offer, petition the Regional Court (*Landgericht*) of Frankfurt am Main for a court order transferring the remaining voting shares to itself against the payment of adequate compensation. A resolution passed by the shareholders' meeting is not required. The consideration paid in connection with the takeover or mandatory bid is considered adequate if the offeror has obtained at least 90% of the share capital subject to the offer. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer; a cash alternative must be offered in any event. In addition, after a takeover bid or mandatory offer, shareholders in a target company who have not accepted the offer may do so up to three months after the deadline for acceptances has expired pursuant to Section 39c of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), provided the offeror is entitled to petition for the transfer of the outstanding voting shares in accordance with Section 39a of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). The provisions for a squeeze out under stock corporation law cease to apply once an offeror has petitioned for a squeeze out under takeover law, and only apply again when these proceedings have been definitively completed.

In addition, under Section 62 (5) of the German Transformation Act (*Umwandlungsgesetz*), a majority shareholder holding at least 90% of the stock corporation's share capital can require the shareholders' meeting to resolve that the minority shareholders must transfer their stock to the majority shareholder against the payment of adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation, a partnership limited by shares (*Kommanditgesellschaft auf Aktien – KGaA*), or a European company (*Societas Europaea*, SE) having its seat in Germany; and (ii) the squeeze out is performed to facilitate a merger under the German Transformation Act (*Umwandlungsgesetz*) between the majority shareholder and the stock corporation. The shareholders' meeting approving the squeeze out must take place within three months of the conclusion of the merger agreement. The procedure for the squeeze out is essentially identical to the "squeeze out under stock corporation law" described above, including the minority shareholders' right to have the appropriateness of the cash compensation reviewed.

Under Section 319 *et seq.* of the German Stock Corporation Act (*Aktiengesetz*), the shareholders' meeting of a stock corporation may vote for integration (*Eingliederung*) with another stock corporation that has its registered office in Germany, provided the prospective parent company holds at least 95% of the shares of the company to be integrated. The former shareholders of the integrated company are entitled to adequate compensation, which, generally, must be provided in the form of shares in the parent company. Where the compensation takes the form of shares in the parent company, it is considered appropriate if the shares are issued in the same proportion as the shares the parent company would have been issued per share in the integrated company if a merger had taken place. Fractional amounts may be paid out in cash.

### 13.6 Shareholder Notification Requirements

After the Company's Shares have been admitted to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company, as a listed company, will be subject to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*) governing disclosure requirements for significant shareholdings.

Pursuant to Section 33 (1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*), anyone who acquires, sells or whose shareholding in any other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company, as an issuer whose country of origin (*Herkunftsstaat*) is Germany, is required to notify the Company and the BaFin at the same time. Notifications must be submitted without undue delay, and no later than within four trading days. The four-day notification period starts at the time the person or entity subject to the notification requirement has knowledge of or, in consideration of the circumstances, should have had knowledge of his proportion of voting rights reaching, exceeding or falling below the aforementioned thresholds. The German Securities Trading Act (*Wertpapierhandelsgesetz*) contains a conclusive presumption that the person or entity subject to the notification requirement has knowledge two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares pursuant to Section 33 (3) of the German Securities Trading Act (*Wertpapierhandelsgesetz*). In the case that a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Further, any coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in an attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting in concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company. Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting in concert. Coordination in individual cases, however, is not considered as acting in concert.

Similar obligations to notify the Company and the BaFin apply pursuant to Section 38 (1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*) to anyone who reaches, exceeds or falls below the aforementioned thresholds, except for the 3% threshold, by directly or indirectly holding instruments either (i) giving their holder the unconditional right or discretion to acquire already issued shares of the Company to which voting rights are attached, or (ii) relating to such shares and having a similar economic effect, whether or not conferring a right to a physical settlement. Pursuant to Section 38 (2) of the German Securities Trading Act (*Wertpapierhandelsgesetz*), such instruments include, in particular, transferable securities, options, futures, swaps, forward rate agreements and contracts for difference. Details on the valuation of the shares underlying a financial instrument are set out in Commission Delegated Regulation (EU) 2015/761 of December 17, 2014 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to certain regulatory technical standards on major holdings.

In addition, anyone whose aggregate number of voting rights and instruments pursuant to Sections 33 (1) and 38 (1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*) reaches, exceeds or falls below the aforementioned thresholds, except for the 3% threshold, has to notify the Company and the BaFin pursuant to Section 39 (1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

If any of the aforementioned reporting obligations are triggered, the notifying person or entity is required to fully complete the notification form set forth as an annex to the German Securities Trading and Insider List Regulation (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*). The notice can be submitted either in German or English, in writing or via fax. The notice must include, irrespective of the event triggering the notification, (i) the number and proportion of voting rights, (ii) the number and proportion of instruments and (iii) the aggregate number and proportion of voting rights and instruments held by or attributed to the notifying person or entity. In addition, the notice must include certain attribution details, among other things, the first name and surname of the notifying individual or the legal name, seat and state of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and, if voting rights or instruments are attributed.

As a domestic issuer, the Company must publish such notices without undue delay, but no later than three trading days following receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the entire EU and in the non-EU member states that are parties to the agreement in the EEA. The Company must also transmit the publication to the BaFin, specifying the time of publication and the media used and to the German Company Register (*Unternehmensregister*) for storage.

There are certain exceptions to the notice requirements. For example, a company is exempt from its notification obligation if its parent company, or if its parent company is itself a subsidiary, the parent's parent company, has filed a group notification pursuant to Section 37 (1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Moreover, pursuant to Section 36 (1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*), shares or instruments held by a credit institution or a credit securities services company with a registered seat in the EU or in a non-EU member state that is a party to the Agreement in the EEA are not taken into account for determining the notification obligation or proportion of voting rights held, provided (i) they are held in such credit institution's or credit securities services company's trading book, (ii) they amount to no more than 5% of the voting shares, do not grant the right to acquire more than 5% of the voting shares, or do not have a similar economic effect and (iii) it is ensured that the voting rights held by them are not exercised or otherwise made use of.

If a shareholder fails to file a notice or provides false information with regard to shareholdings pursuant to Sections 33 and 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), the rights attached to shares held by or attributed to such shareholder, particularly voting and dividend rights, do not exist for the duration of the failure. This does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted willfully and have since been made. If the shareholder fails to disclose the correct proportion of voting rights held and the shareholder acted willfully or was grossly negligent, the rights attached to shares held by or attributed to such shareholder do not exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation in the proportion of the voting rights notified in the preceding incorrect notification was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds, including the 3% threshold, pursuant to Section 33 (1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*) was omitted. The same rules apply to shares held by a shareholder, if such shareholder fails to file a notice or provides false information with regard to holdings in instruments or aggregate holdings in shares and instruments pursuant to Sections 38 (1), 39 (1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*). In addition, a fine may be imposed for failure to comply with notification obligations.

Pursuant to Section 43 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), a shareholder who reaches or exceeds the threshold of 10% of the voting rights, or a higher threshold, is obligated to notify the Company within 20 trading days regarding the objective being pursued through the acquisition of voting rights, as well as regarding the source of the funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10% threshold has been reached or exceeded, the attribution rules mentioned above apply.

## 13.7 Mandatory Takeover Bids

After the Company's Shares have been admitted to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company will be subject to the provisions of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

Pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30% of the voting shares of the Company is obligated to publish this fact on the internet and by means of an electronically operated system for disseminating financial information, unless an exemption from this obligation has been granted by the BaFin. If no exemption has been granted, this publication has to be made within seven calendar days and include the total amount of voting rights held by and attributed to such person and, subsequently, such person is further required to submit a mandatory public tender offer to all holders of shares in the Company. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights attached to the shares, comparable to the attribution rules described above for shareholdings pursuant to

Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). If a bidder fails to give notice of reaching or exceeding the 30% threshold or fails to submit the mandatory tender offer, the bidder is barred from exercising the rights associated with these shares, including voting rights, for the duration of the delinquency. In case of willful failure to publish the notice of acquisition of control over another company or submission of a mandatory tender offer or willful failure to subsequently send those notices in a timely fashion, the bidder is also not entitled to dividends. A fine may also be imposed in case of non-compliance with the notification obligations described above.

### 13.8 Disclosure of transactions of persons discharging management responsibilities

Pursuant to Article 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (***MAR***), persons discharging managerial responsibilities (***Executives***) shall notify the Company and the BaFin of every transaction conducted on their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto (so-called managers' transactions). The same applies to persons closely associated with Executives. Transactions that must be notified shall also include, among others, the pledging or lending of financial instruments, transactions undertaken by any person professionally arranging or executing transactions on behalf of an Executive or a closely associated person, including where discretion is exercised, as well as transactions made under a life insurance policy. The notification requirement applies to any subsequent transaction once a total amount of €20,000 has been reached within a calendar year. Notification shall be made promptly and no later than three business days after the date of the transaction.

For the purposes of MAR, Executive means a person within the Company who is a member of the administrative, management or supervisory body of the Company or a senior executive who is not such member but who has regular access to inside information relating directly or indirectly to the Company and who has power to take managerial decisions affecting the future developments and business prospects of the Company. A person closely associated with an Executive means a spouse, a registered civil partner (*eingetragener Lebenspartner*), a dependent child as well as a relative who has shared the same household for at least one year on the date of the transaction concerned. A person closely associated also includes a legal person, trust or partnership, the managerial responsibilities of which are discharged by an executive of the Company or by another person closely associated with him. Finally, the term includes a legal person, trust or partnership, which is directly or indirectly controlled by an executive of the Company or by another person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

The Company shall ensure that the information of which it is notified is promptly made public. In any case, it shall be made public no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis in accordance with European Securities and Markets Authority's implementing technical standards. Furthermore, according to the German Securities Trading Act (*Wertpapierhandelsgesetz*), the Company shall without undue delay transmit the information to the German Company Register (*Unternehmensregister*) and notify BaFin. Non-compliance with the notification requirements may result in a fine.

### 13.9 Post-Admission disclosure requirements

As a result of the intended admission of the Company's Shares to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company will for the first time be subject to the legal disclosure requirements for stock corporations listed in Germany. These disclosure requirements include, among others, periodic financial reporting (disclosure of annual and half-year financial reports), regular calls with securities and industry analysts, and other required disclosures according to the German Securities Trading Act (*Wertpapierhandelsgesetz*) as well as disclosure requirements under the MAR. The Company will also be obliged under the Listing Rules of the Frankfurt Stock Exchange (*Börsenordnung für die Frankfurter Wertpapierbörse*), as amended from time to time, to publish quarterly statements (unless the Company prepares quarterly financial reports), as the Company's Shares are to be listed on the Prime Standard sub-segment of the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Pursuant to Article 17 MAR, the Company shall inform the public as soon as possible of inside information (as defined below) which directly concerns the Company. In such case the Company shall also, prior to informing the public, inform the BaFin and the management of the trading venues and facilities (*Geschäftsführungen der Handelsplätze*) where financial instruments of the Company have been admitted to trading or been included in such trading, and, after publication, without undue delay transmit the information to the German Company Register (*Unternehmensregister*).

Inside information comprises, among others, any information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

The Company may, on its own responsibility, delay disclosure if (i) immediate disclosure is likely to prejudice the legitimate interests of the Company, (ii) delay of disclosure is not likely to mislead the public and (iii) the Company is able to ensure that the inside information will remain confidential. In such case, the Company shall also inform BaFin that disclosure of the information was delayed and shall provide a written explanation of how the conditions set out in the preceding sentence were met, immediately after the information is disclosed to the public. Where disclosure of inside information has been delayed and the confidentiality of that inside information is no longer ensured, the Company shall disclose such inside information to the public as soon as possible.

## 14. CORPORATE BODIES

### 14.1 Overview

The Company's corporate bodies are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the shareholders' meeting (*Hauptversammlung*). The Company has a two-tier management and control system, consisting of the Management Board and the Supervisory Board. The powers and responsibilities of these governing bodies are determined by the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association and the rules of procedure for the Supervisory Board (*Geschäftsordnung des Aufsichtsrats*) and the Management Board (*Geschäftsordnung für den Vorstand*) that are expected to be resolved upon in the constituting meeting of the Supervisory Board following the completion of the Spin-off.

The Management Board is responsible for managing the Company in accordance with applicable law, the Articles of Association and the envisaged rules of procedure for the Management Board, including the business responsibility plan (*Geschäftsverteilungsplan*), taking into account the resolutions of the shareholders' meeting. The members of the Management Board represent the Company in dealings with third parties.

Simultaneous management and supervisory board membership in a German stock corporation is not permitted under German law. However, in exceptional cases and for an interim period a member of the supervisory board may take a vacant seat on the management board of the same German stock corporation. During this period, such individual may not perform any duties for the supervisory board. Such stand-in arrangement is limited in time for a maximum period of one year.

The German Stock Corporation Act (*Aktiengesetz*) and the Company's Articles of Association allow the Management Board to consist of two or more members, with the Supervisory Board determining their exact number. The Supervisory Board also appoints the members of the Management Board and is entitled to dismiss each of them under certain circumstances. As set out in the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board advises and oversees the Management Board's administration of the Company, but is not itself authorized to manage the Company. The Articles of Association of the Company or the Supervisory Board must, however, designate the types of transactions that may only be made with the approval of the Supervisory Board. The matters which, according to the envisaged rules of procedure for the Supervisory Board, require the prior consent of the Supervisory Board or of a committee of the Supervisory Board currently include, in particular:

(a) Annual planning and annual investment plans for tangible and financial investments;

(b) Closure of operational sites in whole or part where more than 500 employees are affected by the measure;

(c) Launch of new and abandonment of major existing business areas;

(d) Significant changes in the organization of the Company or Group;

(e) Granting and revoking general powers of attorney of the Company;

(f) Establishment, acquisition or sale of or other disposal of companies and investments in other companies as well as the acquisition or sale of or other disposal of divisions, operations or parts thereof, if the value exceeds €30 million in an individual case. Excluded are acquisition and disposal transactions and other disposals in which only the Company and/or subsidiaries (Section 290 (1) German Commercial Code (*Handelsgesetzbuch*)) are involved;

(g) Acquisition and disposal of fixed assets, unless the measure is included in the approved plan for tangible and financial investments or the value does not exceed €30 million;

(h) Acquisition, sale and encumbrance of land, rights equivalent to land and rights in land, insofar as these transactions are not expressly included in the approved plan for investments in tangible assets and exceed the amount of €30 million. Excluded are transactions in which only the Company and/or subsidiaries are involved;

(i) Borrowings by bonds or loans with a maturity of more than 12 months, where the amount in any one case exceeds €100 million. Excluded is the mere extension of the term of existing bonds and loans;

(j) Assuming sureties, guarantees and other forms of security for third parties outside the Group if the security in an individual case exceeds the amount of €30 million;

(k) Resolutions on the transactions and measures at subsidiaries mentioned in lit. (b) and (c) and lit. (f) to (j);

(l) Conclusion, material amendment and termination of inter-company agreements (Sections 291 *et. seq.* German Stock Corporation Act (*Aktiengesetz*));

(m) Taking up secondary activities by a member of the Management Board, in particular joining the Supervisory Board, Administrative Board or Advisory Board of a company which is not a subsidiary and has a commercial purpose;

(n) Granting of loans to members of the Supervisory Board, the Management Board and other persons within the meaning of Sections 89 and 115 German Stock Corporation Act (*Aktiengesetz*);

(o) Conclusion of material transactions by members of the Management Board and persons or companies closely related to them with the Company or its portfolio companies;

(p) Conclusion of a D&O insurance contract; and

(q) Rules of procedure for the Management Board, including the business distribution plan.

The Management Board shall ensure – also in the case of subsidiaries – that the measures requiring the approval of the Supervisory Board are implemented only after such approval has been granted.

In addition to the aforementioned transactions and measures, the Supervisory Board may make other types of transactions and measures subject to a requirement of its consent within the rules of procedure of the Management Board or of the Supervisory Board or by a resolution of its members. The Supervisory Board may also give revocable consent in advance to a certain group of transactions in general or to individual transactions that meet certain requirements.

Each member of the Management Board and Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. Members of these bodies must consider in their decision-making a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors. In addition, the Management Board must take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be individually or jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Company for compensatory damages, as the case may be.

Under German law, a shareholder generally has no right to proceed directly against members of the Management Board or Supervisory Board to assert a breach of their duties to the Company. In general, only the Company has the right to enforce claims for damages against the members of the Management Board or Supervisory Board. With respect to claims against Supervisory Board members, the Company is represented by the Management Board, and the Supervisory Board represents the Company with respect to claims against members of the Management Board. Under a decision of the German Federal Supreme Court (*Bundesgerichtshof*), the Supervisory Board is required to assert damages claims against the Management Board if they are likely to succeed unless significant interests of the Company conflict with the pursuit of such claims and outweigh the reasons for bringing such claim.

Even if they decided not to pursue a claim the Management Board and the Supervisory Board must nevertheless assert the Company's claims for damages, if a resolution to this effect is passed by the shareholders' meeting with a simple majority vote. The shareholders' meeting may also appoint a special representative (*besonderer Vertreter*) to assert the claims. Such a special representative may also be appointed by the court upon a petition by shareholders whose shares cumulatively make up 10% of the share capital or a *pro rata* share of €1 million.

In addition, the shareholders' meeting may appoint a special auditor (*Sonderprüfer*) to audit transactions, particularly management transactions, by simple majority vote. If the shareholders' meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor upon the petition of shareholders whose shares cumulatively constitute 1% of the share capital at the time the petition is filed or constitute a *pro rata* share of €100,000 if facts exist that justify the suspicion that the behavior in question constituted dishonesty or gross violations of the law or the Articles of

Association. If the shareholders' meeting appoints a special auditor, the court must appoint another special auditor upon the petition of shareholders whose shares cumulatively constitute 1% of the share capital at the time the petition is filed or constitute a *pro rata* share of €100,000 if this appears necessary, in particular because the appointed special auditor is unsuited.

Shareholders and shareholder associations can solicit other shareholders to file a petition, jointly or by proxy, for a special audit, for the appointment of a special representative, or to convene a shareholders' meeting or exercise voting rights in a shareholders' meeting in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If there are facts that justify the suspicion that the Company was harmed by dishonesty or a gross violation of law or the Articles of Association, shareholders who collectively hold 1% of the share capital or a *pro rata* share of €1 million may also, under certain further conditions, seek damages from members of the Company's governing bodies in their own names through court proceedings seeking leave to file a claim for damages. Such claims, however, become inadmissible if the Company itself files a claim for damages.

The Company may only waive or settle claims for damages against members of the Management Board or Supervisory Board three years after such claims arose and if the shareholders grant their consent at the shareholders' meeting by simple majority vote and if no objection is raised and documented in the minutes of the shareholders' meeting by shareholders whose shares cumulatively constitute 10% of the share capital.

Under German law, individual shareholders and all other persons are prohibited from using their influence on the Company to cause a member of the Management Board or the Supervisory Board to take an action detrimental to the Company. A shareholder with a controlling influence may not use that influence to cause the Company to act contrary to its own interests unless there is a domination agreement (*Beherrschungsvertrag*) between the shareholder and the Company and unless the influence remains within the boundaries of certain mandatory provisions of law or compensation is paid for the disadvantages that arise. Any person who intentionally uses his influence on the Company to cause a member of the Management Board or the Supervisory Board, an authorized representative (*Prokurist*) or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders is liable to compensate the Company and the affected shareholders for the resulting additional losses. Alongside a person who uses his influence to the detriment of the Company, the members of the Management Board and Supervisory Board can be jointly and severally liable, if they acted in violation of their duties (see Sections 93 and 116 of the German Stock Corporation Act (*Aktiengesetz*)).

## 14.2 Management Board

### *14.2.1 Overview*

The Management Board consists of two or more members with the Supervisory Board determining their number. The Supervisory Board appoints members of the Management Board for a maximum term of five years. The Supervisory Board shall appoint one member of the Management Board as chairman and may appoint one or more members of the Management Board as deputy chairmen of the Management Board.

Reappointment or extension of the term of members of the Management Board, each for a maximum period of up to five years, is permissible. The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of the member's term for good cause, such as a gross breach of fiduciary duty, or if the shareholders' meeting passes a vote of no confidence with respect to such member, unless the no confidence vote was clearly unreasonable. The Supervisory Board is also responsible for entering into, amending and terminating service agreements with members of the Management Board and, in general, for representing the Company in and out of court vis à vis the Management Board.

If the Management Board has only two members, it has a quorum if all its members take part in the voting, and if it has three or more members, if at least half of its members take part in the voting. By order of the Chair of the Management Board, meetings may be held in the form of a telephone conference or by other electronic means of communication and invidivual members of the Management Board may be participate in resolutions in writing, by video or fax, by telephone or by electronic means within a period determined by the Chair of the Management Board. By order of the Chair of the Management Board, resolutions may also be passed outside of meetings by votes cast in writing, orally, by telephone, in text form or by other means of telecommunication. The Management Board passes resolutions by a simple majority of the Management Board members participating in the passing of the resolution, unless the law or the rules of procedure provide otherwise. If the Management Board has only two members, any resolutions must be adopted unanimously. Further details, particularly regarding composition, duties, overall responsibility, allocation of responsibility for particular functions and internal organization are governed by the rules of procedure for the Management Board that are expected to be resolved upon by the Supervisory Board in the constituting meeting of the Supervisory Board following the completion of the Spin-off.

The Company is legally represented by two members of the Management Board or a member of the Management Board jointly with an authorized representative (*Prokurist*), if only one member of the Management Board is appointed, such member solely represents the Company.

The envisaged internal rules of procedure for the Management Board allocate the responsibilities to individual members of the Management Board on the basis of a business responsibility plan (*Geschäftsverteilungsplan*).

### *14.2.2 Members of the Management Board*

The following table lists the current members of the Management Board and their respective responsibilities:

| Name/Position | Age | Member since | Appointed until | Responsibilities | Other activities |
|---|---|---|---|---|---|
| Andreas Wolf (Chairman of the Management Board, CEO) | 60 | March 9, 2021 | September 30, 2024 | Business units EC, ET, S&A, Contract Manufacturing, Business Development & Strategy, Communications, Information Technology, Operations, Purchasing & Supplier Quality Management, Quality & Environment, Sales, Technology & Innovation | • Member of the executive board of Continental AG, since June 3, 2020 and until the effectiveness of the Spin-off<br>• Head of Continental Group's Powertrain business area since October 2018 and until the effectiveness of the Spin-off<br>• Managing director of Vitesco Technologies GmbH<br>• (Acting) head of business unit EC |
| Werner Volz (CFO) | 62 | March 9, 2021 | September 30, 2024 | Finance & Controlling, Corporate Real Estate Management, Finance & Treasury, Investor Relations, Internal Audit, Insurance, Compliance, Legal, Mergers & Acquisitions, Taxes | • Head of Finance & Control department of Continental Group's Powertrain business area since October 2018 and until the effectiveness of the Spin-off<br>• Managing director of Vitesco Technologies GmbH |
| Ingo Holstein (CHRO) | 55 | March 9, 2021 | September 30, 2024 | Human Relations, HR Central Functions, Talent Management, Organizational Development, Employer Branding & Recruiting, Compensation & Benefits, Labor Relations, Sustainability, Health, Safety & Security, Global People Services, People Analytics and Technology, HR Governance and Processes, Diversity, Equity & Inclusion | • Head of human relations department at Continental Group's Powertrain business area since January 2019 and until the effectiveness of the Spin-off<br>• Managing director of Vitesco Technologies GmbH |

The termination dates of the service agreement for each member of the Management Board correspond with their respective terms in office. It has been agreed with Mr. Volz that the Supervisory Board shall approve a request by Mr. Volz to resign from the Management Board before the expiry of his term of office when he will reach the age of 65 and that his service agreement shall terminate at the same time. The request must be made by Mr. Volz at least one year in advance. A compensation or benefit for the remainder of his contract after such termination will be excluded.

The following description provides summaries of the curricula vitae of the current members of the Management Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

**Andreas Wolf**

As part of the organizational realignment of the Continental Group's Powertrain business area Andreas Wolf assumed the position of Chief Executive Officer (***CEO***) of Vitesco Technologies GmbH effective October 1, 2019. In July 2021 he also took on the role as (acting) head of the business unit EC. He had already headed Continental Group's Powertrain business area since October 2018. Before that, he was in charge of the Body & Security business unit in Continental Group's Interior division. Under his leadership, this business unit has trebled its sales, exceeded its break-even point and continually achieves attractive profit margins. Furthermore, he was involved in setting up the joint venture with Osram, which was founded in 2018, and was responsible for the carve-out of Continental Group's part of the business. Mr. Wolf has more than 30 years' experience in the automotive electronics industry.

Andreas Wolf studied business administration at Friedrich-Alexander University in Erlangen-Nuremberg, Germany, where he earned a Master's degree in business administration in 1989. Afterwards, he joined Siemens AG in Regensburg, Germany, as group leader for logistics for the electronic plant Siemens Automobiltechnik, the former automotive branch of Siemens AG. In April 1993, he moved to France with his family to work for Siemens Automotive S.A. Toulouse, France. Here he took on the role of head of controlling for Chassis Systems worldwide.

In 1996, Mr. Wolf was promoted to head of the logistics department for the Siemens Automobiltechnik electronic plant in Regensburg, Germany. A few years later, Mr. Wolf took on an additional role as head of finance and head of logistics. In January 2000, Mr. Wolf was appointed to the role of chief financial officer for Siemens' Diesel Systems business in Regensburg, Germany. In early 2004, he became the chief financial officer of the Siemens VDO Interior & Infotainment business. With the acquisition of Siemens VDO by Continental AG in 2007, Mr. Wolf was promoted to head the Body & Security business unit of Continental Group.

**Werner Volz**

As part of the organizational realignment of the Continental Group's Powertrain division, Werner Volz assumed the position of Chief Financial Officer (***CFO***) of Vitesco Technologies GmbH effective October 1, 2019. He had already headed the Finance & Control department of Continental Group's Powertrain business area since October 2018. Mr. Volz is an experienced financial expert and, in the past 27 years, has held managerial positions in various business areas. Until joining the Powertrain business area, Mr. Volz had headed Finance and Controlling in Continental Group's Chassis & Safety division since 2008. He played a major part in the permanent restructuring of these areas during the financial crisis in 2008/2009 as well as in the lasting successful growth management of the business with advanced driver assistance systems.

After studying business administration and economics at Baden-Wuerttemberg Cooperative State University, Germany and the University of Hagen, Germany Werner Volz began his industrial career at AEG Telekommunikationssysteme GmbH in Ulm, Germany in 1987. In 1991 he got an assignment to AEG Automation Systems Corporation, Pittsburgh, U.S.A., where he later became chief financial officer. In 1997 he joined the management board of VDO Kienzle GmbH in the position of chief financial officer. After the acquisition of VDO by Siemens in 2001, he became business unit chief financial officer and subsequently division chief financial officer for Siemens VDO's Safety and Chassis & Motor Drives division in Regensburg, Germany. With the acquisition of Siemens VDO by Continental AG in 2007, as division controller he became responsible for Finance and Controlling at Continental Group's Chassis and Safety division in Frankfurt/Main, Germany.

**Ingo Holstein**

As part of the organizational realignment of the Continental Group's Powertrain division Ingo Holstein assumed the position of Chief Human Resources Officer (***CHRO***) of Vitesco Technologies GmbH effective October 1, 2019. He had already headed the human relations department at Continental Group's Powertrain business area since January 2019. Before that, he had been head of human relations in the Continental Group's Tires division since 2010. He has extensive expertise in business organization through human resources work as well as in executive support and development.

After studying political sciences at Philipps Universität Marburg and Freie Universität Berlin, Germany, Mr. Holstein joined Continental AG in Hanover as an human relations specialist in 1992. In 2000, he took on the role of head of human relations at Continental AG's headquarters and the

German tire trade organization Vergölst. In addition, he headed the recruiting office of Continental AG. In 2005, he was promoted to head of human relations corporate functions, being responsible for human relations principles and policies for the Continental Group. In this function, Continental AG appointed him in 2007 as human relations project lead for the integration of Siemens VDO. In 2009, he additionally assumed responsibility for talent management, before being appointed head of human relations for the Tire division in 2010.

It is planned to appoint a labor director (*Arbeitsdirektor*) as soon as the Company will fall within the scope of application of the German Co-Determination Act (*Mitbestimmungsgesetz*).

All members of the Management Board may be reached at the Company's offices at Siemensstraße 12, 93055 Regensburg, Germany (tel. +49 941 2031-8823 or +49 941 2031-6381).

The following overview lists all of the companies and enterprises in which the members of the Management Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and the subsidiaries of the Group:

**Andreas Wolf**

Current seats:

- Continental AG, member of the executive board (June 2020 and until the effectiveness of the Spin-off)

Past seats:

- Continental Automotive France S.A.S., director (2015-2018)

**Werner Volz**

Current seats:

- Vitesco Technologies France S.A.S., managing director since June 18, 2019

Past seats:

- ADC Automotive Distance Control Systems GmbH, chairman of supervisory board (2014-2019)
- Continental Automotive Corporation, Japan, member of the board of directors (2008-2019)
- Continental Temic microelectronic GmbH, member of supervisory board (2014-2019)
- Continental Automotive Grundstücksgesellschaft mbH, managing director (2011-2019)

**Ingo Holstein**

Current seats:

- None.

Past seats:

- ContiTech AG, member of the supervisory board (2014-2018)

It is planned to propose to the Supervisory Board to appoint the business unit heads to become members of the Management Board and thereby to increase the number of members of the Management Board of Vitesco Technologies Group Aktiengesellschaft by up to three additional members. It has not yet been decided when these additional members will be appointed. Following the Spin-off, the Supervisory Board is envisaged to discuss and decide upon the appointment of the additional members of the Management Board, also considering any requirements of the German Second Executive Positions Act (*Zweites Führungspositionengesetz*).

### *14.2.3 Management of the business units of the Company*

The following table lists the current heads of the Company's business units and their respective responsibilities:

| Responsibilities | Name | Age | Other activities |
|---|---|---|---|
| Head of business unit S&A since January 1, 2019 | Klaus Hau | 57 | • Former head of business unit sensing & actuation in Continental Group´s Powertrain division (2010-2018) |
| Head of business unit EC since July 2021 (acting) | Andreas Wolf | 60 | • See above |
| Head of business unit ET since September 1, 2018 | Thomas Stierle | 52 | • Managing director of Vitesco Technologies GmbH (2019-2020)<br>• Vice president segment actuators (2015-2018) |

The following description provides summaries of the curricula vitae of the current heads of the Company's business units S&A and ET.

**Klaus Hau**

Since January 1, 2019, Klaus Hau is responsible for the business unit S&A within Vitesco Technologies, which was formed by merging the former business units sensors & actuators and fuel & exhaust management. Before that, he was in charge of the business unit sensing & actuation in Continental Group´s Powertrain division since July 1, 2010.

Klaus Hau studied at Friedrich-Alexander University in Erlangen-Nuermberg, Germany. He graduated in 1991 with a master's degree in electrical engineering, specializing in integrated circuits design.

Afterwards he joined Siemens Semiconductors in Munich, as a product marketing trainee. After a business development assignment in Santa Clara, U.S.A, he was appointed global product marketing manager for chip card microcontroller integrated circuits (***ICs***) in 1993. He then became key account manager at chip card ICs and then global sales manager, before he was appointed head of the business unit chip card ICs in 2000. In 2001, after Siemens Semiconductors became Infineon Technologies AG, Klaus Hau joined the Communication ICs division as head of Cellular Radio ICs business unit, responsible for chipsets for mobile phones, before he moved to Regensburg as head of Security Packaging Center, responsible for global chip card module assembly. In 2009, Klaus Hau joined Siemens VDO in Regensburg as head of Advanced Development, where he then became head of sub-division Smart Sensors, with global responsibility for the powertrain sensors business.

**Thomas Stierle**

Since November 2018, Thomas Stierle has been head of the business unit Electrification Technology at Vitesco Technologies (formerly business unit Hybrid & Electric Vehicle of the Continental Group).

He held multiple general management positions in the engine actuator product field with increasing complexity and magnitude, ending in head of product line Actuators within business unit Sensing & Actuation of Continental Automotive GmbH (from October 2008 to October 2018) as well as in Passive Safety and then in Advanced Driver Assistance Sensing (***ADAS***), ending in global R&D manager for ADAS of Siemens VDO (2000 to 2007).

Mr. Stierle started his career in 1995 at Siemens in Regensburg in electronics development for side impact sensors, then worked in a research project on infrared-based occupant positioning sensing. From 1999 until 2004 he focused on the hardware development for airbag control units in Auburn Hills, U.S.A.

He holds an electrical engineering degree specializing in cellular neural networks design from Technical University of Dresden.

#### *14.2.4 Remuneration and other benefits of the members of the Management Board*

Andreas Wolf, Werner Volz and Ingo Holstein were appointed as members of the Management Board of the Company on March 9, 2021. Therefore, the current members of the Management Board received no compensation from the Company during the fiscal year ended December 31, 2020.

Currently, the members of the Management Board are also serving as managing directors of Vitesco Technologies GmbH and are receiving the entirety of their compensation under their employment contracts with Vitesco Technologies GmbH, with the exception of Andreas Wolf who receives his compensation from Continental AG since his appointment as member of the executive board until the completion of the Spin-off. The total compensation of Andreas Wolf, Werner Volz and Ingo Holstein in their capacities as managing directors of Vitesco Technologies GmbH or executive member of Continental AG amounted to €3,945,051.36 in total for the fiscal year ended December 31, 2020 (including performance based remuneration (short term and long term) granted for the fiscal year ended December 31, 2020). Please also see note 36 to the Annual Combined Financial Statements for a description of the compensation of the management that was attributable to the Group in the fiscal years 2020, 2019 and 2018, as included in the section "*19 Financial information*" of this Prospectus on page F-115 *et seqq*. For the six-month period ended June 30, 2021, the members of the Management Board received a total cash compensation of €1,338,789.12 (excluding any performance based remuneration (short term and long term) which may only be determined after the end of fiscal year 2021, but including the provisions for the Company's pension scheme for the full year 2021 in the amount of €566,400.00). Please also see note 15 to the Company's Interim Combined Financial Statements for the six months ended June 30 2021, which are included in the section "*19 Financial information*" of this Prospectus on page F-19 *et seqq.*

The Management Board members' service agreements concluded between Vitesco Technologies Group Aktiengesellschaft and Andreas Wolf, Werner Volz and Ingo Holstein each provide that the remuneration provisions will become effective as of the date of the completion of the Spin-off. The existing service agreements with Vitesco Technologies GmbH (Werner Volz and Ingo Holstein) and Continental AG (Andreas Wolf) will accordingly be terminated as of the date of the completion of the Spin-off. From this date onwards, the Management Board members' service agreements are therefore the uniform and sole basis for acting as a member of the Management Board of Vitesco Technologies Group Aktiengesellschaft and for exercising other offices, e.g. the office of managing director of the Vitesco Technologies GmbH, if and for as long as the appointment as managing director of the company continues.

The members of the Management Board have therefore not been granted or received any remuneration or compensation by Vitesco Technologies Group Aktiengesellschaft. The remuneration for their office as members of the Management Board is subject to the consummation of the Spin-off and Vitesco Technologies Group Aktiengesellschaft will assume responsibility for remunerating the members of the Management Board after completion of the Spin-off. Once the members of the Management Board will be compensated by Vitesco Technologies Group Aktiengesellschaft, they will no longer receive remuneration for their position as managing directors of Vitesco Technologies GmbH and member of the executive board of Continental AG. The remuneration structure of the Management Board members is aimed at the sustainable and long-term development of the Company, ensuring the achievement of strategic goals as well as good corporate governance. Prior to the Listing of the Company's Shares, the Supervisory Board of the Company is not legally obliged to determine the remuneration of members of the Management Board in accordance with a remuneration system presented to the shareholders' meeting. However, the remuneration of the Management Board is in line with the remuneration system for members of the Management Board of the Company adopted by the Supervisory Board of the Company on March 9, 2021 as well as approved by the annual shareholders' meeting of the Company on March 9, 2021. The level of the remuneration is guided by the remuneration level for comparable companies in the MDAX.

The remuneration of the members of the Management Board consists of fixed non perfomance-related and variable perfomance-related components.

The remuneration of any additional members of the Management Boards envisaged to be appointed by the Supervisory Board following the Spin-off is expected to be in line with the remuneration of the current members of the Management Board.

#### *14.2.4.1 Fixed, non-performance related remuneration*

All Management Board members receive a fixed annual salary, which is paid in twelve equal monthly installments. The aggregate fixed annual salary of all Management Board members amounts to €1,650,000.00 (Andreas Wolf: €800,000.00, Werner Volz: €450,000.00, Ingo Holstein: €400,000.00). Each member of the Management Board is also entitled to additional non-cash benefits, inluding primarily a company car, a D&O liability insurance, an accident insurance and reimbursement of premiums for health and nursing insurance.

Moreover, all members of the Management Board are granted retirement benefits as part of a defined contribution plan. The accumulated capital becomes available on retirement in the form of a one-off payment, in installments or – as is normally the case due to the expected amount of the benefits – as a pension.

#### *14.2.4.2 Variable, performance-based compensation*

The variable, performance-based remuneration of the Management Board members comprise a short-term remuneration component (***Performance Bonus***) as well as long-term remuneration components (Long Term Incentive and equity deferral of the Performance Bonus).

##### *14.2.4.2.1 Performance Bonus and Equity Deferral*

Each Management Board member receives an annual Performance Bonus. The target amount granted in case of 100% target achievement (***STI Target Amount***) is agreed upon in the Management Board members' service agreement and the aggregated STI Target Amount of all Management Board members amounts to €2,150,000.00 (Andreas Wolf: €1,200,000.00, Werner Volz: €500,000.00, Ingo Holstein: €450,000.00). The maximum amount of the Performance Bonus is limited to 200% of the STI Target Amount. The STI amount to be paid out depends on the extent to which a Management Board member achieves the targets set by the Supervisory Board for that particular Management Board member for certain financial key performance indicators before the beginning of each fiscal year relating to the following topics: earnings before interest and tax, adjusted for goodwill impairment as well as gains and/or losses from the disposal of parts of the company; return on capital employed as the ratio of earnings before interest and tax (adjusted, as mentioned above) to average operating assets for the fiscal year and cash flow before financing activities (free cash flow), adjusted for cash inflows and outflows from the disposal or acquisition of companies and business operations. 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 (***PCF***) with a value between 0.8 and 1.2 for individual or all members of the Management Board from the following areas: market development and customer orientation, implementation of transformation projects and organizational and cultural development.

The Management Board members are obliged to invest 20% of the gross payout amount of the Performance Bonus (which generally corresponds to approximately 40% of the net payout amount) in shares of Company (***Equity deferral***). The Management Board members are obliged to hold the shares legally and economically for a period of at least three years from the date of acquisition. The remaining amount is paid out as short-term variable remuneration.

##### *14.2.4.2.2 Long Term Incentive (LTI)*

The Long Term Incentive (***LTI***) is intended to promote long-term commitment among the Management Board members to the Company and its sustainable growth. Therefore, the LTI is based on the total shareholder return (***TSR***) of the Company shares compared to an index of comparable companies operating in the same industries, and on certain sustainability criteria.

Each LTI award has a term of four fiscal years. The Supervisory Board agreed upon an allotment value in € with each member of the Management Board in their respective service agreements and the aggregated allotment value of all Management Board members amounts to €1,800,000.00 (Andreas Wolf: €800,000.00, Werner Volz: €500,000.00, Ingo Holstein: €500,000.00). At the start of the first fiscal year of the LTI plan's term, this allotment value is converted into a basic holding of virtual shares. The final holding of virtual shares is calculated on the basis of the relative TSR of the Company shares and the achievement of defined performance targets regarding to certain sustainability topics (e.g. climate protection, good working conditions, product quality, corporate governance, innovation and digitalization, long-term profitability, social commitment). The payout amount in cash is limited to a maximum of 200% of the allotment value.

With regard to tranches of LTI programmes granted by Continental AG that have not yet been completed according to plan and that are linked to the share price of Continental AG, an adjustment may be made in order to take appropriate account of any direct effects of the Spin-off.

*14.2.4.2.3 Pension Benefit Commitments*

Each member of the Management Board receives an annual contribution to Vitesco Technologies' pension plan. The aggregated pension benefit commitment of all Management Board members amounts to €723,400.00 (Andreas Wolf: €393,400.00, Werner Volz: €170,000.00, Ingo Holstein: €160,000.00).

*14.2.4.2.4 Maximum Amount of Total Compensation*

For each member of the Management Board, a yearly maximum amount for the total remuneration has been determined. The yearly maximum amount for the total remuneration amounts to €6,200,000.00 for Andreas Wolf and to €3,200,000.00 for Werner Volz, Ingo Holstein and potential other members of the Management Board.

#### *14.2.4.3 Further relevant provisions regarding remuneration*

*14.2.4.3.1 Malus and Clawback Provisions*

If a Management Board member knowingly commits a gross violation of one of his duties of care within the meaning of Section 93 of the German Stock Corporation Act (*Aktiengesetz*), a fundamental principle of action of the internal guidelines issued by the Company, or one of his other contractual duties, the Supervisory Board may, at its due discretion, partially or completely reduce to zero the variable remuneration to be granted for the fiscal year in which the gross violation occurred ("*malus provision*").

If the variable remuneration has already been paid at the time of the reduction decision, the Management Board member must repay the excess payments received in accordance with the reduction decision ("*clawback provision*"). In addition, the Company is entitled in this case to set off against other remuneration claims of the Management Board member.

Any claims for damages against the Management Board member, in particular under Section 93 (2) of the German Stock Corporation Act (*Aktiengesetz*), shall remain unaffected by the agreement of the malus and clawback provision.

*14.2.4.3.2 Share Ownership Guidelines*

In addition to the remuneration components described above, each member of the Management Board is obliged to invest a minimum amount in shares of the Company and to hold the share portfolio thus acquired during his term of office and for a further two years after the expiry of his appointment and termination of his service contract. The minimum amount to be invested by an Management Board member is determined on the basis of the agreed gross annual fixed salary of the Management Board member. It corresponds to 200% of the annual fixed salary for the Chairman of the Management Board and 100% of the annual fixed salary for all other Management Board members (taking into account any shares acquired in connection with the Equity deferral). An initial four-year build-up phase beginning with the appointment of the respective member to the Management Board allows the members of the Management Board to acquire the necessary shares over time.

*14.2.4.3.3 Post Contractual Non-Compete*

Each member of the Management Board is prohibited from working for a competing company globally for two years after termination of the employment relationship. For the duration of the post-contractual non-compete clause, each member of the Management Board receives a compensation payment (*Karenzentschädigung*) amounting to 50% of the last contractual remuneration received. In the event of a breach of the post-contractual non-compete clause, each member of the Management Board is obliged to pay a contractual penalty in the amount of three months' remuneration for a single breach or for each month of a continuous breach, up to a maximum total amount of one year's remuneration.

*14.2.4.3.4 Severance-Payment Cap*

In the event of premature termination of the employment contract, payments to the respective member of the Management Board shall not exceed two years' remuneration and shall furthermore be restricted to the remuneration for the remaining term of the employment contract. The severance payment is offset against the compensation payment (*Karenzentschädigung*), see above "*14.2.4.3.3 Post Contractual Non-Compete*".

*14.2.4.3.5 No Change of Control Clause*

There are no special provisions in the employment contracts of the Management Board members in the event that a change of control occurs, i.e. neither special rights to terminate the respective employment contract nor severance payment claims.

#### *14.2.5 Shareholdings of the Members of the Management Board in the Company*

As of the date of this Prospectus, the members of the Management Board do not directly or indirectly hold any Shares or options on Shares in the Company. As of the date of this Prospectus, the members of the Management Board in total hold 1,437 shares in Continental AG, for which a total of 287 Shares in Vitesco Technologies Group Aktiengesellschaft will be issued upon the completion of the Spin-off, if the shares are still held on such date. With regard to virtual shares granted to the members of the Management Board under remuneration programs by Continental AG, these virtual shareholdings do not entitle to the receipt of shares in Continental AG.

In addition, the members of the Management Board are obliged to invest an individually determined minimum amount in Shares in the Company and to hold this share portfolio during the term of office and for a further two years after the expiry of the respective member's appointment and termination of the service contract. Please see "*14.2.4.3.2 Share Ownership Guidelines*" for further details.

### 14.3 Supervisory Board

#### *14.3.1 Overview*

In accordance with the Articles of Association and Sections 95 and 96 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board consists of three members as of the date of the Prospectus, all of whom were elected by the Company's shareholders' meeting.

Once the Spin-off becomes effective, Vitesco Technologies GmbH will become a wholly owned subsidiary of the Company and the Company will therefore become subject to the German Co-Determination Act (*Mitbestimmungsgesetz*). In accordance with Sections 95 and 96 of the German Stock Corporation Act (*Aktiengesetz*) as well as Section 7 of the German Co-Determination Act (*Mitbestimmungsgesetz*), the Supervisory Board will therefore consist of 16 members (eight shareholder representatives and eight employee representatives). The change in the composition of the Supervisory Board is subject to a formal procedure, the so called status proceedings (*Statusverfahren*) according to Section 97 of the German Stock Corporation Act (*Aktiengesetz*), which was already initiated by the Management Board of the Company on August 2, 2021 and concluded on September 2, 2021. The future eight shareholder representatives were already elected by the Company's shareholders on the extraordinary shareholders' meeting on August 25, 2021 (***Extraordinary Shareholders' Meeting***) subject to the condition precedent that the term of the eight shareholder representatives will commence immediately after completion of the Spin-off and is made for the period until the end of the annual shareholders' meeting which resolves on the discharge of the Supervisory Board for the fiscal year ending on December 31, 2021.

As of the completion of the Spin-off, the office of the current three Supervisory Board members will terminate and the office of the future eight shareholder representatives will commence (see above). In addition, the Company intends to have eight employee representatives to be appointed by the competent court according to Section 104 German Stock Corporation Act (*Aktiengesetz*). These eight candidates have already been agreed upon by the competent employee representation bodies as well as the competent trade union (*IG Metall*). They will be recommended to the court unanimously in such a manner as to ensure that the competent court will appoint employee representatives shortly after the completion of the Spin-off. The court-appointed employee representatives will remain in office until the time the regular employee representatives will have been elected in specific proceedings in accordance with the provisions of the German Co-Determination Act (*Mitbestimmungsgesetz*).

The shareholders' meeting may, at the time of election of Supervisory Board members, appoint substitute members who shall replace members of the Supervisory Board leaving office before the end of their term or whose election has been successfully contested. The term of office of such substitute members shall terminate at the end of the Company's shareholders' meeting in which a successor is elected and at the latest at the end of the term of office of the leaving member. If the substitute member whose term of office has terminated due to the election of a successor was appointed as substitute member for several members of the Supervisory Board, its position as substitute member shall revive. Re-election of members of the Supervisory Board is possible.

Unless otherwise specified at the time of their election, the term of office of each Supervisory Board member ends at the end of the shareholders' meeting that resolves on the formal approval of the members' acts for the fourth fiscal year following the commencement of their term of office, not including for this calculation the fiscal year in which the term of office began. For members of the Supervisory Board who leave office before the end of their term a successor shall be elected for the remaining term of the member who has left office unless the Company's shareholders' meeting specifies a different term for such successor.

Each member of the Supervisory Board and each substitute member may, pursuant to Section 9 (4) of the Articles of Association, resign from office for good cause with immediate effect and without good cause with four weeks written notice issued to the Chair of the Supervisory Board or the Management Board. The period of notice may be shortened by mutual agreement. Following the shareholders' meeting in the course of which the members of the Supervisory Board have been elected for a new term, the Supervisory Board will elect a chairman and a deputy chairman from among its members to serve for the duration of those members' terms unless a shorter period is determined at the time of their respective election. If the chairman or his/her deputy leaves such office before the end of its term, the Supervisory Board shall conduct a new election without undue delay.

The Supervisory Board shall adopt internal rules of procedure in accordance with mandatory statutory provisions and the Articles of Association. It is further authorized to establish committees in accordance with the law and the Articles of Association. To the extent permitted by law or by the Articles of Association, the Supervisory Board may delegate any of its duties, decision-making powers and rights to committees established from among its members. The Supervisory Board shall determine the tasks, powers and procedures of the committees. It is expected that the Supervisory Board will resolve upon its internal rules of procedure in the constituting meeting of the Supervisory Board following the completion of the Spin-off. The Supervisory Board is entitled to resolve amendments to the Articles of Association if such amendments only relate to the wording. The Supervisory Board shall hold at least one meeting per calendar quarter and must hold at least two meetings per calendar half-year. Meetings of the Supervisory Board are usually called at least two weeks in advance by the chairman of the Supervisory Board, not including the day on which the invitation is sent and the day of the meeting itself. Notice of meetings may be given in writing, by telephone, in text form or in any other legally permissible form. In urgent cases the chairman may shorten this period and may call the meeting orally or by telephone.

The Articles of Association and the envisaged internal rules of procedure for the Supervisory Board provide that resolutions of the Supervisory Board shall generally be passed in meetings. The Chair of the Supervisory Board may decide that meetings of the Supervisory Board shall be held in the form of a telephone or video conference and that in such cases the passing of resolutions or the casting of votes shall also take place in this manner; individual members of the Supervisory Board may participate in a meeting by way of telephone or video conference or to cast their vote in writing subsequently within a period of time determined by the Chair. Absent members of the Supervisory Board or members who do not participate in, or are not connected to, the conference can also participate in the passing of resolutions by transferring to other members of the Supervisory Board their votes in writing. A written vote may also be cast by fax or other means of telecommunication. Objections to the form of voting determined by the chairman are not permitted. Resolutions may be passed outside of meetings by means of votes cast in writing, orally, by telephone, in text form or by other means of telecommunication, if the Chair of the Supervisory Board so determines in the individual case. The members of the Supervisory Board may not object to this determination. Members who abstain from voting are considered to take part in the resolution.

The Articles of Association and the envisaged rules of procedure for the Supervisory Board provide that the Supervisory Board has a quorum if at least half of its members participate in the vote regarding passage of a resolution. Members of the Supervisory Board who cast their vote in the aforementioned ways as well as members who abstain from voting are considered to take part in the voting for purposes of the required quorum. Resolutions of the Supervisory Board are passed, unless otherwise provided by mandatory law, by a simple majority of the votes cast. In the event of a tie, a new vote shall be taken at the request of the Chair of the Supervisory Board, as far as legally permissible. If this new vote again results in a tie, the Chair of the Supervisory Board has two votes in accordance with Section 29 (2) of the German Co-Determination Act (*Mitbestimmungsgesetz*).

### *14.3.2 Members of the Supervisory Board*

The table below lists the three members of the Supervisory Board appointed as of the date of the Prospectus:

| Name | Age | Member since | Appointed until | Responsibilities | Principal occupation |
|---|---|---|---|---|---|
| Johannes Suttmeyer . . . . . . | 62 | November 15, 2019 | Completion of the Spin-off | Chair | Head of Law Corporate Matters, M&A, EMEA 2, EMEA 3 Continental AG |
| Cornelia Stiewing . . . . . . . . | 56 | November 15, 2019 | Completion of the Spin-off | Deputy chair | Senior vice president Finance and Controlling Vehicle Networking and Information Continental AG |
| Holger Siebenthaler . . . . . . . | 58 | November 15, 2019 | Completion of the Spin-off | Member | Senior vice president Accounting Continental AG |

The following description provides summaries of the curricula vitae of the current members of the Supervisory Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

**Johannes Suttmeyer**

Johannes Suttmeyer was born in 1959 in Osnabrück, Germany. He studied law at the University of Göttingen, Germany, as well as at the College of Law, University of Illinois at Urbana-Champaign, U.S.A. After his studies he started his career as inhouse lawyer for Continental AG at their headquarters in May 1992. Mr. Suttmeyer is currently working as head of Law EMEA 2 and EMEA 3, Corporate Matters and M&A. He holds general commercial power of attorney for Continental AG as well as for several subsidiaries and is a member of several supervisory boards of subsidiaries. He serves as chairman of the Supervisory Board of Vitesco Technologies Group AG.

**Cornelia Stiewing**

Cornelia Stiewing was born in 1964. She started 1980 her career with an apprenticeship at Siemens AG followed by a traineeship at Siemens group in the U.S.A. Until 2009 she worked in various finance and controlling functions in different locations within the Siemens AG, Siemens VDO and Continental Automotive GmbH. From October 2009, she took over as senior vice president group controlling at Continental AG, Hannover, Germany. Since January 2021 she is responsible for finance and controlling of the Vehicle Networking and Information business area. At the same time, she has taken over as one of the two directors of Continental Automotive GmbH. She has gained in-depth knowledge and experience in automotive business as well as in non-automotive business in different functions on group level as well as in operational functions.

**Holger Siebenthaler**

Holger Siebenthaler was born in 1963 and has studied economics at Leibniz Universität, Hanover. After his studies, he started his career as auditor at Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, Germany. In 1993, he was appointed as German tax advisor and, in 1996, as German public accountant. In 2000 he moved to Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Germany, and became partner and head of the Assurance and Advisory Business as well as office managing partner of the Ernst & Young office in Hanover. Since October 2009, he is working as senior vice president Accounting at Continental AG, Hanover, Germany. Since December 22, 2009, he holds general commercial power of attorney for Continental AG. Since November 15, 2019, he is a member of the Supervisory Board of the Company.

Furthermore, Mr. Suttmeyer, Ms. Stiewing and Mr. Siebenthaler perform and will continue to perform certain intra group tasks within the Continental Group, and hold seats or have held seats during the last five years on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies in various subsidiaries of the Continental Group.

The following table lists the future eight shareholder representatives of the Supervisory Board who already were elected by the Extraordinary Shareholders' Meeting and whose office will commence immediately after completion of the Spin-off:

| Name | Age | Member since | Appointed until | Responsibilities | Principal occupation |
|---|---|---|---|---|---|
| Prof. Siegfried Wolf | 63 | Completion of the Spin-off | End of the shareholders' meeting resolving on the discharge for the fiscal year 2021 | Chairman | Investor / entrepreneur |
| Prof. Dr. Hans-Jörg Bullinger | 77 | Completion of the Spin-off | End of the shareholders' meeting resolving on the discharge for the fiscal year 2021 | Member | Chairman of the management board of the Fraunhofer Zukunftsstiftung |
| Manfred Eibeck | 61 | Completion of the Spin-off | End of the shareholders' meeting resolving on the discharge for the fiscal year 2021 | Member | Investor / consultant |
| Susanne Heckelsberger | 57 | Completion of the Spin-off | End of the shareholders' meeting resolving on the discharge for the fiscal year 2021 | Member | Member of the supervisory board of the Villeroy&Boch AG / consultant |
| Joachim Hirsch | 69 | Completion of the Spin-off | End of the shareholders' meeting resolving on the discharge for the fiscal year 2021 | Member | Consultant |
| Prof. Dr. Sabina Jeschke | 53 | Completion of the Spin-off | End of the shareholders' meeting resolving on the discharge for the fiscal year 2021 | Member | Manager / founder / scientist |
| Klaus Rosenfeld | 55 | Completion of the Spin-off | End of the shareholders' meeting resolving on the discharge for the fiscal year 2021 | Member | Chairman of the management board of the Schaeffler AG |

| Name | Age | Member since | Appointed until | Responsibilities | Principal occupation |
|---|---|---|---|---|---|
| Georg F. W. Schaeffler . . . . . | 56 | Completion of the Spin-off | End of the shareholders' meeting resolving on the discharge for the fiscal year 2021 | Member | Shareholder of the INA-Holding Schaeffler GmbH & Co. KG / managing director of IHO Verwaltungs GmbH |

The following description provides summaries of the curricula vitae of the future eight shareholder representatives of the Supervisory Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

**Prof. Siegfried Wolf**

Professor Siegfried Wolf was born in 1957 in Feldach, Austria. Between 1974 and 1981 Professor Wolf was professionally trained as tool and die maker at PHILIPS and a member of technical staff in the quality laboratory while simltaneously pursing his studies in engineering at the college of Applied Sciences in Vienna, Austria. After completing his training, he worked at various companies with a focus of quality control until 1995. In 1995, he joined the Magna International group and held various managing functions until he became chief executive officer of Magna International Inc from 2005 until 2010. In 2010, he joined the Russian Machines Group and was chairman of the board of directors of Russian Machines LLC (2010-2018) and the chairman of the board of OJSC GAZ Group (2010-2019). From 2011 until 2014, he has overseen construction assets of Basic Element group.

Professor Wolf sits on the boards of a number of leading international businesses (Porsche SE, Continental AG, Schaeffler AG, MIBA AG, CMBlu Energy AG) and is chairman of the board of Sberbank Europe AG. In June 2020, Professor Wolf was re-appointed as a member of the supervisory board of OJSC GAZ Group.

**Prof. Dr. Hans-Jörg Bullinger**

Univ.-Prof. Dr.-Ing. habil. Prof. E.h. mult. Dr. h.c. mult. Hans-Jörg Bullinger was born in 1944 in Stuttgart, Germany. After completing an apprenticeship as a fitter and qualifying for university via an adult education initiative, he studied mechanical engineering followed by obtaining his doctorate and qualifying as a university lecturer at the University of Stuttgart, Germany. After acquiring his doctorate, he took over senior positions in applied research and teaching. In 1981, he founded and headed the Fraunhofer Institute for Industrial Engineering IAO as well as the Institute of Human Factors and Technology Management IAT of the University of Stuttgart for 20 years. From 2002 until 2012, Prof. Bullinger was the president of the Fraunhofer Gesellschaft in Munich, Germany followed by becoming a senator of the Fraunhofer Gesellschaft in Munich, Germany until 2018. He also consulted the German government (2006-2012) and European Commission (2012-2015) in various expert groups and bodies regarding technological innovation policies. Since 2020, he is the chairman of the management board of the Fraunhofer Zukunftsstiftung.

**Manfred Eibeck**

Manfred Eibeck was born in 1960 in Eltville, Germany. From 1976 until 1979 Manfred Eibeck completed an apprenticeship as tool and die maker at GLYCO Metall Werke (Germany), followed by military service and studies in mechanical engineering. In 1985, he obtained a technical diploma in mechanical engeering from Rhein-Main University of Applied Science. Between 1985 and 2002 he held various position within the Opel group (General Motors Europe), amongst others, director body shop for the Omega and Vectra Production and manager planning for press shop, body shop and paint shop. In 2002, he joined the Magna International group and held various senior positions, until he became executive vice president and chief operating officer of Magna Europe in 2007. He held this position together with the position of executive vice president and chief operating officer of Magna Russia (2010) and president of Magna Russia (2010-2011) until 2011. From 2011 until 2018, he joined the Russian Machines group, where he was, amongst others, the chief executive officer of Russian Machines Russia from 2012 until 2018 and the general director of the Moscow branch of the GAZ (Group) (2015-2018). Since 2019 he is self-employed and acts as a investor and consultant and is a member of the supervisory board of CMBlu AG.

**Susanne Heckelsberger**

Susanne Heckelsberger was born in 1964 in Karlsruhe, Germany. She studied business administration at the university of Mannheim, Germany and graduated in 1989 as *Diplom Kaufmann*. She started her career at KPMG Wirtschaftprüfungsgesellschaft and GKT Industrie- and Handelstreuhand and passed the tax advisor's exam in 1995 and the auditor's exam in 1996. Following the completion of her professional examations, she worked at various auditors and companies in managing positions with a focus on finance and accounting. Between 2010 and 2015 as well as since 2020, Ms. Heckelsberger was and is a business consultant and interims manager. In this function, she held various managing positions at various companies, including Ferrostaal AG (2010-2011) and Linde Engineering (2013-2014). From 2015 until 2019, she was the chief financial officer of the s.Oliver group. Since 2020, Ms. Heckelsberger is a member of the supervisory board and chairwoman of the audit comittee of Villeroy&Boch AG.

**Joachim Hirsch**

Joachim Hirsch was born in 1952 in Schwäbisch Gmünd, Germany. He studied business administration between 1972 and 1976 at the Professional School for Business Administration in Reutlingen, Germany and graduated as a *Diplom Betriebswirt* with a focus on foreign trade, operations research & controlling. Following his graduation, he held various senior positions across the automotive, industrial, aerospace and chemical industries at Teksid Aluminum, Magna International, Textron and TRW. In 2007, he rejoined the Magna International group and became the global president of Magna Powertrain and Electronics in 2008 as well as director in 2009 and was, amongst others, responsible for the development of a progressive strategy for the powertrain segment and a focus on vehicle electrification. He held these positions until 2018. From 2018 until 2019 he was the executive vice president of Magna Powertrain and CEO of Getrag Ford Transmissions and responsible for the integration of the joint venture with Ford into the Magna Powertrain organization. Since 2020, he acts as management consultant.

**Prof. Dr. Sabina Jeschke**

Prof. Dr. Sabina Jeschke was born in 1968 in Kungälv, Sweden. She completed her studies in physics, mathematics and computer science at the Technische Universität Berlin, Germany as a graduate physicist, including an internship at the AMES Research Center of NASA in California, U.S.A. After her degree in physics, she started an academic career in 2005. Her areas of specialization include artificial intelligence, data analytics, cyber-physical systems, robotics, automation technology and human-machine interaction, network technologies and high performance computing/quantum computing. Areas of application are in particular traffic, mobility and production.

After a 12-year career as a full professor at the university of Stuttgart, Germany and RWTH Aachen, Germany and 3.5 years as a member of the executive board of the Deutsche Bahn AG (2017-2021), she joined Deloitte GmbH Wirtschaftsprüfungsgesellschaft in summer 2021 as senior advisor focussing on technology consultation. In 2021, she also founded the startup Arctic Brains AB in Jämtland/Sweden with a focus on AI consulting and development. Since the beginning of 2021 she has been accompanying the "KI Park" initiative in Berlin, Germany which will result in the foundation of the KI Park e.V. (registered association), a startup accelerator for AI applications. A startup is currently under construction (GmbH I.G.) in which she and her partners deal with transfer technologies for quantum computing environments. She holds honorary professorships at the RWTH Aachen University and the Technische Universität Berlin and has been a member in various supervisory boards in the past.

**Klaus Rosenfeld**

Klaus Rosenfeld was born in 1966 in Bonn, Germany. He started his professional career as a trainee banker at the Dresdner Bank in 1985 and subsequently studied business administration and economics at the University of Muenster (1989-1993). After graduating, he returned to the Dresdner Bank in 1993 and worked in the Structured Financing Department of the Investment Banking Division. From 1997 onwards, he was assistant to the chief executive officer Bernhard Walter and his successor Prof. Dr. Bernd Fahrholz. In 2001, he became chief representative and deputy head of Finance and Controlling. In 2002, Klaus Rosenfeld was appointed member of the board of managing directors of Dresdner Bank AG, with responsibility for Finance & Controlling, Compliance, and

Corporate Investments. In March 2009, Klaus Rosenfeld left Dresdner Bank AG and joined the Schaeffler Group as chief financial officer. In this capacity he restructured the Schaeffler Group's corporate and capital structure by a number of complex transactions. In 2009 he was appointed member of the supervisory board of Continental AG. In October 2013, Klaus Rosenfeld assumed the position of chief executive officer on a temporary basis in addition to his role as chief financial officer. He was appointed chief executive officer of Schaeffler AG in June 2014.

**Georg F. W. Schaeffler**

Georg F. W. Schaeffler was born in 1964 in Erlangen, Germany. He studied business administration at the University of St. Gallen in Switzerland and holds a law degree from Duke University in the Unites States. He has held various positions at Schaeffler Group and previously worked as a business lawyer in the United States. During the last five years Georg F. W. Schaeffler was also the chairman of the supervisory board of Schaeffler AG, a member of the supervisory board of Continental AG and a member of the advisory board of ATESTEO Management GmbH. During the last five years, Georg F. W. Schaeffler was also a member of the audit and the presiding committees of the supervisory boards of Schaeffler AG and Continental AG. He is a partner of INA-Holding Schaeffler GmbH & Co. KG and co-owner of the Schaeffler Group.

The following overview lists all of the companies and enterprises in which the future eight shareholder representatives of the Supervisory Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and the subsidiaries of the Group:

**Prof. Siegfried Wolf**

Current seats:

- OJSC GAZ Group, member of the supervisory board (2020-2021)
- MIBA AG, member of the supervisory board (2015-2024)
- Mitterbauer Beteiligungs AG, member of the supervisory board (2015-2024)
- Porsche SE, member of the supervisory board (2019-2024)
- SBERBANK Europe AG, chairman of the supervisory board (2012-2022)
- Schaeffler AG, member of the supervisory board (2014-2024)
- Continental AG, member of the supervisory board (2010-2024)
- CMBlu Energy AG, member of the supervisory board (since 2019)

Past Seats:

- Banque Eric Sturdza SA (formerly known as Banque Baring Brothers Sturdza SA), member of the supervisory board (2010-2020)
- GAZ Group, chairman of the supervisory board (2010-2019)
- Russian Machines LLC (formerly known as Russian Machines OJSC), chairman of the supervisory board (2010-2018)
- UC RUSAL Plc, member of the supervisory board (2016-2018)

**Prof. Dr. Hans-Jörg Bullinger**

Current seats:

- Arri AG, member of the supervisory board (2000-2025)
- Bauerfeind AG, member of the supervisory board (2001-2023)
- CO.DON AG, member of the supervisory board (2019-2023)
- Schaeffler AG, member of the supervisory board (2004-2023)
- WEA4 Grimelsheim GmbH & Co. KG, managing director (since 2010)

Past Seats:

- Kärcher SE, member of the supervisory board (2007-2019)
- TÜV Süd AG, member of the supervisory board (2003-2019)
- Wilo SE, deputy chairman of the supervisory board (2007-2019)

**Manfred Eibeck**

Current seats:

- EIC GmbH, managing director (since 2019)
- CMBlu Energy AG, member of the supervisory board (2020-2024)
- STEYR Automotive GmbH, member of the supervisory board (Since 2021)

Past Seats:

- CMBlu Energy AG, member of the management board (2019-2020)
- Russian Machines Russia, chief executive officer (2012-2018)

**Susanne Heckelsberger**

Current seats:

- Villeroy&Boch AG, member of the supervisory board and member of the audit committee (2020-2024)
- SH Financial Management Consulting GmbH, shareholder and managing director (since 2011)

Past Seats:

- s.Oliver Bernd Freier SARL Luxembourg, managing director (2015-2019) as well as further mandates within the s.Oliver group
- Hahn Automobil Holding GmbH, managing director (2020-2020)

**Joachim Hirsch**

Current seats:

- Magna Steyr Fahrzeugtechnik AG, member of the supervisory board (Since 2011)

Past Seats:

- Tempel Steel Corp, member of the supervisory board (2020-2021)
- Magna Powertrain GmbH, chairman of the supervisory board (2011-2019)
- MPT Inc., director (2013-2017)
- HASCO Electric Drive System Co., LTD., vice chairman and director (2018-2019)
- GETRAG Ford Transmissions GmbH, member of the supervisory board (2016-2018) and managing director (2018)
- Magna Powertrain USA, Inc., president (2008-2018) and director (2009-2018) as well as further mandates within the Magna Powertrain and Electronics group

**Prof. Dr. Sabina Jeschke**

Current seats:

- Artic Brains AB, chief executive officer (since 2021)
- German-Swedish Chamber of Commerce, member of the board (since 2020)
- KI Park e.V., chairwoman of the board (since 2021)
- CAPHENIA GmbH, member of the technical advisory board (since 2020)
- Digitalplus GmbH, member of the technical advisory board (since 2021)

Past Seats:

- Deutsche Bahn AG, member of the management board (2017-2021)
- DB Systel GmbH, chairwoman of the supervisory board and head of presidential and personnel committees (2018-2021)
- DB FZI GmbH, chairwoman of the supervisory board and head of presidential and personnel committee (2020-2021)
- DB Systemtechnik GmbH, chairwoman of the supervisory board and head of presidential and personnel committees (2018-2021)
- Schenker AG, member of the supervisory board (2018-2021)
- Körber AG, member of the supervisory board (2015-2020)

**Klaus Rosenfeld**

Current seats:

- Schaeffler AG, member of the management board (since 2009) and chairman of the management board (since 2014) as well as further mandates within the Schaeffler Group
- Continental AG, member of the supervisory board (since 2009)
- Schaeffler India Ltd, non-executive member of the board of directors (2015-2021)
- Siemens Gamesa Renewables Energy S.A., non-executive member of the board of directors (2017-2022)
- IHO Verwaltungs GmbH, managing director
- IHO Beteiligungs GmbH, managing director
- ATESTEO Beteiligungs GmbH, managing director
- Helmut Elges GmbH, managing director
- IDAM Verwaltungs GmbH, managing director
- IHO Management GmbH, managing director
- IHO Vermögensverwaltungs GmbH, managing director
- INA Lineartechnik Beteiligungsgesellschaft mbH, managing director
- INA Management GmbH, managing director
- INA Verwaltungsgesellschaft mbH, managing director
- INA-Holding Verwaltungs GmbH, managing director
- INA-Schaeffler Beteiligungsverwaltungs GmbH, managing director
- Motomak GmbH, managing director
- präTEC Verwaltungs GmbH, managing director
- Saar Nadellager Beteiligungsgesellschaft mbH, managing director
- Schaeffler Vermögensverwaltungs GmbH, managing director
- Schaeffler Wälzlager Beteiligungsgesellschaft mbH, managing director
- SWD Betriebsmittelverwaltungsgesellschaft mbH, managing director

Past Seats:

- None.

**Georg F. W. Schaeffler**

Current seats:

- Schaeffler AG, chairman of the supervisory board

- Continental AG, member of the supervisory board (since 2009)
- ATESTEO Management GmbH, member of the advisory board and managing director
- ATESTEO Beteiligungs GmbH, managing director
- INA-Holding Verwaltungs GmbH, managing director
- IHO Management GmbH, managing director
- IHO Verwaltungs GmbH, managing director
- IHO Beteiligungs GmbH, managing director
- Schaeffler Holding L.P., managing partner
- GFWS LLC, managing partner

Past Seats:

- None.

The following table lists the eight candidates who will be recommended for court appointment and shall become employee representatives of the Supervisory Board shortly after the amendment was entered in the commercial register (court appointment expected to be effective following completion of the Spin-off):

| Name | Age | Member since | Appointed until | Responsibilities | Principal occupation |
|---|---|---|---|---|---|
| Ralf Schamel | 49 | Court appointment | Employee election | Deputy chairman | IG Metall trade union secretary |
| Anne Zeumer | 42 | Court appointment | Employee election | Member | Second authorized representative of IG Metall Chemnitz (trade union) |
| Michael Köppl | 63 | Court appointment | Employee election | Member | Head of Sales Business Unit Electrical Engineer |
| Carsten Bruns | 50 | Court appointment | Employee election | Member | Senior Expert (L3) for Engine Management OBD (On Board Diagnosis) |
| Lothar Galli | 61 | Court appointment | Employee election | Member | Works and general works council member |
| Yvonne Hartmetz | 51 | Court appointment | Employee election | Member | Chairwoman of the works council |
| Erwin Löffler | 55 | Court appointment | Employee election | Member | Group manager Quality Labs |
| Kirsten Vörkel | 56 | Court appointment | Employee election | Member | Chairwoman of the works council |

The following description provides summaries of the curricula vitae of the eight candidates to become employee representatives of the Supervisory Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

**Ralf Schamel**

Ralf Schamel was born in 1972. He completed a commercial apprenticeship in Erlangen, Germany, and began his career in various IT functions at Frank Elektronik GmbH in Erlangen and Nuremberg, both Germany.

From 1999, he worked in quality management at General Electric in Freiburg, Germany, most recently as chairman of the general works council, and joined IG Metall in 2015.

Mr. Schamel is currently trade union secretary of the IG Metall executive board and in this role group advisor of Continental Group and Vitesco Technologies. Since Augst 2019, he has been a member of the supervisory board of Vitesco Technologies GmbH and a member of the executive committee. In addition, he has been a member of the supervisory board of Continental Automotive GmbH since April 2020 and is also a member of the executive committee there.

**Anne Zeumer**

Anne Zeumer was born in 1979 in Kiel, Germany. After completing an apprenticeship as IT system electronics technician at Deutsche Telekom, she was working in various departments and severed as a trainee representative for four years. After leaving Deutsche Telekom, she studied at the academy of labour in Frankfurt/Main, Germany and graduated with a Bachelor of Arts in economic and socio-economic sciences. In 2010, she joined IG Metall and terminated the inactive employment relationship with Deutsche Telekom. Since summer 2020, Ms. Zeumer is IG Metall's second authorized representative in Chemnitz, Germany. In 2019 she was appointed as member of the supervisory board of Vitesco Technologies GmbH.

**Michael Köppl**

Michael Köppl studied electrical engineering with a focus on data processing at the Technical University of Munich, Germany. After completing his studies, he began his professional career in 1987 as a software development engineer at Siemens Automotive. In 1992 he became Siemens Automotive's sales manager and head of Technical Support for airbag systems in Japan. From 1995 onwards he worked for Siemens Automotive and Siemens VDO in various leading positions in the development of restraint systems. development of restraint systems.

From 2000 onwards, he was responsible for the entire development of restraint systems and the development of new safety products worldwide. From 2000 to 2002, he was also a member of the steering committee of KARE, a joint venture of Kehin KK and Siemens VDO in Japan. From 2006, he was key account executive at Siemens VDO for the customers Daimler-Chrysler and Porsche.

Since 2008, he served as key account executive at Continental Automotive GmbH for the VW Group. Since 2010, Mr. Köppl was head of Sales for engine control systems and exhaust aftertreatment at Continental Automotive GmbH. Mr Köppl is currently head of Global Sales for Engine Controls at Vitesco Technologies. He has also been a member of the supervisory board of Vitesco Technologies GmbH since 2019.

**Carsten Bruns**

Carsten Bruns was born February 5, 1971 in Gehrden, Germany. After serving his basic military duty as a motor vehicle and tank mechanic, he completed an apprenticeship as a motor vehicle electrician in 1993. After that he studied at the University of Applied Sciences in Braunschweig/Wolfenbüttel, Germany, and obtained a degree in automotive engineering.

He then began his professional career as an engineer in systems integration for petrol engine control systems in the automotive technology division at Siemens AG in Regensburg in 1997.

Carsten Bruns is currently employed in function development in the Electronic Controls business unit at Vitesco Technologies GmbH in Regensburg. Since 2006, he has been a member of the works council, and since 2019 he has been a member of the general works council of Vitesco Technologies GmbH and the group works council of Continental AG.

**Lothar Galli**

Lothar Galli was born in 1960 in Süssenbach, Germany. He completed an apprenticeship as retail salesman between 1976 and 1979 followed by serving in the German Army between 1980 and 1981. After that he attended night school in Straubing and studied business administration at the University of Applied Sciences in Regensburg, Germany. During this time, he was working at a hardware store as well as at a supermarket as salesman and deputy store manager. In 1991 he joined Siemens AG and worked in various departments in Erlangen, Germany, Nuremberg, Germany, and Regensburg, Germany, until 2007, before joining Continental AG in 2008 as project and area controller. Between 2018 and 2019 he was works council member as well as member of the general works council of Continental AG. In 2019 he joined Vitesco Technologies and became member of both the works council as well as the general works council.

**Yvonne Hartmetz**

Yvonne Hartmetz was born in 1970 in Apolda, Germany. She completed an apprenticeship as restaurant manager. After working as foreign language secretary in various companies in 2000 she joined Sevensenses in 2001 and last worked as commercial clerk. In 2005 she started working with the predecessor of Vitesco Technologies as technical documentation officer. Since 2007 she serves as member of the works council and became a member and deputy chairwoman of the supervisory board of Vitesco Technologies Germany GmbH in 2019.

**Erwin Löffler**

Erwin Löffler was born in 1966 in Cham, Germany. He completed an apprenticeship as construction mechanic in 1985 at Grella and worked as qualified construction mechanic from 1985 to 1988. In 1988 and 1989 he served in the German Army. He worked inter alia from 1991 to 2003 with Vaillant in Roding, Germany, as quality specialist inspecting incoming goods. In 2003 he joined Continental Mechanical Components Germany GmbH as group manager Quality. From 2004 until 2007, he was group leader Quality and works council at Siemens VDO. In 2007, he became group leader Quality Labs as well as deputy chairman of the works council at Continental Mechanical Components Germany GmbH. Since 2020, he is group leader quality labs and deputy chairman of the works council at Vitesco Technologies Roding GmbH.

**Kirsten Vörkel**

Kirsten Vörkel was born in 1965 in Dortmund, Germany. She completed an apprenticeship as office management assistant and started working with the predecessor of Vitesco Technologies in 1984 in various positions. Since 1994, she is a member of the works council. Since 2000, she is heading the works council's office. In 2008, she became the works council's deputy chairwoman and in 2010 its chairwoman. Between 2014 and 2016, she served as the general works council's deputy chairwoman and became its chairwoman in 2019. Between 2014 and 2021, she was a member of Continental AG's Supervisory Board.

The following overview lists all of the companies and enterprises in which the eight candidates to become employee representatives of the Supervisory Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and the subsidiaries of the Group:

**Ralf Schamel**

Current seats:

- Continental Automotive GmbH, supervisory board member since April 2020 until 2024

Past Seats:

- None.

**Anne Zeumer**

- None.

**Michael Köppl**

- None.

**Carsten Bruns**

- None.

**Lothar Galli**

- None.

**Yvonne Hartmetz**

- None.

**Erwin Löffler**

- None.

**Kirsten Vörkel**

Current seats:

- None.

Past Seats:

- Continental AG, supervisory board member from May 2014 – September 2021

All members of the Supervisory Board may be reached at the Company's offices at Siemensstraße 12, 93055 Regensburg, Germany (tel. +49 941 2031-8823 or +49 941 2031-6381).

### *14.3.3 Supervisory Board Committees*

Under the Articles of Association, the Supervisory Board can set up committees in accordance with the law. According to the Supervisory Board's envisaged internal rules of procedure, the Supervisory Board shall form an Executive Committee, an Audit Committee, an Appointment Committee as standing committee in accordance with Section 27 (3) of the German Co-Determination Act (*Mitbestimmungsgesetz*), a Nominating Committee and a Committee for Related Party Transactions from among its members. The Supervisory Board may set up further committees. The Supervisory Board's decision-making authority may be delegated to these committees to the extent permitted by law.

The following committees are envisaged to be established by the Supervisory Board:

The Executive Committee (*Präsidialausschuss*) shall consist of four members. The members of the Executive Committee shall be the Chair of the Supervisory Board, his/her Deputy and one Supervisory Board member each elected by the shareholder representatives and the employee representatives. The Chair of the Supervisory Board chairs the Executive Committee.

The envisaged responsibilities of the Executive Committee include:

a) Preparation of the appointment and dismissal of Management Board members and, subject to the exclusive responsibility of the full Supervisory Board for the tasks pursuant to Section 107 (3) sentence 3 in conjunction with Section 87 (1) and (2) sentences 1 and 2 German Stock Corporation Act (*Aktiengesetz*), the conclusion, termination and amendment of employment contracts with Management Board members and any other agreements with Management Board members; the Supervisory Board shall take diversity into account with regard to the composition of the Management Board;

b) Granting of approval for the legal transactions requiring approval pursuant to Rule 6 (1) lit. (e) as well as lit. (m) and (n) as well as (p) of the envisaged rules of procedure for the Supervisory Board, with the proviso that each member of the Executive Committee may in individual cases request that the decision be retransferred to the full Supervisory Board; the delegation shall also apply if the aforementioned transactions and measures are carried out at subsidiaries and require approval pursuant to Rule 6 (1) lit. (k) of the envisaged rules of procedure for the Supervisory Board;

c) Approval of contracts with members of the Supervisory Board in accordance with Section 114 German Stock Corporation Act (*Aktiengesetz*);

d) Resolution on the execution of other legal transactions vis-à-vis the Management Board in accordance with Section 112 of the German Stock Corporation Act (*Aktiengesetz*);

e) Resolution on the legal representation of the Company in a legal dispute concerning the challenge or invalidity of resolutions of the shareholders' meeting (Sections 246 (2) sentence 2, 249 (1) sentence 1 German Stock Corporation Act (*Aktiengesetz*));

f) Resolution on amendments to the Articles of Association that affect only its wording;

g) Adoption of resolutions or preparation of resolutions on topics that the Supervisory Board has separately assigned to it.

The Audit Committee (*Prüfungsausschuss*) shall consist of six members elected by the Supervisory Board, three of whom shall be shareholder representatives and three employee representatives. The Supervisory Board shall appoint the Chair of the Audit Committee. The Chair of the Audit Committee shall have special knowledge and experience in the application of accounting principles and internal control procedures, be familiar with the audit of the financial statements and be independent. The Chair of the Supervisory Board shall not be appointed Chair of the Audit Committee.

The envisaged responsibilities of the Audit Committee include:

a) Preparatory examination of non-financial reporting;

b) Preparation of the Supervisory Board's proposal to the annual shareholders' meeting for the appointment of the auditor;

c) Commissioning an external review of non-financial reporting;

d) Monitoring the independence of the statutory auditor and, to the extent required by law, approving non-audit services provided by him;

e) Discussion and decision on measures to be taken for reasons of possible exclusion or bias of the statutory auditor that have arisen during the audit;

f) Granting of approval for the legal transactions requiring approval pursuant to Rule 6 (1) lit. (f) to (j) as well as lit. (l) of the envisaged rules of procedure for the Supervisory Board, in each case subject to the proviso that each member of the Audit Committee may, in individual cases, request that the decision be retransferred to the full Supervisory Board; the delegation shall also apply if the aforementioned transactions and measures are carried out at subsidiaries and require approval pursuant to Rule 6 (1) lit. (k) of the envisaged rules of procedure for the Supervisory Board;

g) Adoption of resolutions or preparation of resolutions on topics that the Supervisory Board has separately assigned to it.

Within the scope of its responsibilities, the Audit Committee may establish principles for the performance of its duties, in particular for the selection of the auditor and cooperation with the auditor. In particular, the Audit Committee shall:

a) agree with the auditor that the auditor shall inform the Audit Committee without delay of all findings and occurrences of significance for the Audit Committee's tasks that come to the auditor's attention during the performance of the audit;

b) agree with the auditor that the auditor will inform the Audit Committee and make a note in the audit report if, during the performance of the audit, the auditor identifies facts that show a misstatement in the declaration regarding the German Corporate Governance Code issued by the Management Board and the Supervisory Board;

c) regularly assess the quality of the audit.

Section 107 (4) of the German Stock Corporation Act (*Aktiengesetz*) requires the Company to have at least one member of the audit committee with expertise in the fields of accounting or auditing within the meaning of Section 100 (5) of the German Stock Corporation Act (*Aktiengesetz*).

The Nominating Committee (*Nominierungsausschuss*) shall consist of (i) the shareholder representatives on the Executive Committee, and (ii) two further shareholder representatives on the Supervisory Board elected by a majority of the votes of the shareholder representatives.

The envisaged responsibilities of the Nominating Committee include to:

a) propose objectives for the Supervisory Board's composition and review them regularly;

b) propose and regularly review a competence profile; and

c) propose suitable candidates as shareholder representatives for the election proposals of the Supervisory Board to the shareholders' meeting. It shall also monitor diversity.

The Committee for Related Party Transactions (*Ausschuss für Geschäfte mit nahestehenden Personen*) shall consist of four members, namely two Supervisory Board members representing the shareholders and two Supervisory Board members representing the employees. Related parties within the meaning of Section 111a (1) sentence 2 German Stock Corporation Act (*Aktiengesetz*) involved in the respective transaction may not be members of the Committee for Related Party Transactions. The majority of the Committee for Related Party Transactions shall consist of members regarding whom there is no concern about a conflict of interest due to their relationship to a related party.

The Committee for Related Party Transactions shall decide on the approval of transactions in accordance with Section 111b (1) German Stock Corporation Act (*Aktiengesetz*) as well as on the granting of approval for the legal transactions requiring approval pursuant to Rule 6 (1) lit. (o) of the envisaged rules of procedure for the Supervisory Board.

As of the date of this Prospectus, the Supervisory Board is not envisaged to established a remuneration committee (*Vergütungsausschuss*). It is further envisaged that the Supervisory Board will establish a technology committee (*Technologieausschuss*) post Spin-off to provide technical advice and expertise to the Supervisory Board.

#### *14.3.4 Remuneration of the Members of the Supervisory Board*

On June 10, 2021, the Company's shareholders' meeting resolved on the remuneration of the Supervisory Board members which shall become effective after the Spin-off. The members of the Supervisory Board shall each receive, in addition to reimbursement of their reasonable cash expenses and any value added tax charged to them for their work on the Supervisory Board, a fixed basic remuneration of €60,000 per annum payable in the last month of the fiscal year. The Chair of the Supervisory Board shall receive a fixed basic remuneration of €120,000 and each Deputy Chair shall receive a fixed basic remuneration of €90,000 for each of the Company's fiscal years. For their activities in the following committees of the Supervisory Board, each of them receives additional compensation as follows:

- the Chair of the Audit Committee receives €30,000, every other member of the Audit Committee €20,000;
- the Chair of the Executive Committee receives €30,000, every other member of the Executive Committee €20,000.

The total additional remuneration for activities in committees of the Supervisory Board pursuant to paragraph 2 above is limited to €40,000 for the Chair of the Audit Committee, €40,000 for the Chair of the Executive Committee and €30,000 for all other members of the Supervisory Board. In each case, the highest upper limit applicable to an individual member of the Supervisory Board is decisive. Each member receives an attendance fee of €1,500 for each Supervisory Board meeting in which the member attends in person. This applies accordingly to personal attendance at committee meetings that do not take place on the day of a Supervisory Board meeting. If a member attends a Supervisory Board meeting which is conducted by telephone or video conference or if a member attends a Supervisory Board meeting by means of telephone or video conference, such attendance shall also be deemed personal attendance.

If the office of a member of the Supervisory Board or the function with increased remuneration begins or ends in the course of a fiscal year, the member of the Supervisory Board shall receive the remuneration or the increased remuneration pro rata temporis.

The Company may take out a pecuniary damage liability insurance policy for the members of the Supervisory Board at its own expense. It shall contain an appropriate deductible. For the fiscal year 2020, no remuneration was paid to the members of the Supervisory Board, remuneration paid to the members of the supervisory board of Continental AG was allocated in the amount of €0.8 million to Vitesco Technologies for their activities relating to Vitesco Technologies, please also see the notes (note 36) to the Company's Annual Combined Financial Statements for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018, which are included in the section "*19 Financial information*" of this Prospectus on page F-115 *et seqq*.

#### *14.3.5 Shareholdings of the Supervisory Board Members in the Company*

As of the date of this Prospectus, the (current or future) members of the Supervisory Board do not directly or indirectly hold any Shares or options on Shares in the Company. As of the date of this Prospectus, the (current and future) members of the Supervisory Board hold or are attributed a total of 92,003,229 shares in Continental AG, for which a total of 18,400,644 Shares in Vitesco Technologies Group Aktiengesellschaft will be issued upon the completion of the Spin-off, if the shares are still held on such date. Thereof, Mr. Georg F. W. Schaeffler will be attributed 18,400,596 Shares in Vitesco Technologies Group Aktiengesellschaft through its holding in the IHO Shareholders upon the completion of the Spin-off reflecting its interest in the IHO Shareholders and the corresponding holding in Continental AG, please also see "*11 Shareholder Structure*".

### *14.4 Certain Information Regarding the Members of the Management Board and Supervisory Board*

In the last five years, no member of the Management Board or (current and future) Supervisory Board has been convicted of fraudulent offences.

In the last five years, no member of the Management Board or (current and future) Supervisory Board has been associated with any bankruptcy, receivership, liquidation or companies put into administration acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager. In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the Management Board or (current and future) Supervisory Board, nor have sanctions been imposed by the aforementioned authorities. No court has ever disqualified any of the members of either board (current and future) from acting as a member of the administrative, management, or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

The IHO Shareholders (which serve as holding companies of Mr. Georg F.W. Schaeffler) hold 46% of Continental AG's shares and voting rights prior to the Spin-off and will therefore hold 46% of the Company's Shares upon completion of the Spin-off. The IHO Shareholders also hold a participation in Schaeffler AG. The interests of Vitesco Technologies Group Aktiengesellschaft, Continental AG and Schaeffler AG or companies affiliated with any of them may not always be aligned. This is a potential conflict of interest for the current members of the Supervisory Board as well as for Prof. Siegfried Wolf, Prof. Dr. Hans-Jörg Bullinger, Klaus Rosenfeld, Georg F. W. Schaeffler and Ralf Schamel who are also members of the supervisory or management board, as the case may be, of Continental AG or Schaeffler AG or certain of their affiliated companies in respect of their duty as members of the Supervisory Board to act in the best interests of the Company. However, it should be noted that Supervisory Board members have a legal duty to act solely in the interests of their respective companies and are not allowed to make any decisions that are not in the Company's interests. Apart from this, there are no conflicts of interest or potential conflicts of interest between the members of the Management Board and (current and future) Supervisory Board as regards the Company on the one side and their private interests, membership in governing bodies of companies, or other obligations on the other side.

Neither the members of the Management Board nor the (current and future) Supervisory Board have entered into a service agreement with a Group company that provides for benefits upon termination of employment or office. There are no family relationships between the members of the Management Board and the (current and future) Supervisory Board, either among themselves or in relation to the members of the other body.

### *14.5 Shareholders' Meeting*

Due to the COVID-19 Pandemic the existing framework of shareholders' meeting of the Company is extended by certain COVID-19 Pandemic related statutory amendments. In general, the following rules apply to shareholders' meeting of the Company.

Pursuant to Article 22 para. 1 of the Articles of Association, the annual shareholders' meeting is held within the first eight months of each fiscal year and must be held, at the option of the body convening the Company's shareholders' meeting, either at the registered seat of the Company, at the place of a German stock exchange or in a German city with more than 150,000 inhabitants. Except where other persons are authorized to do so by law and by the Articles of Association, the shareholders' meeting shall be convened by the Management Board. Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days prior to the day of the shareholders' meeting; the day of the meeting itself and the day of the receipt of the notice not being included when calculating this period.

A shareholders' meeting may be convened by the Management Board, the Supervisory Board, or may be requested by shareholders whose shares collectively make up 5% of the capital stock. Shareholders or shareholder associations may solicit other shareholders to make such a request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request made by shareholders whose Company's shares collectively make up 5% of the capital stock, a shareholders' meeting of the Company is not held in due time the competent local court (*Amtsgericht*) may authorize the shareholders who have requested it or their representatives to convene a shareholders' meeting of the Company.

Pursuant to the Articles of Association, all shareholders who have duly submitted notification of attendance and that are registered in the Company's share register are entitled to participate in the shareholders' meeting and to exercise their voting rights. The registration for participation must be received by the Company by the end of the sixth day prior to the date of the shareholders' meeting, unless a shorter period of time was set forth in the convocation of the shareholders' meeting. When calculating this period, the day of the meeting and the day of the receipt of the notice shall not be included. The shareholder's registration must be in text form or by way of other electronic means as specified by the Company in greater detail and in German or English. Voting rights may be exercised by proxy. The granting of a proxy, its revocation and the evidence of authority to be provided to the Company must be in text form unless the convening notice provides for a less strict form. The Management Board is authorized to provide that shareholders may cast their votes in writing or by electronic communication without attending the shareholders' meeting (absentee vote). The Management Board is further authorized to provide that shareholders may participate in the shareholders' meeting without being present in person at the place of the shareholders' meeting or being represented and may exercise all or specific shareholders' rights in total or in part by electronic communication (online participation).

The shareholders' meeting is chaired by the chairman of the Supervisory Board, unless the members of the Supervisory Board elect another member of the Supervisory Board or a third person as the chairman of the shareholders' meeting. The chairman may decide that topics on the agenda be dealt with in a sequence that differs from the notified sequence. He may determine type, form and sequence of voting. He is entitled to impose a suitable limit on the allowed time for shareholders to speak and ask questions.

According to the German Stock Corporation Act (*Aktiengesetz*), resolutions of fundamental importance (*grundlegende Bedeutung*) require both a majority of votes cast and a majority of at least 75% of the registered share capital represented at the vote on the resolution. Resolutions of fundamental importance include, among others:

- amendments to the business object of the Company;
- approval of contracts within the meaning of Section 179a of the German Stock Corporation Act (*Aktiengesetz*) (transfer of the entire assets of the company) and management actions of special significance that require the approval of the shareholders' meeting in compliance with legal precedents;
- capital increases, including the creation of conditional or authorized capital;
- issuance of, or authorization to issue, convertible and profit-sharing certificates and other profit-sharing rights;
- exclusion of subscription rights as part of an authorization on the use of treasury stock;
- capital reductions;
- liquidation of the company;
- continuation of the liquidated company after the resolution on liquidation or expiry of the time period;
- approval to conclude, amend or terminate affiliation agreements (*Unternehmensverträge*);
- integration of a stock corporation into another stock corporation and squeeze-out of the minority shareholders; and
- action within the meaning of the German Transformation Act (*Umwandlungsgesetz*).

Pursuant to Section 20 (2) of the Articles of Association resolutions of the shareholders' meeting are passed with a simple majority of the votes cast and, where a majority of capital is required, by a simple majority of the share capital represented at the meeting at the time the resolution is adopted, unless mandatory provisions of law or the Articles of Association stipulate otherwise.

In addition, for shareholders' meetings held in 2020 and in 2021, the before described framework is amended by the Mitigation Act. Since the German political responses to the COVID-19 Pandemic include major restrictions to public events, the Mitigation Act enables a German stock corporation (*Aktiengesellschaft*), despite any respective or contrary provisions in its articles of association, to convene the shareholders' meeting virtually or to postpone it. The Company may therefore decide that the shareholders' meeting is to be held in the course of the fiscal year.

The virtual format is possible, when

- the entire shareholders' meeting is transmitted electronically in sound and vision,
- shareholders can vote and grant power of attorney electronically,
- shareholders can ask questions by means of electronic communication, and
- the voting shareholders are given the necessary means to contest resolutions of the shareholders' meeting without being physically present.

For the course of the virtual meeting, it is at the Management Board's due and free discretion to determine in what form shareholders' questions regarding agenda items of the shareholders' meeting are to be submitted and answered. The Management Board is also allowed to determine that questions must be submitted electronically at the latest one day prior to the shareholders' meeting. Furthermore, the shareholders' right to submit motions during a virtual shareholders' meeting' can be restricted.

These Management Board decisions require consent of the Supervisory Board, which can, contrary to statutory requirements, be done in writing, by telephone or via similar channels of communication. Shareholders' rights to contest a shareholders' meeting resolutions based on certain formalities, including the convocation in electronic/virtual format (referred to above), are limited; they can only be based on intentional violations.

These statutory amendments are limited to shareholders' meetings held until the end of 2021. However, due to the uncertainty regarding the duration of the pandemic, those exceptions might be extended and apply to the following years as well.

Neither German law nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the voting rights associated therewith.

### *14.6 Corporate Governance*

The German Corporate Governance Code as amended on December 16, 2019 (the ***Code***) makes proposals concerning the management and supervision of German-listed companies. It is based on internationally and nationally recognized standards of good, responsible governance. The Code contains recommendations ("shall provisions") and suggestions ("should provisions") for corporate governance in relation to shareholders and the shareholders' meeting, the management board and the supervisory board, transparency and accounting and auditing of financial statements. Compliance with the Code's recommendations or suggestions is not obligatory. German stock corporation law only requires the management board and the supervisory board of a listed company to provide an annual statement regarding whether or not the recommendations in the Code were complied with, or explain which recommendations have not been complied with and are not being applied and the reasons underlying this non-compliance. The declaration of compliance must be publicly available on the Company's website at all times. The current version of the Code was adopted on December 16, 2019 and published in the German Federal Gazette (*Bundesanzeiger*) on March 20, 2020.

Prior to the Listing of the Company's Shares, the Company is not subject to the obligation to render a declaration as to compliance with the Code. The Company currently complies, and following the Listing of the Company's Shares intends to comply, with the recommendations of the Code except for the following:

- 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 intend to 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, members of the supervisory board of a listed company who are not a member of any management board of a listed company shall

not accept more than five supervisory board mandates in non-group listed companies or comparable functions, with an appointment as chair of the supervisory board being counted twice. One member of the Supervisory Board who holds a number of mandates that would exceed this recommendation was selected on the basis of its proven and required expertise as well as the fact that the term of one of the supervisory board mandates is expected to cease shortly.

- According to recommendation C.5 of the Code, members of the management board of a listed company shall not have, in aggregate, more than two supervisory board mandates in non-group listed companies or comparable functions, and shall not accept the chairmanship of a supervisory board in a non-group listed company. One member of the Supervisory Board who has in addition to its membership of a management board two supervisory board mandates was selected on the basis of its proven and required expertise as well as the fact that the term of one of the supervisory board mandates will cease in 2022.

### *14.7 Long-term incentive programs*

For information on the Long Term Incentive (LTI) for the Management Board members see above "*14.2.4.2.2 Long Term Incentive (LTI)*".

For information on the Long Term Incentive (LTI) for employees at senior executive level see "*9.14.2 Remuneration Structure*".

# 15. CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies which are, inter alia, members of the same group as the Company or which are in control of or controlled by the Company must be disclosed, unless they are already included as combined companies in the Company's Annual Combined Financial Statements. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

Transactions with related parties are generally restricted by Section 111a-111c of the German Stock Corporation Act (*Aktiengesetz*) and require the approval of the Supervisory Board. Members of the Supervisory Board who are involved in the transaction as related party or who are potentially subject to a conflict of interest due to their relationship with a related party may not exercise their voting rights. Transactions that are conducted with a related party in the ordinary course of business and at arms' length are not considered to be related party transactions under the law. Same goes for, inter alia, transactions with group companies and transactions which are approved by a shareholders' meeting. In principle, listed companies are required to establish a procedure to identify such related party transactions. Furthermore, related-party transactions have to be disclosed to the public if they exceed a certain threshold according to Section 111b of the German Stock Corporation Act (*Aktiengesetz*).

Set forth below is an overview of such transactions with related parties for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 as well as for the current fiscal year up to and including the date of this Prospectus. Further information, including quantitative amounts, of related party transactions are contained in the notes (note 15) to the Company's Interim Combined Financial Statements for the six months ended June 30 2021, which are included in the section "*19 Financial information*" of this Prospectus on page F-19 *et seqq.* and notes (note 36) to the Company's Annual Combined Financial Statements for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018, which are included in the section "*19 Financial information*" of this Prospectus on page F-115 *et seqq.* Business relationships between companies of the Group are not included.

## 15.1 Relationship with Continental Group

### *15.1.1 Overview*

Vitesco Technologies Group Aktiengesellschaft has been incorporated in November 2019 for the purposes of the Spin-off. Prior to the Spin-off taking effect, which is expected on September 15 2021, it is a wholly owned direct subsidiary of Continental AG. Vitesco Technologies Group Aktiengesellschaft has not conducted and will not conduct its own business or operations prior to the Spin-off. Prior to the Spin-off, the business and operations of the Vitesco Technologies Group have been conducted by Vitesco Technologies GmbH and its subsidiaries.

Prior to the Carve-Out, the business of Vitesco Technologies has been the major part of the business of the former Powertrain division (since January 1, 2020, divisions are being called business areas) of Continental Group and was by a large majority conducted by direct or indirect subsidiaries of Continental AG. The Continental Group's Powertrain business area also comprised two joint ventures (in India and South Korea) as well as a minority shareholding in Germany.

As a wholly owned (indirect) subsidiary of Continental AG, Vitesco Technologies GmbH had various business relationships with Continental Group (excluding the Group) in the past and will continue to have a – modified and reduced – relationship with the Continental Group in the future. The transactions have been and will be conducted on arm's length basis. In particular,

- Vitesco Technologies received various general services from the global corporate and cross-sector functions of the Continental Group, as well as local services, e.g. in the areas of finance, controlling, HR, legal, compliance, communications, materials management, quality, sales and marketing, business development, IT, purchasing, intellectual property management, tax, logistics and real estate management and other areas and were part of the global insurance cover of the Continental Group; in certain areas (excluding for example legal), if necessary, these services will continue for a transition period after the completion of the Spin-off while Vitesco Technologies already built up own resources for other areas. It is planned that those services will be phased out within a transition period after the completion of the Spin-off.

- Step by step, the companies belonging to the Group have been building their own cash pooling system and cash management system and have already ceased to participate in Continental Group's cash pooling system and cash management system. After the completion of the Spin-off, the Group will largely finance itself by drawing on syndicated bank facilities, for which a Facilities Agreement has already been entered into (see "*9.21.3 Financing*").
- As not all manufacturing plants of the Continental Group and the Group have been separated as part of the Carve-Out, Continental Group plants are still producing products for the Group and *vice versa* under a contract manufacturing arrangement (see "*15.1.2 Contract manufacturing*"). Therefore, the Continental Group is currently one of the most important trading partners of Vitesco Technologies in terms of sales volume. However, in the course of the further separation of the Continental Group plants and the Vitesco Technologies plants it is expected to wind down contract manufacturing in the following years (see "*15.1.2 Contract manufacturing*").
- The companies of Vitesco Technologies are currently receiving a range of R&D (and related) services from companies of the Continental Group, and *vice versa*, under a framework agreement (see "*15.1.3 Research and Development Services*").
- After completion of the Spin-off, the Continental Group and Vitesco Technologies will supply each other with products outside the scope of contract manufacturing based on framework agreements entered into between the parties on arm's length terms.

### *15.1.2 Contract manufacturing*

#### *15.1.2.1 Background*

As of the date of the Prospectus, a total of 21 manufacturing sites of the Continental Group (including Vitesco Technologies) manufacture products of the Group as well as automotive products of (other companies of) the Continental Group. As part of the Carve-Out, these "shared" manufacturing sites were legally either completely transferred to companies of Vitesco Technologies or completely retained by companies of the Continental Group. The operational separation of the production will be further progressed in the following years. As a result, it is necessary that companies of the Continental Group manufacture products for the Group and vice versa for a transitional period. As of the date of the Prospectus, products are manufactured on behalf of Vitesco Technologies at 14 locations of companies of the Continental Group, while conversely products are manufactured on behalf of companies of the Continental Group at seven locations of companies of Vitesco Technologies. The sales volume of such contract manufacturing in 2020 calculated on a cumulative basis for the companies of the Continental Group and Vitesco Technologies, totaled approximately €2.1 billion; consisting of sales generated for products manufactured and delivered by companies of Vitesco Technologies to companies of the Continental Group in the amount of €1,099.3 million and costs for products purchased by companies of Vitesco Technologies from companies of Continental Group in the amount of €1,005.3 million. The sales revenues that Continental Group and Vitesco Technologies each generate in contract manufacturing are roughly balanced. The plan is to significantly reduce the volume over the next years. The volume of contract manufacturing is expected to fall by around 50% until the end of 2023 and to be considerably reduced until 2025, inter alia as a result of the transfer of production lines from manufacturing sites of the Continental Group to manufacturing sites of the Group, and vice versa, in accordance with a pre-agreed "line transfer plan". The decline in volume is expected to be materially similar for the Continental Group and the Group until the end of 2023.

#### *15.1.2.2 Contractual set-up until the Spin-off becoming effective*

To govern their contract manufacturing relationships until the Spin-off becoming effective, Continental AG and Vitesco Technologies GmbH and their respective subsidiaries entered into a framework contract manufacturing agreement with effect as of January 1, 2019 (the ***Framework***

***Contract Manufacturing Agreement***). This Framework Contract Manufacturing Agreement contained general provisions, for example, regarding capacities, supply, dealing with delays, change processes, pricing, quality, warranties, liability, term and termination. Details on individual contract manufacturing projects (in particular with respect to the specific products, prices and quantities) were documented in so-called project agreements entered into directly between the relevant supplier and the relevant purchaser legal entities. The relationship with the direct customer (*e.g.*, OEM customers) remained legally and economically under the sole control of the purchaser of the contract manufacturing. However, the supplier was entitled to take certain containment measures to address urgent direct customer requests or to prevent damage. The Framework Contract Manufacturing Agreement provided for a detailed responsibility matrix, in which the responsibilities and risks of manufacturing were allocated between the parties. In addition to contract manufacturing, the Framework Contract Manufacturing Agreement also governed the supply of preliminary and intermediate products for further processing (***ICO Business***) between companies of the Continental Group and Vitesco Technologies.

#### *15.1.2.3 Contractual set-up following the Spin-off*

With effect as of June 30, 2021, the Framework Contract Manufacturing Agreement was terminated and replaced by a new framework contract manufacturing agreement between Continental AG and Vitesco Technologies GmbH which came into force on July 1, 2021 and which will be retroactively amended mid of September 2021 (the ***New Framework Contract Manufacturing Agreement***) and project agreements. The New Framework Contract Manufacturing Agreement is based on the Framework Contract Manufacturing Agreement but is characterized by a higher degree of regulation in comparison to the Framework Contract Manufacturing Agreement to account for the third-party manufacturing relationship as of Spin-off. In particular, the pricing model under the New Framework Contract Manufacturing Agreement is changed in order to reflect the fact that, after the Spin-off, Vitesco Technologies will no longer be part of the Continental Group so that processes in place before the Spin-off within the Continental Group, such as the annual budgeting process, can no longer be applied.

Under the New Framework Contract Manufacturing Agreement, prices are fixed for the next three years in the form of a price volume matrix under which the prices for the respective first year will be binding and the prices for the respective second and third year will be indicative. Each party of the New Framework Contract Manufacturing Agreement has the right to re-negotiate until September 30 of each year the prices for the following year. If no party requests a re-negotiation, the indicative price for the following year will become binding. If prices are re-negotiated and if no agreement on the price for the following year can be found, the price of the current year will continue to apply. In that case each party may, however, terminate the affected product groups (so-called contract manufacturing clusters) on 24 months' notice, or, if earlier, with effect as of the agreed date of transfer of the relevant production lines to the purchaser. During the notice period, the terms of the New Framework Contract Manufacturing Agreement and of the project agreements, including the last agreed product price, will continue to apply. On the basis of the price volume matrix, the prices to be paid by the respective purchaser during a year will increase or decrease depending on the volumes of products actually delivered during a contract year, with the volume equalization to take place retrospectively until March 31 of the following calendar year. In addition, to account for intra-year fluctuations in material costs (which make up a significant share of the total prices), the parties will conduct a so-called material equalization process in quarterly intervals with the effect that the purchaser will only be charged with the material prices actually incurred by the supplier. While, in each case as of the Spin-off, companies of Continental Group will need to pay invoices for contract manufacturing within 30 days from the invoice date, the companies of Vitesco Technologies are granted a payment term of 270 days from the invoice date, which will be shortened, starting in August 2023, each month by 30 days so that the final payment term will amount to 30 days. These payment terms already applied under the Framework Contract Manufacturing Agreement with effect as of April 1, 2020. In addition, individual companies of Continental Group will make advance payments in the aggregate amount of approximately USD 100 million to Vitesco Technologies with respect to contract manufacturing services to be provided and received after the Spin-off, such advance payments to be set off earliest as of January 1, 2024 by Continental Group against certain payments to be become due and payable under the framework contract manufacturing agreement onwards. All advance payments shall be offset or repaid in total latest by the end of the calendar year 2024. In the event of a termination (ordinary or for cause) of the underlying agreements and/or certain contract manufacturing clusters occur or should the actual phase out of the contract manufacturing differ from the planned volume changes, the due date for repayment of the advance payments could also occur earlier.

In contrast to the Framework Contract Manufacturing Agreement, the scope of the New Framework Contract Manufacturing Agreement does not comprise contract manufacturing for the ICO Business. When the Spin-off takes effect, the ICO Business will no longer be governed by the same terms as the contract manufacturing but will be continued on arm's length terms under separate contracts (see "*15.2 Supply and service relationship*").

### *15.1.3 Research and Development Services*

#### *15.1.3.1 Background*

Vitesco Technologies currently receives a range of R&D (and related) services from companies of the Continental Group, and *vice versa*, in particular in the following areas:

- Automotive Quality Labs.
- Development services in the field of "application specific integrated circuit (ASIC)".
- Development of prototypes.
- Development services of Continental Engineering Services GmbH (and its subsidiaries).
- Services provided by Continental Teves AG & Co. oHG and Elektrobit Automotive GmbH (through its unit Security & Privacy Competence Center (SCC)) in the field of cybersecurity standards and processes.
- Services provided by Continental Automotive Systems, Inc., Continental Automotive GmbH, Continental Automotive Guadalajara México, S. de R.L. de C.V. and Continental Automotive Components (India) Private Ltd. in the field of open source software.
- Services provided in connection with the analysis of software with regard to free and open source software components.
- Individual R&D services (including services provided by individual employees at the R&D sites of the Continental Group).

Such R&D (and related) services will continue to be provided after the Spin-off. While certain of these services (such as prototype development services and cybersecurity services) may be provided at the longest until two years after the Spin-off (whereby pending projects can be completed also after such period of two years), services which Continental Group also offers to other external customers such as services of AQL and Continental Engineering Services GmbH may be provided beyond the second anniversary of the Spin-off, to allow Vitesco Technologies and Continental Group to further separate and ramp up their own R&D resources.

#### *15.1.3.2 Contractual set-up until the Spin-off becoming effective*

For the period from the Carve-Out until the Spin-off becoming effective, the general terms of the R&D services set out above (e.g. performance standards, warranties, liability, ownership and rights of use relating to intellectual property rights established in connection with development services, change process, term and termination) are, for the most part, stipulated in a framework research and development agreement entered into between Continental AG and Vitesco Technologies GmbH and their respective subsidiaries with effect as of January 1, 2019 (the ***Framework Research and Development Agreement***) as part of the Carve-Out. Details on the individual services and projects were set forth in statements of work concluded directly between the relevant service provider and service recipient legal entities. The services are invoiced in most cases by project on an hourly basis.

#### *15.1.3.3 Contractual set-up following the Spin-off*

The Framework Research and Development Agreement was terminated by the parties by mutual agreement prior to the Spin-off with effect as of June 30, 2021 and was replaced by a new framework agreement which came into effect on July 1, 2021 between Continental AG and Vitesco Technologies GmbH (the ***New Framework Research and Development Agreement***). The New Framework Research and Development Agreement will remain valid after the Spin-off takes effect until termination or expiration of the last statement of work concluded thereunder. It is currently envisaged that the provision of most of the services will be terminated at the latest by the end of 2025, with the proviso that individual projects may be continued, if legally permissible, for a longer time. The services provided by Continental Engineering Services GmbH are intended to be available for an indefinite term, provided that each party is entitled to terminate these services without cause with twelve months' prior notice. The New Framework Research and Development Agreement is based on the Framework Research and Development Agreement but is characterized by a higher degree of regulation in comparison to the Framework Research and Development Agreement to account for the third-party relationship as of Spin-off. Changes concern notably the pricing: while, under the Framework Research and Development Agreement, prices (in particular, hourly rates) are determined as part of the budgeting process within the Continental Group (and are subject to certain adjustments during the course of the year), under the New Framework Research and Development Agreement, prices are in most areas agreed as hourly rates, provided that also fixed prices may be agreed for certain packages of work. The applicable hourly rates for the calendar years 2021 to 2025 are set out for each category of service specified above in separate price lists which are attached to the New Framework Research and Development Agreement. For those services which may be provided beyond the end of 2025, the hourly rates shall, depending on the respective service, be adjusted either in good faith or automatically increase by a certain percentage each year starting 2026.

In addition, apart from the overarching general terms of the New Framework Research and Development Agreement, special terms and conditions for each category of services specified above were agreed (the ***Additional General Terms and Conditions***) as integral part of the New Framework Research and Development Agreement. Some of these Additional General Terms and Conditions contain detailed provisions regarding requirements planning and capacity planning in the respective areas, partly also for keeping capacity available. Depending on its actual service demands, the respective service recipient may then submit separate service orders specifying e.g. the services, specifications and timelines. If and to the extent the parties have mutually agreed capacity plans and forecasts for a certain category of service pursuant to the applicable Additional General Terms and Conditions, and the aggregate amount of service hours actually ordered by the service recipient during a calendar year falls below a certain threshold (in principal between 90 to 95%) of the service hours agreed in the mutually aligned forecasts, the service recipient is required to make annual idle cost compensation payments.

For specific areas, it is currently intended that separate agreements outside the New Framework Research and Development Agreement will be concluded on the basis of the terms currently applied in relationships with external customers. For software services provided by Elektrobit Automotive GmbH (and its subsidiaries)) a frame software license agreement for embedded software and the respective software license sourcing agreement has already been concluded.

### *15.1.4 Joint Research and Development Projects*

To the extent permitted under competition law, Continental Group and Vitesco Technologies will continue to implement certain joint R&D projects outside the scope of the New Framework Research and Development Agreement after the Spin-off has taken effect (i.e. projects which do not comprise paid R&D services but in which each party performs a meaningful part of the agreed R&D activities and pursues its own business interest in the project results). For this purpose, relevant companies of Continental Group and Vitesco Technologies will on a case-by-case basis and subject to individual clearance from a competition law perspective enter into separate joint project agreements (***Joint R&D Project Agreements***) which are expected to contain at arm's length terms regarding the project schedule, responsibilities of each party, as well as ownership and rights of use relating to intellectual property rights established in connection with the project.

### *15.1.5 General Services*

#### *15.1.5.1 Background*

After the Carve-Out, Vitesco Technologies has continued to receive various general services from the global corporate and cross-sector functions of the Continental Group, as well as local services, e.g. in the areas of finance, controlling, HR, legal, compliance, communications, materials management, quality, sales and marketing, business development, IT, purchasing, intellectual property management, tax, logistics and real estate management. The relevant companies of the

Continental Group have received some of these services from third parties (e.g. external IT services) and passed them on to Vitesco Technologies. Conversely, certain functions of Vitesco Technologies have provided general services to companies of Continental Group after the Carve-Out.

The respective service functions of Vitesco Technologies and Continental Group have – to the widest possible extent – been separated by the end of 2020. Accordingly, the scope of general services being provided from Continental Group to Vitesco Technologies and *vice versa* has already been reduced by that time and continues to be further reduced during the year 2021. According to current planning, to the extent still required by Vitesco Technologies and Continental Group, respectively, and permitted by applicable laws (in particular antitrust laws) certain general services will continue to be provided after the Spin-off for a period of up to two years to allow Vitesco Technologies and Continental Group to further separate and ramp up their own functions in the interim.

#### *15.1.5.2 Contractual set-up until the Spin-off becoming effective*

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

#### *15.1.5.3 Contractual set-up following the Spin-off*

With effect as of January 1, 2021, the Transitional General Services Agreement as of January 1, 2019 was terminated and a new transitional general services agreement was entered into with effect as of January 1, 2021 between Continental AG and Vitesco Technologies GmbH (the ***New Transitional General Services Agreement***). With the aim to separate the service functions to the widest possible extent until the Spin-off becoming effective and due to legal, tax, antitrust or compliance related restrictions, the scope of general services to be provided under the New Transitional General Services Agreement after the Spin-off has been significantly reduced compared to the scope of general services provided under the former Transitional General Services Agreement. With respect to services which are still required after the Spin-off takes effect and the provision of which is permitted by law and for tax purposes, specific statements of work have been concluded under the New Transitional General Services Agreement at arm's length conditions between the relevant provider and service recipient legal entities. Such statements of work describe for each service the respective service scope and set out the agreed prices and the duration of the service which may be individually adjusted. However, the general services will in maximum be provided for a period of two years from the date on which the Spin-off takes effect in order to achieve a complete independence of Vitesco Technologies as soon as possible. By mid of August 2021, 101 statements of work had been concluded under the New Transitional General Services Agreement, of which 36 statements of work have a duration which will end only after the Spin-off takes effect.

### *15.1.6 Measures regarding the financing of Vitesco Technologies*

Until the completion of the Spin-off, Vitesco Technologies GmbH and its subsidiaries were largely financed by Continental Group through equity, loans, and central financing, and invested excess liquidity with Continental AG or its subsidiaries. This encompasses, in addition to participating in the cash pooling of the Continental Group, among other things, short-term loans and cash deposits. In addition, Vitesco Technologies participates in the currency hedging transactions of the Continental Group. Furthermore, the Continental Group has provided guarantees or other types of collateral for Vitesco Technologies. In 2020, the step-by-step separation of Vitesco Technologies from the financial structures of the Continental Group began and is scheduled to be completed by the time when the Spin-off takes effect. It included, among other things, setting up Vitesco Technologies' own treasury organization, cash pooling systems and cash management systems as well as arranging the Facilities Agreement.

Various measures have already been taken to prepare the process of making Vitesco Technologies financially independent by the time the Spin-off enters into effect. The participation of Vitesco Technologies in the cash pooling and other cash management of the Continental Group has been terminated. Therefore, an own cash pooling and cash management has been established within the Vitesco Technologies Group.

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

The Continental Group or banks mandated by the Continental Group have provided guarantees and sureties for the benefit of Vitesco Technologies' banks and other partners or authorities in order to secure the performance of contractual obligations of Vitesco Technologies in an aggregate mid-double digit million euro volume. For guarantees granted by Continental AG for the benefit of customers, please see "*15.2.2 Obligation to assume liability for the benefit of customers and internal indemnification agreement*".

As far as practicable, the Vitesco Technologies Group and Continental AG have procured a discharge of this collateral prior to or as of the Spin-off becoming effective.

It is planned that, from the time the Spin-off takes effect, (i) Vitesco Technologies Group Aktiengesellschaft will fully indemnify the relevant companies of the Continental Group from and against any claims and any costs arising in this connection and (ii) Vitesco Technologies will pay an arm's length security fee to Continental AG for any collateral provided by Continental AG beyond the time the Spin-off takes effect.

### *15.1.7 Purchasing Cooperation*

It is expected that the Spin-off will have effects on purchasing both at the level of the Continental Group and at the level of the Vitesco Technologies Group. To the extent permitted under antitrust law, the plan is to agree on a selective purchasing cooperation between the Continental Group and Vitesco Technologies after the Spin-off. This purchasing cooperation would, in particular, seek to agree common terms and conditions for shared suppliers. In addition, it is envisaged to also evaluate a purchasing cooperation together with Schaeffler Group after the Spin-off. However, the purchasing organizations are intended to be completely separated in organizational terms.

### *15.1.8 Intellectual Property Rights (Technology)*

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

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

### *15.1.9 Intellectual Property Rights (Trademarks)*

On the occasion of the Carve-Out, Vitesco Technologies created its own name and corporate identity with "Vitesco Technologies". The worldwide roll-out started in 2019. While Vitesco Technologies has continued to use the name "Continental" and logos of the Continental Group (e.g. on product packages or on tools) on the basis of a license agreement dated January 1, 2019 between Vitesco Technologies GmbH on the one hand and Continental Reifen Deutschland GmbH (as owner of the

"Continental" trademarks) and Continental AG (as owner of the "Continental" internet domain) on the other hand, it intends to cease such use as soon as possible. Due to the fact that the rebranding required for such purpose (especially the change of tools used for applying the "Continental" trademarks on products during the production process) is very time-consuming and costly, Continental Reifen Deutschland GmbH, Continental AG (as owner of the "Continental" internet domain) and Vitesco Technologies GmbH entered into an amendment to the existing license agreement with effect as of January 1, 2021, under which certain transition and grace periods are granted to Vitesco Technologies. Under the terms of the amended license agreement which has replaced the existing license agreement, the gradual change of tools shall be completed at the latest by the end of 2030 and the gradual change of reusable packaging shall be completed at the latest by the end of 2025. A further trademark license agreement on materially the same terms has been entered between Vitesco Technologies GmbH on the one hand and Continental Automotive GmbH on the other hand with regard to the trademarks "VDO" and "Temic".

#### *15.1.10 Lease Agreements*

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

#### *15.1.11 Spin-off and Transfer Agreement*

The Spin-off and Transfer Agreement was entered into by Continental AG and the Company on March 18, 2021.

Pursuant to the Spin-off and Transfer Agreement, and with retroactive economic effect as of January 1, 2021, 0:00 hrs, Continental AG transfers its entire limited partnership interest in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG with a registered liability amount of €25,000 and in Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG with a registered liability amount of €10,000 as well as its entire shareholding in Vitesco Technologies 1. Verwaltungs GmbH, consisting of one share with a nominal value of €25,000, and in Vitesco Technologies 2. Verwaltungs GmbH, consisting of one share with a nominal value of €25,000 (all four together the ***Transferred Equity Interests***), to the Company by way of spin-off by absorption *(Abspaltung zur Aufnahme)* pursuant to Section 123 (2) no. 1 German Transformation Act (*Umwandlungsgesetz*).

The shareholders of Continental AG will receive shares in the Company for the Spin-off on a pro rata basis according to their shareholding in Continental AG. For every five shares held in Continental AG, the shareholders will receive one share in the Company. For this purpose, a capital increase will be conducted so that the share capital of the Company will be increased by €100,002,990 to €100,052,990 against contribution in kind of the Transferred Equity Interests listed above. A total of 40,001,196 registered shares (*auf den Namen lautende Aktien*) of the Company with no-par value (*Stückaktien*) will be issued to the shareholders of Continental AG. These are new shares of the Company created by the capital increase. Deutsche Bank, as trustee, will receive these new shares to be issued by the Company and will deliver them to the shareholders of Continental AG. These new shares to be issued by the Company are entitled to participate in profits from January 1, 2021.

The Spin-off will become effective upon registration in the commercial register of Continental AG. The date of the Spin-off becoming effective thus differs from the retroactive economic effect of the Spin-off as of January 1, 2021, 0:00 hrs.

If and to the extent that a party is held liable by creditors on the basis of the provisions of Section 133 German Transformation Act (*Umwandlungsgesetz*) or other provisions for liabilities, obligations or contingent liabilities which should be borne by the respective other party in accordance with the provisions of the Spin-off and Transfer Agreement, the respective party shall indemnify the other party against the liability, obligation or contingent liability on first demand. The same shall apply if a claim is made against one party by such creditors for the provision of a security.

Continental AG warrants to the Company that it is the owner of the Transferred Equity Interests as of the Spin-off taking effect, that it may freely dispose of them and that the Transferred Equity Interests are not encumbered with any rights of third parties. Any further claims, rights and warranties with respect to the Transferred Equity Interests are excluded to the extent legally permissible.

Continental AG and the Company undertake to make all declarations and take all actions necessary or expedient to achieve the Spin-off becoming effective and the Shares of the Company being admitted to trading on the stock exchange.

To the extent that the value at which the contribution in kind provided by Continental AG, i.e. the book value of the Transferred Equity Interests under commercial law as of January 1, 2021, 0:00 hrs, exceeds the amount of the capital increase of the Company, this amount will be transferred to the capital reserve of the Company pursuant to Section 272 (2) no. 4 German Commercial Code (*Handelsgesetzbuch*).

The costs of the respective general shareholders' meeting and the costs of the respective application for and registration in the respective commercial register shall be borne by Continental AG and the Company, respectively. Continental AG and the Company shall each bear half of the costs of the joint spin-off report, the spin-off audit, the audit of the capital increase against contribution in kind and the post-formation audit. The costs of the planned Listing and the related costs for advisors (including lawyers and auditors), banks and other service providers shall be borne by the Company alone if and to the extent they are incurred after October 22, 2019. The obligation of the Company to bear the costs shall only arise as of the Spin-off taking effect. The costs attributable to the Company as of the Spin-off taking effect will initially be paid by Continental AG and will be reimbursed by the Company to Continental AG after the Spin-off takes effect and after invoicing by Continental AG.

The Spin-off and Transfer Agreement has been approved by respective general shareholders' meetings of the Company on March 23, 2021 and Continental AG on April 29, 2021.

Together with the Spin-off and Transfer Agreement, a Group Separation Agreement was concluded between the Company, Vitesco Technologies GmbH and Continental AG as an annex to the Spin-off and Transfer Agreement, in which the legal relationships between the parties and the respective group companies are governed (see "*15.1.12 Group Separation Agreement*").

#### *15.1.12 Group Separation Agreement*

When the Spin-off takes effect, the Continental Group will no longer hold any participations in Vitesco Technologies. However, due to their shared history, there are some thematic fields in which the parties need to cooperate and reach agreements after the Spin-off. These are agreed in a group separation agreement entered into on March 18, 2021 (the ***Group Separation Agreement***) between the Company, Vitesco Technologies GmbH and Continental AG.

The Group Separation Agreement contains provisions for ensuring the continuation of the former Powertrain business area and regarding collateral, insurance payments and third-party losses as well as the settlement of financial liabilities and trade acounts receivable. Therefore, the allocation of assets, rights and obligations as well as a mechanism for the adjustment of the allocation is stated. It also deals with the discharge of cross-collateral and insurance payments, compensation for third-party losses and mutual indemnification. Under the Group Separation Agreement, the parties also agree that the indemnity obligations agreed in the course of the Carve-Out continue to apply. In case no such obligations have been agreed in the course of the Carve-Out, the Company and its subsidiaries are, in principle, obliged to indemnify and hold harmless Continental AG and its subsidiaries (excluding the Group) from any claims (and costs in connection with such claims) which relate to the business operations of the Group prior to the Spin-off becoming effective. This also applies vice versa for any claims which relate to the business for Continental AG and its subsidiaries (excluding the Group). The Group Separation Agreement also contains certain provisions with regard to the investigations currently conducted by the public prosecutor's offices in Hanover and Frankfurt am Main in connection with allegedly illegal defeat devices in diesel engines (see "*1.5.2 Vitesco Technologies may be obliged to pay significant compensation and may incur significant costs in connection with investigations related to the alleged use of illegal defeat devices in diesel engines*"). In particular, the Group Separation Agreement contains the obligation of the parties to take all actions that are necessary or appropriate to enable the implementation of the Spin-off, the completion of the Carve-Out and the subsequent Listing of Vitesco Technologies Group Aktiengesellschaft and to cooperate in certain matters which refer to the joint history of the parties until the completion of the Spin-off. The obligations are in particular specified regarding the surrender of documents and migration of data, the rights to inspection, access to data and retention periods, the duplication of shared contracts, the cooperation in acquisition or divestment project, the cooperation in administrative and legal proceedings or internal investigations which, in each case, concern the business of the Continental Group or Vitesco Technologies, as the case may be, and relate to periods prior to the Spin-off (including the investigations currently conducted by the public prosecutor's offices in Hanover and Frankfurt am Main in connection with allegedly illegal defeat devices in diesel engines) and such agreed cooperation includes provisions regarding the cooperation with authorities in the investigation as well as in case of a potential termination of administrative and legal proceedings, as well as the supply of semiconductors in 2021 and 2022. The allocation of taxes incurred as a result of the Spin-off is also agreed in this Group Separation Agreement.

#### *15.1.13 Terminated Joint Venture in South Korea*

The activities attributable to Vitesco Technologies and further business activities of the Continental Group in South Korea were combined in a joint venture with a South Korean partner. In connection with the Carve-Out, Vitesco Technologies assumed 100% of the shares in Vitesco Technologies Korea and the Carve-Out in South Korea has been fully completed since January 1, 2021. For further detail, please see "*3.1 The Carve-Out*".

### 15.2 Supply and Service Relationship

#### *15.2.1 Supply relationship with respect to ICO Business*

After the completion of the Spin-off, the Continental Group and Vitesco Technologies will supply each other with products for the ICO Business outside the scope of contract manufacturing and the SSC at arm's length terms based on a separate framework delivery agreement between Continental AG and Vitesco Technologies GmbH effective as of July 1, 2021 (the ***Framework Delivery Agreement***).

The Framework Delivery Agreement is meant to capture only supplies of products for the ICO Business which have been provided between the parties already before the Spin-off. The sales volume of such continued supply of existing products for the ICO Business, calculated on a cumulative basis for the companies of the Continental Group and Vitesco Technologies, is expected to amount to approximately €155 million in total, whereby deliveries from Vitesco Technologies to Continental Group will dominate, covering a sales volume of around €150 million overall. If in the future, the parties wish to extend their supply relationship to new products for the ICO Business which were not yet supplied by the other party before the Spin-off (which is currently, however, not expected), the Continental Group and Vitesco Technologies would need to agree on a separate framework agreement to govern such supply.

The Framework Delivery Agreement for the supply for the existing ICO Business sets out the general terms governing the reciprocal supply relationship with respect to the ICO Business, containing provisions in particular with respect to forecasting, pricing, delivery and payment terms, warranties and liability, intellectual property rights, confidentiality and term and termination. Under the Framework Delivery Agreement the respective purchaser shall provide the respective supplier on an annual basis with a non-binding forecast of its product requirements. The respective supplier is required to reserve a production capacity to fulfil 1.2 times the forecasted volumes of the so-called base line and, in addition, guarantees a certain weekly production capacity. While the supplier warrants that the delivered products for the ICO Business in particular meet the specifications provided by the purchaser and are fit for the purpose agreed between the parties, the supplier's liability in case of a breach of warranty is subject to certain liability limitations. The Framework Delivery Agreement incorporates the "Global Supply Chain Concept" (similar to the concept being part of the New Framework Contract Manufacturing Agreement) which contains detailed provisions on the forecasting mechanism and other operational processes to be followed by the parties. Quality standards and processes with respect the products are defined in a separate general quality agreement which is attached to the Framework Delivery Agreement.

On the basis of the Framework Delivery Agreement, the parties may conclude separate individual agreements that incorporate the terms of the Framework Delivery Agreement and set out the commercial details of each delivery of products for the ICO Business (in particular prices, volumes, specifications and delivery terms). Prices shall be based on a price volume matrix which defines prices within a certain volume ranges along a certain base line of volumes the purchaser expects to order for several years. On the basis of the price volume matrix, the prices to be paid by the respective purchaser during a year will increase or decrease depending on the volumes of products actually delivered during a contract year, with the volume equalization to take place retroactively latest until the end of February of the following calendar year. With respect to the product prices, a payment term of 30 days after receipt of the respective invoice applies, payments for serial tooling, if any, shall be made in pre-defined time intervals (i.e. after prototype delivery and after serial production release). The Framework Delivery Agreement shall remain in force until the last individual agreement has expired. Individual agreements may only be terminated by the parties after good faith negotiations considering the long-term delivery obligations for OEM products. In case of a termination, the parties shall agree on a cost settlement on all costs which are directly linked to the termination of the individual agreement.

#### *15.2.2 Obligation to assume liability for the benefit of customers and internal indemnification agreement*

As part of the Carve-Out, Vitesco Technologies assumed from Continental Group those customer contracts which relate to the business of Vitesco Technologies. After the Carve-Out, customers continued to place orders with companies of the Continental Group which relate to the business of Vitesco Technologies. These orders must also be transferred to the relevant company of Vitesco Technologies. However, in relation to the customers the assumption of the relevant contracts and the respective rights and obligations thereunder by Vitesco Technologies will take effect only with the respective customers' consent. Some customers made this consent conditional on Continental AG assuming liability for the performance of the contractual obligations under the contracts assumed by the relevant company of Vitesco Technologies. In the light of this, Continental AG undertakes vis-à-vis such customers to assume liability for claims to which the customers may be entitled as a result of a breach of contractual obligations by the relevant company of Vitesco Technologies. This obligation to assume liability is limited in time and only covers secondary claims of the relevant customer against the relevant company of Vitesco Technologies (including but not limited to claims for damages). Primary claims, such as claims for the performance of the contract, are not covered. In the event that claims are asserted against Continental AG under this obligation to assume liability, Vitesco Technologies Group Aktiengesellschaft will indemnify Continental AG in accordance with the terms of the Group Separation Agreement. Furthermore, the Company will pay an arm's length fee for Continental AG's obligation to assume liability vis-à-vis the relevant customers.

### 15.3 Relationship with Schaeffler Group

The ultimate parent company of Schaeffler Group is INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany. In the fiscal years 2018 to 2020, Continental AG was a dependent company of INA-Holding Schaeffler GmbH & Co. KG as defined under Section 312 of the German Stock Corporation Act (*Aktiengesetz*). The income from ordinary business activities with Schaeffler Group companies is attributable solely to sale of products and services. The transactions were conducted on an arm's length basis. Accounts receivable and payable from ordinary business transactions with Schaeffler Group companies are solely related to the sale and purchase of products and services. For further information, see the notes (note 15) to the Company's Interim Combined Financial Statements for the six months ended June 30 2021, which are included in the section "*19 Financial information*" of this Prospectus on page F-19 *et seqq.* and the notes (note 36) to the Company's Annual Combined Financial Statements, which are included in the section "*19 Financial information*" of this Prospectus on page F-115 *et seqq*.

In addition, it is envisaged to evaluate a purchasing cooperation together with Schaeffler Group after the Spin-off.

### 15.4 Relationship with the Continental Group and the Schaeffler Group in the past

Vitesco Technologies received various services from the Continental Group and entered into various transaction with the Continental Group and the Schaeffler Group in the past, as set out above. Income, expenses, accounts receivable and accounts payable from transactions with the Continental Group and Schaeffler Group in the fiscal years 2020, 2019 and 2018 as well as for the six months ended June 30, 2021 and June 30, 2020 are set forth in the following tables.

Income as well expenses vis-à-vis the Continental Group and the Schaeffler Group in the fiscal years 2020, 2019 and 2018 are set out in the following table:

| | Income Fiscal Year ended December 31, | | | Expenses Fiscal Year ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
| | (Audited, unless otherwise noted) (€ million) | | | | | |
| **Continental Group** | | | | | | |
| Ordinary business activities | 1,359.4 | 1,759.5 | 1,243.3 | 1,117.9(*) | 1,419.5(*) | 1,401.2 |
| Leasing | 0.8 | 0.4 | — | 1.3 | 5.4 | — |
| Financing | 18.1 | 32.6 | 10.5 | 17.4 | 39.7 | 10.0 |
| Other | 1.7 | 0.6 | 10.7 | 2.9 | 1.6 | 0.2 |
| **Schaeffler Group** | | | | | | |
| Ordinary business activities | 16.0 | 5.1 | 17.5 | — | — | — |
| **Total** | **1,396.0** | **1,798.2** | **1,282.0** | **1,139.5(*)** | **1,466.2(*)** | **1,411.4** |

(*) Unaudited figures.

Accounts receivable as well as accounts payable vis-à-vis the Continental Group and the Schaeffler Group as of December 31, 2020, 2019 and 2018 are set out in the following table:

| | Accounts receivable As of December 31, | | | Accounts payable As of December 31, | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
| | (Audited, unless otherwise noted) (€ million) | | | | | |
| **Continental Group** | | | | | | |
| Ordinary business activities | 836.6 | 708.2 | 157.1 | 942.0 | 621.1 | 152.5 |
| Leasing | — | — | — | 104.4 | 125.5 | — |
| Financing | 1,026.2(*) | 1,747.0 | 2,705.2 | 619.7(*) | 816.1 | 858.6 |
| Other | — | — | — | — | — | — |
| **Schaeffler Group** | | | | | | |
| Ordinary business activities | 10.3 | 0.8 | 10.9 | 2.9 | 1.9 | 2.6 |
| **Total** | **1,873.1(*)** | **2,456.0** | **2,873.2** | **1,669.0(*)** | **1,564.6** | **1,013.7** |

(*) Unaudited figures.

Income and expenses vis-à-vis the Continental Group and the Schaeffler Group in the six months ended June 30, 2021 and 2020 as well as accounts receivable and accounts payable vis-à-vis the Continental Group as of June 30, 2021 are set out in the following table:

| | Income Six Months ended June 30, | | Expenses Six Months ended June 30, | | Accounts receivable As of June 30, | Accounts payable As of June 30, |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2021 |
| | (Unaudited) (€ million) | | | | | |
| **Continental Group** | | | | | | |
| Ordinary business activities | 786.1 | 610.0 | 624.1 | 508.4 | 432.5 | 848.5 |
| Leasing | 0.3 | 0.3 | 0.5 | 0.6 | — | 88.3 |
| Financing | 4.8 | 10.2 | 14.8 | 24.4 | 765.9 | 924.7 |
| Other | — | 1.2 | — | 2.0 | — | — |
| **Schaeffler Group** | | | | | | |
| Ordinary business activities | 17.4 | 3.9 | — | — | 10.3 | 3.1 |
| **Total** | **808.6** | **625.6** | **639.4** | **535.4** | **1,208.7** | **1,864.6** |

For further information of related party transactions please see the notes (note 36) to the Company's Annual Combined Financial Statements for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 and the notes (note 15) to the Company's Interim Combined Financial Statements for the six months ended June 30 2021, which are included in the section "*19 Financial information*" of this Prospectus on page F-19 *et seqq.*

### 15.5 Relationships with Members of the Management Board and the Supervisory Board

For an overview regarding the compensation, shareholding and share-based compensation of the members of the Management Board and the Supervisory Board, see "*14.2 Management Board*" and "*14.3 Supervisory Board*", as well as the notes (note 15) to the Company's Interim Combined Financial Statements for the six months ended June 30 2021, which are included in the section "*19 Financial information*" of this Prospectus on page F-19 *et seqq.* and notes (note 36) to the Company's Annual Combined Financial Statements for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018, which are included in the section "*19 Financial information*" of this Prospectus on page F-115 *et seqq*.

# 16. WARNING ON TAX CONSEQUENCES

Income received from the Shares is subject to taxation. In particular, the tax laws of any jurisdiction with authority to impose taxes on the investor and the tax laws of the Company's state of incorporation, statutory seat and place of effective management, i.e., Germany, might have an impact on the income received from the Shares.

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares by a shareholder (an individual, a partnership or corporation) who has its tax domicile in Germany (that is, whose place of residence, habitual abode, registered office, place of management or other kind of permanent establishment is located inside Germany). In addition, the following section sets out the key German tax principles for the shareholders of the Company that arise in connection with the Spin-off.

The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for investors. In particular, this overview does not provide any comprehensive overview on tax considerations which may be relevant to a shareholder who is tax resident in a jurisdiction other than Germany. The information is based on the tax laws in force in Germany as of the date of the Prospectus (and their interpretation by administrative directives and courts) as well as standard provisions of conventions for avoidance of double taxation that Germany has concluded with other countries. Tax law can change, sometimes with retroactive effect. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot provide any substitute for tailored tax advice to individual potential investors. Potential investors are therefore advised to consult their tax advisors regarding the individual tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a potential reimbursement of paid German withholding tax (*Kapitalertragsteuer*). Only such advisors are able to take the specific tax relevant circumstances of individual investors into due account.

## 16.1 Taxation of the Company

The Company's taxable income, whether distributed or retained, is generally subject to German corporate income tax (*Körperschaftsteuer*) at a uniform rate of 15% plus the solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon, resulting in a total statutory tax rate of 15.825%.

Dividends and other shares in profits (***Dividends***) which the Company receives from significant investments in domestic and foreign corporations are generally exempted from corporate income tax; however, 5% of such income are deemed to be a non-deductible business expense and are thus subject to corporate income tax plus solidarity surcharge thereon, i.e., 95% of this type of income is effectively exempt from such taxation. The same applies generally to capital gains earned by the Company from the sale of shares in another domestic or foreign corporation. Losses incurred from the disposal of such shares are not deductible for tax purposes, regardless of the percentage of shares held. Different rules apply to Dividends earned on direct shareholdings in a distributing domestic or foreign corporation equal to less than 10% of its share capital at the start of the respective calendar year (***Portfolio Dividends***). Portfolio Dividends are fully taxed at the corporate income tax rate (plus solidarity surcharge thereon). The acquisition of a shareholding of at least 10% is deemed to have occurred at the beginning of the calendar year.

Participations in the share capital of other corporations which the Company holds through partnerships, including co-entrepreneurships (*Mitunternehmerschaften*), are attributable to the Company only on a pro rata basis at the ratio of the interest share of the Company in the assets of the relevant partnership.

In addition, the Company is subject to trade tax (*Gewerbesteuer*) with respect to its taxable trade profits (*Gewerbeertrag*) from its permanent establishments in Germany (*inländische Betriebstätten*). Trade tax may range between the statutory minimum rate of 7% and 19% or higher depending on the municipal trade tax multiplier applied by the relevant municipal authorities (*Hebesatz*) in which the Company maintains its domestic permanent establishments. The average trade tax rate in Germany amounts to approximately 15% but the effective trade tax rate applying to the Company might be lower or higher and can be subject to changes in the future. Trade tax is not deductible as business expense, when determining the income of the corporation subject to corporate income tax.

For trade tax purposes, Dividends received from domestic and foreign corporations and capital gains from the sale of shares in other corporations are treated in principle in the same manner as for corporate income tax purposes. However, Dividends received from domestic and foreign corporations are effectively 95% exempt from trade tax only if, among other requirements, the company which is receiving the Dividends held a stake of at least 15% in the share capital of the distributing corporation at the beginning of the relevant assessment period.

The provisions of the interest barrier (*Zinsschranke*) restrict the extent of interest expenses which are tax deductible. Under these rules, net interest expense (the interest expense minus the interest income in a fiscal year) is generally only deductible up to 30% of the EBITDA as determined for tax purposes (taxable earnings particularly adjusted for interest costs, interest income, and certain depreciation and amortization) in a given fiscal year. However, there are certain exceptions to these restrictions. The interest barrier rules do not apply in a given year (i) if the annual net interest expense is less than €3 million, (ii) if the respective entity is not or only partially part of a consolidated group, or (iii) if the respective entity is part of a consolidated group but its equity ratio is not more than 2%-points below the equity ratio of the consolidated group. For the eligibility of exemption (ii), the entity must prove that it did not pay more than 10% of the net interest expense to shareholders with a (direct or indirect) shareholding in the entity of more than 25% or to an associated person. For the eligibility of exemption (iii), the entity must prove that the entity itself and any other company of the consolidated group did not pay more than 10% of the net interest expense to shareholders with a (direct or indirect) shareholding in a group company of more than 25% or to an associated person. Interest expense that is not deductible in a given year may be carried forward to subsequent fiscal years of the Company (interest carryforward) and will increase the interest expense in those subsequent years. Under certain conditions, EBITDA that has not been fully utilized can also be carried forward to subsequent years (EBITDA carryforward) up to five years.

For the purpose of trade tax, however, the deductibility of interest expenses is further restricted to the extent that the sum of certain trade taxable add back items exceeds €200,000. In such cases 25% of the interest expenses, to the extent they were deducted for corporate income tax purposes, are added back for purposes of the trade tax base; consequently, the deductibility for trade tax purposes is limited to 75% of the interest expenses deductible for corporate income tax purposes. The constitutionality of the interest barrier is currently under review by the Federal Constitutional Court (*Bundesverfassungsgericht*).

Losses of the Company can be carried forward in subsequent assessment periods and used to offset taxable income for corporate income tax and trade tax purposes up to a maximum amount of €1 million without restriction. If the taxable income for the year or taxable profit subject to trade taxation exceeds this amount, only up to 60% of the amount exceeding €1 million may be directly offset by tax loss carryforwards. The remaining 40% are subject to taxation (minimum taxation). In addition, tax losses are allowed to carryback, in general limited to an amount up to €1 million (up to €10 million for losses of the fiscal years 2020 and 2021) to the previous assessment period with regards to corporate income tax. Unused tax loss carryforwards can generally continue to be carried forward without time limitation.

If more than 50% of the subscribed capital or voting rights of the Company are directly or indirectly transferred to an acquirer (including parties related to the acquirer) within five years or a comparable acquisition occurs, all tax loss carryforwards and interest carryforwards (possibly also EBITDA carry-forwards) are, generally, forfeited and cannot be offset against future profits any more. A group of acquirers with aligned interests is also considered to be an acquirer for these purposes. In addition, any losses in the current assessment period incurred prior to the acquisition date can, generally, not be offset with positive income incurred after the acquisition date. Such restrictions do not apply to share transfers if (i) the purchaser directly or indirectly holds a participation of 100% in the transferring entity, (ii) the seller indirectly or directly holds a participation of 100% in the receiving entity, or (iii) the same natural or legal person or commercial partnership directly or indirectly holds a participation of 100% in the transferring and the receiving entity (*Konzernklausel*, the ***Intra-Group Clause***). Furthermore, tax loss carryforwards, unused current losses and interest carryforwards taxable in Germany will not forfeit to the extent that they are covered by built in gains taxable in Germany at the date of such acquisition (*Stille-Reserven-Klausel*, the ***Hidden-Reserves Clause***). Further, any share transfer that would otherwise be subject to the rules above does not result upon application in forfeiture of tax loss carryforwards and interest carryforwards resulting from current business operations (*Geschäftsbetrieb*) of the Company, if the current business operations of the Company remained the same (i) from the time of its establishment; or (ii) during the last three business years prior to the share transfer and such business operations are maintained after the transfer (*fortführungsgebundener Verlustvortrag,* ***Going Concern Tax Loss Carry Forward***). The determination of whether the business operations have been maintained is assessed on the basis of qualitative factors, such as the produced goods and services, target markets, customer and supplier bases, etc. However, the tax loss carryforwards and interest carryforwards will be forfeited in any circumstance if, after the share transfer, the business operations of the Company become dormant, are amended, the Company becomes a partner in a co-entrepreneurship (*Mitunternehmerschaft*), the Company becomes a parent of a fiscal unity, or assets are transferred from the Company and recognized at a value lower than the fair market value. This requirement is monitored until the retained tax loss carryforwards and interest carryforwards have been fully utilized. The question whether the loss forfeiture rules infringe the German Constitution is currently under review by the Federal Constitution Court (*Bundesverfassungsgericht*).

## 16.2 Taxation of the shareholders

Shareholders are taxed in particular in connection with the Spin-off (tax implications of the Spin-off, 16.2.1 below), the holding of shares (taxation of dividends, 16.2.2 below), upon the sale of shares (taxation of capital gains, 16.2.3 below) and the gratuitous transfer of shares (inheritance and gift tax, 16.2.5 below).

### *16.2.1 Tax implications of the Spin-off*

#### *16.2.1.1 Tax implications for shareholders with a tax residence in Germany*

For shareholders with a tax residence in Germany, the tax implications of the Spin-off depend on whether the Shares in the Company are held as non-business assets or business assets.

##### *16.2.1.1.1 Shares held as private assets*

For shareholders whose shares in Continental AG are held as private assets, the Spin-off does not constitute a disposal of their Continental AG shares for tax purposes and no taxable capital gain is being realized if (i) the shareholder does not have a Qualified Participation (see below "*16.2.2.2.1 Individuals who hold the shares as private assets*") in the Continental AG and (ii) the right of Germany is not excluded or limited regarding the taxation of profits from the disposal of shares in the Company (*steuerneutraler Aktientausch,* ***Tax Neutral Share Exchange***).

In case of a Tax Neutral Share Exchange, the Company shares granted to the shareholders at the time of the Spin-off proportionately replace the Continental AG shares for tax purposes and, hence, the tax characteristics of the Continental AG shares (for example holding periods) are transferred to the newly granted Company shares (*Fußstapfentheorie,* ***Footstep Theory***). As a consequence, the Spin-off does not lead to a realization of capital gains and no withholding tax is to be withheld or paid. Any expenses economically related to the Spin-off are non-deductible.

The allocation of the acquisition costs between the Continental AG shares after the Spin-off, on the one hand, and the new Company shares, on the other hand, is generally to be based on the allocation ratio set forth in the Spin-off and Transfer Agreement. Shareholders are advised to seek their own professional advice in relation to the fact that the thus determined acquisition costs of the shares may not reflect the pro rata proportionate value of the shares.

To the extent that Continental AG shares were acquired prior to January 1, 2009 and, hence, could be disposed of tax-free in the meantime, this characteristic should also be transferred to the Company shares granted in the course of the Spin-off.

In case of a Qualified Participation in the Continental AG shares, the principles outlined below for shares held as business assets (see "*16.2.1.1.2 Shares held as business assets*") apply accordingly.

##### *16.2.1.1.2 Shares held as business assets*

If the Continental AG shares are held as business assets, the principles of a Tax Neutral Share Exchange do not apply. Rather, upon the Spin-off, the Continental AG shares are generally deemed to have been disposed of *pro rata* at their fair market value (*gemeiner Wert*), and the shares in the

Company replacing them are deemed to have been acquired at this *pro rata* value. The taxable capital gain is equal to the difference between the *pro rata* tax book value and the *pro rata* fair market value of the Continental AG shares at the time of entry of the Spin-off in the commercial register of the Continental AG.

The shares in the Company to be granted to the shareholders in consideration of the Spin-off are deemed for tax purposes to have been newly acquired and, hence, the Footstep Theory is not applicable.

Capital gains deriving from the Spin-off will be taxed in accordance with the principles applicable for capital gains deriving from the disposal of Company shares (see below in "*16.2.3.1.2 Shares held as business assets*").

However, upon application of the individual shareholder, the realization of a taxable capital gain can be avoided if the assets to be transferred and the assets remaining with the transferring company each constitute a business unit for tax purposes (*Teilbetrieb*) and certain further requirements are met. In this case, the Footstep Theory would be applicable and the shareholder would be able to recognize the Company share at the *pro rata* tax book value of the Continental AG shares (see "*16.2.1.1.1 Shares held as private assets*" above). The competent tax office informed Continental AG in a binding ruling issued to Continental AG that both the assets to be transferred and the assets retained by Continental AG represent a business unit for tax purposes (*Teilbetrieb*). Formally, however, the tax office competent for the shareholder is not bound by the ruling issued to Continental AG but may carry out its own assessment whether the requirements for a carryover of book values are satisfied for the shareholder.

The allocation of the acquisition costs or, as the case may be, the tax book value between the Continental AG shares after the Spin-off, on the one hand, and the new Company shares, on the other hand, may generally be based on the allocation ratio set forth in the Spin-off and Transfer Agreement. Shareholders are strongly advised to seek their own professional advice in relation to the application of the Footstep Theory and the allocation of acquisition costs or, as the case may be, the tax book value.

#### *16.2.1.2 Tax implications for shareholders without a tax residence in Germany*

For shareholders with no tax residence in Germany any capital gains deriving from the Spin-off are only subject to German tax if the shareholder has a Qualified Participation in the Continental AG shares or the Continental AG shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed. In these cases the principles for shares held as business assets outlined above in "*16.2.1.1.2 Shares held as business assets*" and below in "*16.2.3.1.2 Shares held as business assets*" apply mutatis mutandis.

### *16.2.2 Taxation of dividends*

#### *16.2.2.1 German withholding tax*

Dividends distributed by the Company are, generally, subject to withholding tax at a 25% rate plus a solidarity surcharge of 5.5% thereon (amounting in total to a rate of 26.375%) and church tax (*Kirchensteuer*), if applicable. The basis for determining the dividend withholding tax is the dividend approved for distribution by the Company's shareholders' meeting.

If and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*), no withholding tax needs to be withheld. However, these payments will reduce the acquisition costs of the shares and may, consequently, increase a taxable gain upon the disposal of the shares (the details are outlined below).

In general, dividend withholding tax is withheld regardless of whether and, if so, to what extent the shareholder must report the dividend for tax purposes and regardless of whether the shareholder is a resident of Germany or of a foreign country.

As the Shares are admitted to be held in collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective safe custody in Germany, the Company is generally not responsible for withholding the withholding tax;

rather, it is, for the account of the shareholders, the responsibility of one of the following entities in Germany authorized to collect withholding tax to do so and to remit it to the relevant tax authority: (i) a domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks or financial service institutes) that holds the shares in custody or that manages them and that pays out or credits the shareholders' investment income or that pays the investment income to a foreign entity, or (ii) the central securities depository holding the collective deposit shares in collective custody if it pays the investment income to a foreign entity. However, if and to the extent shares held in collective safe custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) are treated as stock being held separately (so-called "*abgesetzte Bestände*"), the Company itself is responsible for withholding tax.

The Company only assumes the responsibility for the withholding of taxes on distributions at source in accordance with statutory provisions if and to the extent the central securities depository holding the shares in the Company in collective custody does not process the settlement of the dividends. This means that the Company is released from liability for the violation of its legal obligation to withhold and transfer the taxes at source if it provides evidence that it has not breached its duties intentionally or grossly negligently.

Where dividends are distributed to a company resident in another Member State of the EU within the meaning of Article 2 of the EC Directive 2011/96/EU of November 30, 2011, as amended (the ***Parent-Subsidiary Directive***), the withholding of the dividend withholding tax may not be required, upon application, provided that additional requirements are met (withholding tax exemption). This also applies to dividends distributed to a permanent establishment located in another Member State of such a parent company or of a parent company that is tax resident in Germany if the interest in the dividend-paying subsidiary is part of the respective permanent establishment's business assets. An important prerequisite for the exemption from withholding at source under the Parent-Subsidiary Directive is that the shareholder has directly held at least 10% of the Company's registered share capital continuously for one year and that the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*, with its office in Bonn-Beuel, An der Küppe 1, 53225 Bonn, Germany) has certified to the creditor of the dividends, based upon an application filed by such creditor on the officially prescribed form, that the prerequisites for exemption have been met.

The dividend withholding tax rate for dividends paid to other shareholders without a tax residence in Germany can be reduced in accordance with the applicable convention for avoidance of double taxation, if any, between Germany and the shareholder's country of residence, provided that the shares are neither held as part of the business assets of a permanent establishment or a fixed place of business in Germany nor as part of the business assets for which a permanent representative in Germany has been appointed. The reduction in the dividend withholding tax is generally obtained by applying to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*, with its office in Bonn-Beuel, An der Küppe 1, 53225 Bonn, Germany) for a refund of the difference between the dividend withholding tax withheld, including the solidarity surcharge, and the amount of withholding tax actually owed under the applicable convention for avoidance of double taxation, which is usually between 5 to 15%. A reduced withholding tax rate (according to the respective convention for avoidance of double taxation) may be applicable, if the shareholder applied for an exemption at the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*). A full exemption from German dividend withholding tax may also be possible under the applicable convention for avoidance of double taxation, if the shareholder has directly held at least 10% of the Company's registered share capital and if further prerequisites are met. Forms for the refund and exemption procedure may be obtained from the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*, http://www.bzst.bund.de), as well as German embassies and consulates.

Corporations that are not tax residents in Germany can receive upon application a refund of two fifths of the dividend withholding tax that was withheld and remitted to the tax authorities subject to certain requirements. This applies regardless of any further reduction or exemption provided under other provisions.

Foreign corporations will generally have to meet certain stringent substance criteria defined by statute in order to receive an exemption from or (partial) refund of German dividend withholding tax.

Pursuant to a special rule on the restriction of withholding tax credit, the above mentioned relief in accordance with the applicable convention for avoidance of double taxation as well as the credit of withholding tax described in the section "*16.2.2.2 Taxation of dividends of shareholders with a tax residence in Germany*" for shares held as private and as business assets is subject to the following three cumulative prerequisites: (i) the shareholder must qualify as beneficial owner of the Shares for a minimum holding period of 45 consecutive days occurring within a period of 45 days prior and 45 days after the due date of the dividends, (ii) the shareholder has to bear, taking into account counter claims and claims against related parties, at least 70% of the change in value risk (*Mindestwertänderungsrisiko*) related to the Shares during the minimum holding period without being directly or indirectly hedged, and (iii) the shareholder must not be required to fully or largely compensate directly or indirectly the dividends to third parties. Should one of the three prerequisites not be fulfilled, the following applies:

- As regards the taxation of dividends of shareholders with a tax residence in Germany, three fifths of the withholding tax imposed on the dividends must not be credited against the shareholder's (corporate) income tax liability, but may, upon application, be deducted from the shareholder's tax base for the relevant assessment period. A shareholder that has received gross dividends without any deduction of withholding tax due to a tax exemption without qualifying for a full tax credit has to notify the competent local tax office accordingly has to file withholding tax returns for a withholding tax of 15% in accordance with statutory formal requirements and has to make a payment in the amount of the withholding tax deduction which was omitted. The special rule on the restriction of withholding tax credit (and the corresponding notification and payment obligations) does not apply to a shareholder whose overall dividend earnings and certain profit participation rights (*Genussschein*) within an assessment period do not exceed €20,000 or that has been the beneficial owner of the Shares for at least one uninterrupted year upon receipt of the dividends. In addition to the aforementioned restrictions, in particular, the withholding tax credit may also be denied as an anti-abuse measure.
- As regards the taxation of dividends of shareholders without a tax residence in Germany who applied for a full or partial refund of the withholding tax pursuant to a convention for avoidance of double taxation, no refund is available. This restriction does not apply to a shareholder (i) that holds directly at least 10% of the Shares and that is subject to (corporate) income tax in the country of its tax residence without any exemptions, (ii) or that has been the beneficial owner of the Shares for at least one uninterrupted year prior to receipt (*Zufluss*) of the dividends, or (iii) if the applicable tax rate pursuant to the applicable convention for avoidance of double taxation is at least 15%. In addition to the aforementioned restrictions, in particular, the withholding tax credit may also be denied as an anti-abuse measure.

### *16.2.2.2 Taxation of dividends of shareholders with a tax residence in Germany*

#### 16.2.2.2.1 Individuals who hold the shares as private assets

For individuals who are tax resident in Germany (generally, individuals whose domicile or usual residence is located in Germany) and who hold shares as private assets, the withholding tax of 25% plus solidarity surcharge of 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if applicable) will generally serve as a final tax. In other words, once deducted, the shareholder's income tax liability on the dividends will be satisfied, and he or she will no longer have to declare them on his or her annual tax return (the ***Flat Tax*** (*Abgeltungsteuer*)).

Shareholders may apply to have their capital investment income assessed in accordance with the general rules and with an individual's personal income tax rate if this would result in a lower tax burden (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and exercised jointly in case of married couples and registered partners. In this case, the base for taxation would be the gross dividend income less the savers' allowance of €801 (€1,602 for jointly filing individuals). Any tax and solidarity surcharge already withheld would be credited against the income tax and solidarity surcharge so determined and any overpayment refunded. Income-related expenses cannot be deducted from capital gains in either case. The only deduction that may be made is the savers' allowance of €801 (€1,602 for jointly filing individuals) on all private capital income. Furthermore, dividend income can only be offset by losses from capital income, except for losses generated by the disposal of shares.

If the individual owns (i) at least 1% of the shares in the Company and is able to exercise, by virtue of professional activity (*berufliche Tätigkeit*) for the Company, a significant entrepreneurial influence on the business activity of the Company or (ii) at least 25% of the shares, the tax authorities may approve upon application that the dividends are taxed under the partial-income method (*Teileinkünfteverfahren*) (see below, "*(ii) Sole propierators:*").

Entities required to collect withholding taxes on capital investment income are required to likewise withhold the church tax on payments to shareholders who are subject to church tax, unless the shareholder objects in writing to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his or her private information regarding his or her affiliation with a religious denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, then the church tax on the dividends is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense (*Sonderausgaben*); however, 26.375% of the church tax withheld on the dividends is deducted from the withholding tax (including the solidarity surcharge) withheld. If no church taxes are withheld along with the withholding of the withholding tax, the shareholder who is subject to church tax is required to report his or her dividends in his or her income tax return. The church tax on the dividends will then be imposed during the assessment.

As an exemption, dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) and are paid to shareholders who are tax resident in Germany whose shares are held as private assets, do – contrary to the above – not form part of the shareholder's taxable income. However, dividends paid out of a tax-recognized contribution account (*steuerliches Einlagekonto*) should reduce the acquisition costs of the shares, which may result in a higher amount of taxable capital gain upon the shareholder's sale of the shares. If the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the shareholder's acquisition costs, negative acquisition costs will arise which can result in a higher capital gain in case of the shares' disposal (cf. below). This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be) disposal directly or indirectly held at least 1% of the share capital of the Company (a ***Qualified Participation***) and (ii) the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In such a case of a Qualified Participation, a dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) is deemed a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In this case the taxation corresponds with the description in the section "*16.2.3 Taxation of capital gains*" made with regard to shareholders maintaining a Qualified Participation.

Since 2021, the basis for the calculation of the solidarity surcharge has been reduced for certain individuals being subject to tax assessments (other than withholding taxes), and in certain cases, the solidarity surcharge has been abolished. However, the abolition or reduction of the solidarity surcharge does not affect withholding taxes. Solidarity surcharge will still be levied at 5.5% on the full withholding tax amount and withheld accordingly. There will also not be any separate refund of such withheld solidarity surcharge in case the withholding tax cannot be refunded.

<u>16.2.2.2.2 Shares held as business assets</u>

The Flat Tax does not apply to dividends from shares held as business assets of shareholders who are tax resident in Germany. In this case, the taxation is based on whether the shareholder is a corporation, an individual or a partnership. The withholding tax withheld and paid to the tax authorities, including the solidarity surcharge and church tax, if applicable, is credited against the income or corporate income tax and the solidarity surcharge of the shareholder and church tax, if applicable, and any overpayment will be refunded, as discussed in the section on withholding tax above (see above "*16.2.2.1 German withholding tax*").

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) and are paid to shareholders who are tax resident in Germany whose shares are held as business assets are generally fully tax-exempt in the hands of such shareholder. To the extent the dividend payments funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceed the acquisition costs of the shares, a taxable capital gain should occur. The taxation of such gain corresponds with the description in the section "*16.2.2.2.2 Shares held as business assets*" made with regard to shareholders whose shares are held as business assets (however, as regards the application of the 95% exemption in case of a corporation this is not undisputed).

**(i) Corporations**: Dividends received by corporations tax resident in Germany are generally exempt from corporate income tax and solidarity surcharge; however 5% of the dividends are treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge) with a total tax rate of 15.825%.

Portfolio Dividends are fully taxed at the corporate income tax rate of 15% (plus solidarity surcharge of 5.5% thereon), i.e., at a total rate of 15.825%. The acquisition of a shareholding of at least 10% during a calendar year is deemed to have occurred at the beginning of the respective calendar year. Participations which a shareholder holds through a co-entrepreneurship (*Mitunternehmerschaft*) are attributable to the shareholder only on a pro rata basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Business expenses actually incurred and having a direct business relationship to the dividends may be fully deducted.

The amount of any dividends (after deducting business expenses related to the dividends) is fully subject to trade tax, unless the corporation held a stake of at least 15% in the share capital of the company making the distribution at the beginning of the relevant assessment period. In the latter case, the aforementioned exemption of 95% of the dividend income applies analogously for trade tax purposes.

**(ii) Sole propierators**: If the shares are held as part of the business assets of a sole proprietor (individual) with his or her tax residence in Germany, 40% of any dividend is tax exempt (so called partial income method), i.e., 60% of the dividends are subject to progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5% (plus church tax, if applicable). Only 60% of the expenses economically related to the dividends are tax deductible. The partial income method will also apply when individuals hold the shares indirectly through a partnership (with the exception of individual investors who hold their shares through partnerships that are neither commercial partnerships nor deemed to be commercial partnerships). However, the partial-income method does not apply with respect to church tax (if applicable). If the shares are held as business assets of a domestic commercial permanent establishment, the full amount of the dividend income (after deducting business expenses that are economically related to the dividends) is also subject to trade tax, unless the taxpayer held a stake of at least 15% in the share capital of the company making the distribution at the beginning of the relevant assessment period. In the latter case, the net dividends (after deducting directly related expenses) are effectively 95% exempt from trade tax. However, trade tax is generally credited – fully or in part – as a lump sum against the shareholder's personal income tax liability.

**(iii) Partnerships**: If the shareholder is a partnership, the personal income tax or corporate income tax, as the case may be, and the solidarity surcharge (and church tax, if applicable) are levied at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the partner is a corporation or an individual. If the partner is a corporation, then the dividend is generally 95% tax exempt; however, dividends from an indirect shareholding representing less than 10% of the share capital for the relevant partner are fully subject to corporate income tax (and solidarity surcharge thereon) and trade tax (see above, "*(i) Corporations*"). If the partner is an individual and the shares are held as business assets of the partnership, only 60% of the dividend income is subject to income tax; in this case the partial-income method does not apply with regard to church tax (if applicable) (see above, "*(ii) Sole propierators:*"). Upon application and provided that additional prerequisites are met, an individual who is a partner can obtain a reduction of his or her personal income tax rate for profits not withdrawn from the partnership.

Additionally, if the shares are held as business assets of a domestic permanent establishment of a commercial or deemed to be commercial partnership, the full amount of the dividend income is generally also subject to trade tax at the level of the partnership. In the case of partners who are individuals, the trade tax that the partnership pays on his or her proportion of the partnership's income is generally credited as a lump sum – fully or in part – against the individual's personal income tax liability. If the partnership held a stake of at least 15% in the share capital of the company making the distribution at the beginning of the relevant assessment period, the dividends (after the deduction of business expenses economically related thereto) should generally not be subject to trade tax. However, in these cases, trade tax should be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 10% of the shares in the Company are attributable on a look-through basis, since such portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to other than such specific corporate partners (which includes individual partners and should, according to a literal reading of the law, also include corporate partners to whom, on a look-through basis, only portfolio participations are attributable) should not be subject to trade tax.

*16.2.2.2.3 Financial and insurance sector*

Special rules apply to companies operating in the financial and insurance sector (see below, "*16.2.4 Special treatment of companies in the financial and insurance sectors and pension funds*").

***16.2.2.3 Taxation of dividends of shareholders without a tax residence in Germany***

The dividends paid to shareholders (individuals and corporations) without a tax residence in Germany are taxed in Germany, provided that the shares are held as part of the business assets of a permanent establishment or a fixed place of business in Germany or as part of the business assets for which a permanent representative in Germany has been appointed. The withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability, and any overpayment will be refunded. The same applies to the solidarity surcharge. These shareholders are essentially subject to the same rules applicable to tax resident shareholders, as discussed above.

In all other cases, the withholding of the dividend withholding tax satisfies any tax liability of the shareholder in Germany. A refund or exemption is granted only as discussed in the section on dividend withholding tax above (see above "*16.2.2.1 German withholding tax*").

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) are generally not taxable in Germany.

***16.2.3 Taxation of capital gains***

***16.2.3.1 Taxation of capital gains of shareholders with a tax residence in Germany***

*16.2.3.1.1 Shares held as private assets*

Gains on the sale of shares that are held as private assets by shareholders with a tax residence in Germany are generally taxable regardless of the length of time held. The tax rate is (generally) a uniform 25% plus the 5.5% solidarity surcharge thereon (resulting in an aggregate tax rate of 26.375%) as well as church tax, if applicable.

The taxable capital gains are the difference between (a) the proceeds from the disposal of shares after deducting the direct sales costs and (b) the acquisition cost of the shares. Under certain conditions, prior payments from the tax-recognized contribution account (*steuerliches Einlagekonto*) may lead to reduced acquisition costs of the shares held as private assets and, as a consequence, increase the taxable sales gain. Losses on the sale of shares can only be used to offset gains made on the sale of shares during the same year or in subsequent years. The only deduction that may generally be made is the savers' allowance of €801 (€1,602 for jointly filing individuals) on all private capital income.

If the shares are held in custody or administered by a domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks and financial service institutes), or if such entity or branch sells the shares and pays out or credits the capital gains (each a ***Domestic Paying Agent***), said Domestic Paying Agent withholds a withholding tax of 25% plus 5.5% solidarity surcharge thereon and any church tax (if applicable) and remits this to the tax authority; in such a case, the tax liability on the capital gain will generally be satisfied. If the shares were only held in custody or administered by the respective Domestic Paying Agent continuously after acquisition, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire the shares. However, the withholding tax rate of 25% plus the 5.5% solidarity surcharge thereon and any church tax (if applicable), will be applied to 30% of the gross sales proceeds if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to, and in case the actual gain is higher than 30% of the gross proceeds must, verify the original costs of the shares in his or her annual tax return.

Since 2021, the basis for the calculation of the solidarity surcharge has been reduced for certain individuals being subject to tax assessments (other than withholding taxes), and in certain cases, the solidarity surcharge has been abolished. However, the abolition or reduction of the solidarity surcharge does not affect withholding taxes. Solidarity surcharge will still be levied at 5.5% on the full withholding tax amount and withheld accordingly. There will also not be any separate refund of such withheld solidarity surcharge in case the withholding tax cannot be refunded.

Entities required to collect withholding taxes on capital investment income are required to likewise withhold the church tax for shareholders who are subject to church taxes, unless the shareholder objects in writing to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his or her private information regarding his or her affiliation with a denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, then the church tax on the capital gain is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense; however, 26.375% of the church tax withheld on the capital gain is deducted from the withholding tax (including the solidarity surcharge) withheld.

If the withholding tax or, if applicable, the church tax on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his income tax return. The income tax and any applicable church tax on the capital gains will then be collected by way of assessment.

A shareholder may request that all his or her items of capital investment income, along with his or her other taxable income, be subject to the progressive income tax rate instead of the uniform tax rate for private capital investment income if this lowers his or her tax burden. This request may only be exercised consistently for all capital investment income and exercised jointly in case of married couples and registered partners. The base for taxation would be the gross income less the savers' allowance of €801 (€1,602 for jointly filing individuals). The non-deductibility of income-related costs and the restrictions on offsetting losses also apply to tax assessments based on the progressive income tax rate. Any tax already withheld would be credited against the income tax so determined and any overpayment refunded.

One exception to this rule is that a shareholder's capital gains are subject to the partial-income method and not the Flat Tax. Consequently, 60% of the proceeds from the sale of shares are subject to the individual income tax rate, if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (as the case may be, deemed) disposal directly or indirectly held at least 1% of the share capital of the Company (i.e., held a Qualified Participation). 60% of the expenses economically related to the proceeds of the sale of shares are tax-deductible.

In the case of a Qualified Participation, withholding tax (including the solidarity surcharge) is also withheld by the Domestic Paying Agent. The tax withheld, however, is not treated as a final tax. Hence, the shareholder is obliged to declare the gains from the sale in his or her income tax return. The withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability in the tax assessment, and any overpayment will be refunded.

#### *16.2.3.1.2 Shares held as business assets*

The Flat Tax does not apply to proceeds from the sale of shares held as business assets by shareholders tax resident in Germany. If the shares form part of a shareholder's business assets, taxation of the capital gains realized will then depend upon whether the shareholder is a corporation, sole proprietor or partnership. Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) reduce the original acquisition costs. In case of a sale of shares, a higher taxable capital gain can arise herefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

**(i) Corporations**: In general, capital gains earned on the sale of shares by corporations tax resident in Germany are exempt from corporate income tax (including the solidarity surcharge) and trade tax, irrespective of the stake represented by the shares and the length of time the shares are held; however, 5% of the capital gains are treated as a non-deductible business expense and, as such, are subject to corporate income tax (plus the solidarity surcharge thereon) and to trade tax.

**(ii) Sole proprietors (individuals)**: If the shares were acquired after 31 December 2008 and form part of the business assets of a sole proprietor (individual) who is tax resident in Germany, 60% of the capital gains on their sale are subject to the individual's personal tax rate plus the solidarity surcharge thereon (partial income method). Correspondingly, only 60% of losses from such sales and 60% of expenses economically related to such sales are deductible. For church tax, if applicable, the partial income method does not apply. If the shares are held as business assets of a commercial permanent establishment located in Germany, 60% of the capital gains are also subject to trade tax. The trade tax is fully or partially credited as a lump sum against the shareholder's personal income tax liability and such credit also reduces the solidarity surcharge and, if applicable, church tax).

**(iii) Commercial Partnerships**: If the shareholder is a partnership, personal income tax or corporate income tax, as the case may be, is assessed at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the respective partner is a corporation or an individual. If the partner is a corporation, the tax principles applying to capital gains which are outlined in subsection (i) apply. If the partner is an individual, the tax principles applying to capital gains that are outlined in subsection (ii) apply. Upon application and provided that additional prerequisites are met, an individual who is a partner can obtain a reduction of his or her personal income tax rate for profits not withdrawn from the partnership. In addition, capital gains from the sale of shares attributable to a permanent establishment maintained in Germany by a commercial partnership, or deemed to be commercial partnership are subject to trade tax at the level of the partnership. As a general rule, only 60% of the gains in this case are subject to trade tax to the extent the partners in the partnership are individuals, while 5% are subject to trade tax to the extent the partners are corporations and shares are sold. Under the principles discussed above, losses on sales and other reductions in profit related to the shares sold are generally not deductible or only partially deductible, if the partner is a corporation. If the partner is an individual, the trade tax the partnership pays on his or her share of the partnership's income is generally credited as a lump sum – fully or in part – against his or her personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of the taxpayer.

Special rules apply to capital gains realized by companies active in the financial and insurance sectors, as well as pension funds (see below, "*16.2.4 Special treatment of companies in the financial and insurance sectors and pension funds*").

If a Domestic Paying Agent is involved, the proceeds from the sale of shares held as business assets are generally subject to the same withholding tax rate as those of shareholders whose shares are held as private assets (see "*16.2.3.1.1 Shares held as private assets*"). However, the Domestic Paying Agent may refrain from withholding the withholding tax if (i) the shareholder is a corporation, association or estate with its tax residence in Germany, or (ii) the shares form part of the shareholder's domestic business assets, and the shareholder informs the Domestic Paying Agent of this on the officially prescribed form and meets certain additional prerequisites. If the Domestic Paying Agent nevertheless withholds taxes, the withholding tax withheld and remitted (including the solidarity surcharge and church tax, if applicable) will be credited against the shareholder's income tax or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) and any excess amount will be refunded.

#### *16.2.3.2 Taxation of capital gains of shareholders without a tax residence in Germany*

Capital gains realized by a shareholder with no tax residence in Germany are subject to German income tax only if the selling shareholder holds a Qualified Participation or if the shares form part of the business assets of a permanent establishment in Germany or of business assets for which a permanent representative is appointed.

Most conventions for avoidance of double taxation provide for an exemption from German taxes and assign the right of taxation to the shareholder's country of tax residence in the former case.

#### *16.2.4 Special treatment of companies in the financial and insurance sectors and pension funds*

Dividends paid to and capital gains realized by certain companies in the financial and insurance sector are, as an exception to the aforementioned rules, fully taxable.

This applies to dividends from as well as gains from the disposal of shares in the trading portfolio (*Handelsbestand*) within the meaning of Section 340e (3) German Commercial Code (*Handelsgesetzbuch*) of credit institutions and financial services institutions, and shares that are, upon acquisition of the shares, allocable to the current assets (*Umlaufvermögen*) of a financial enterprise within the meaning of the German Banking Act that is directly or indirectly held by a credit institution or financial services institution to more than 50%. The same applies to shares held as investments by life insurers, health insurers and pension funds. If the stake held at the beginning of the relevant assessment period is 15% or higher, subject to certain conditions, the dividends can be fully exempted from trade tax unless the shares are held as investments by life insurers, health insurers or by pension funds.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Council Directive 2011/96/EU of November 30, 2011, as amended, applies.

#### *16.2.5 Inheritance and gift tax*

The transfer of shares to another person by inheritance or gift is generally subject to German inheritance or gift tax only if:

(i) the decedent, donor, heir, beneficiary or other transferee maintained his or her domicile or habitual abode in Germany, or had its place of management or registered office in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years (this term is extended to ten years for German expatriates with U.S. residence) prior to the transfer outside Germany without maintaining a residence in Germany (special rules apply to certain former German citizens who neither maintain their domicile nor have their habitual abode in Germany);

(ii) the shares were held by the decedent or donor as part of business assets for which a permanent establishment was maintained in Germany or for which a permanent representative in Germany had been appointed; or

(iii) the decedent or donor, either individually or collectively with related parties, held, directly or indirectly, at least 10% of the Company's registered share capital at the time of the inheritance or gift.

The fair value represents the tax assessment base. In general, that is the stock exchange price. Dependent on the degree of relationship between decedent or donor and recipient, different tax-free allowances and tax rates apply.

The few German conventions for avoidance of double taxation relating to inheritance tax and gift tax currently in force usually provide that the German inheritance tax or gift tax can only be levied in the cases of (i) above, and also with certain restrictions in case of (ii) above. Special provisions apply to certain German nationals living outside of Germany and former German nationals.

#### *16.2.6 Other taxes*

##### *16.2.6.1 General*

No German transfer tax, value-added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of shares. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of value-added tax on transactions that are otherwise tax-exempt. Net wealth tax is currently not imposed in Germany.

##### *16.2.6.2 The proposed financial transaction tax (FTT)*

On February 14, 2013, the European Commission published a proposal (the ***Commission's Proposal***) for a Directive for a common FTT in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the ***Participating Member States***) and Estonia.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the shares in certain circumstances, including the purchase, sale and exchange of financial instruments. Under the Commission Proposal, the rate of the FTT would not be lower than 0.1% generally based on the amount of the paid or owed consideration. The issuance and subscription of shares should, however, be exempt.

However, on December 10, 2019, the German Federal Ministry of Finance published draft bill (the ***German Proposal***), which, deviating from the Commission's Proposal, is modelled on the concept of the financial transaction tax currently imposed in France. Pursuant to the German Proposal, the FTT would be limited to shares of listed companies whose head office is in a Member State of the EU and whose market capitalization exceeds €1 billion on 1 December of the preceding year. The FTT would be levied on the transfer of ownership upon acquisition of such shares at a rate of at least 0.2% (without providing for any ceiling). According to such note, initial public offerings (including the activity of underwriting, placing and subsequent allocation of shares in the framework of their issue), and transactions carried out as part of market making, (reverse) repurchase agreements, securities lending and collateral arrangements shall be exempt from FTT, while day-trading activities should only be taxable on a weighted average basis of the net daily long position.

Since the scope of the FTT is not final and subject to the further negotiations between the Participating Member States, the scope and timing of the FTT is uncertain. Additional EU Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw. The FTT may therefore also apply to certain dealings in the shares (including secondary market transactions) in certain circumstances. Prospective investors are urged to consult their own tax advisors regarding the possible implications of the FTT on an investment in the shares.

### 16.3 Taxation of holders of Vitesco Technologies ADRs

Based on the ADR Tax Circular, for German tax purposes, the Vitesco Technologies ADRs should represent a beneficial ownership interest in the underlying shares of the Company. Accordingly, dividends and capital gains will be attributable to holders of the Vitesco Technologies ADRs for German tax purposes, and not to the legal owner of the ordinary shares (i.e., the financial institution on behalf of which the ordinary shares are stored at a domestic depository for the Vitesco Technologies ADR holders) and the principles laid out above for shares in Vitesco Technologies should, in principle, apply accordingly. However, investors should note that circulars published by the German tax authorities (including the ADR Tax Circular) are not binding on German courts, including German tax courts, and it is unclear whether a German court would follow the ADR Tax Circular in determining the German tax treatment of the Vitesco Technologies ADRs.

Due to the legal structure of the ADRs, only limited guidance from the German tax authorities exists on the practical application of the refund process with respect to the ADRs and the respective limitations. According to the current ADR Tax Circular, a collective tax certificate in connection with a withholding of tax amounts may no longer be issued by the domestic depositary of the shares upon request of the foreign depositary agents. Rather, individual tax certificates need to be issued which might delay a potential refund procedure. Moreover, the simplified refund procedure based on electronic data exchange (*Datenträgerverfahren*) for claims for reimbursement based on ADRs is currently not applied by the tax authorities.

## 17. CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is an overview of certain U.S. federal income tax considerations under present law relevant to the receipt of Company shares or Vitesco Technologies ADRs pursuant to the Spin-off and the ownership and disposition of Company shares or Vitesco Technologies ADRs, in each case, by a U.S. Holder (as defined below). This overview deals only with U.S. Holders receiving Company shares or Vitesco Technologies ADRs in the Spin-off that use the U.S. dollar as their functional currency, hold Continental AG shares or Continental ADRs as capital assets, and will hold Company shares or Vitesco Technologies ADRs received in the Spin-off as capital assets.

It does not address all tax considerations that may be relevant to a particular U.S. Holder or the tax treatment of U.S. Holders subject to special rules, such as banks or other financial institutions, insurance companies, tax exempt entities, dealers, traders in securities that elect to mark to market, regulated investment companies, real estate investment trusts, investors liable for alternative minimum tax, U.S. expatriates, persons that directly, indirectly or constructively own 10 percent or more by vote or value of the equity interests of Continental AG the Company, certain financial institutions, dealers or traders, insurance companies, tax exempt entities, partnerships and other pass-through entities (including S-corporations), investors that will hold Company shares or Vitesco Technologies ADRs in connection with a permanent establishment or fixed base outside the U.S., persons required to accelerate the recognition of any item of gross income as a result of such income being recognized on an applicable financial statement or persons holding their Continental AG shares or Continental ADRs or their Company shares or Vitesco Technologies ADRs as part of a hedge, straddle, conversion, constructive sale or other integrated transaction. This overview also does not address U.S. federal taxes other than the income tax (such as estate or gift taxes) or U.S. state and local, or non-U.S. tax laws or matters. It also does not discuss the Medicare contribution tax applicable to net investment income applicable to certain non-corporate U.S. Holders.

As used here, ***U.S. Holder*** means a beneficial owner of Continental AG shares, Continental ADRs, Company shares or Vitesco Technologies ADRs (in each case, as applicable) that is, for U.S. federal income tax purposes: (i) a citizen or individual resident of the U.S.A., (ii) a corporation created or organized under the laws of the U.S.A., any state thereof, or the District of Columbia, (iii) a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court and (iv) an estate the income of which is subject to U.S. federal income tax without regard to its source.

The tax consequences to a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) receiving Company shares or Vitesco Technologies ADRs in the Spin-off and of holding or disposing of Company shares or Vitesco Technologies ADRs generally will depend on the status of the partner and the activities of the partnership. Partnerships receiving Company shares or Vitesco Technologies ADRs in the Spin-off should consult their own tax advisers about the U.S. federal income tax consequences to their partners of participating in the Spin-off and acquiring, owning and disposing of Company shares or Vitesco Technologies ADRs.

The Company believes that neither it, nor Continental AG will be a passive foreign investment company (***PFIC***) for the current year, and this discussion assumes other than the discussion below under the heading "*Passive Foreign Investment Company*", that neither the Company nor Continental AG will be a PFIC in the current or future taxable years. The tests to determine whether a company is a PFIC apply annually and a company's status can change depending, among other things, on changes in the composition and relative value of its gross receipts and assets, changes in its operations and changes and the market value of its stock. Accordingly, no assurance can be provided that the Company will not become a PFIC in any future year.

### *Continental ADRs and Vitesco Technologies ADRs*

Holders of Continental ADRs or Vitesco Technologies ADRs will generally be treated for U.S. federal income tax purposes as beneficial owners of Continental AG shares or Company shares represented by such ADRs.

### *The Spin-off*

Continental AG has received a private letter ruling from the United States Internal Revenue Service (the ***IRS***) regarding the U.S. federal income tax treatment of the Carve-Out (the ***IRS Ruling***), including a ruling substantially to the effect that the steps required to implement the Carve-Out that involve

U.S. subsidiaries or assets and the distribution of the Company shares in the Spin-off will, for U.S. federal income tax purposes, qualify as tax-free reorganizations within the meaning of Section 368(a)(1)(D) and as a tax-free distribution under Section 355 of the United States Internal Revenue Code of 1986, as amended (the ***Internal Revenue Code***). Accordingly,

(i) No gain or loss will be recognized by (and no amounts will be included in the income of) a U.S. Holder of Continental AG shares or Continental ADRs upon the receipt of the Company shares or Vitesco Technologies ADRs in the Spin-off.

(ii) The aggregate tax basis of a U.S. Holder in the stock of Continental AG or Continental ADRs and the Company shares or Vitesco Technologies ADRs issued in the Spin-off will equal the aggregate adjusted basis of the Continental AG shares or Continental ADRs held by such U.S. Holder immediately prior to the Spin-off, with the basis in separate blocks of Continental AG shares or Continental ADRs acquired at different times or at different cost basis determined on a block-by-block basis. A U.S. Holder should apportion its tax basis in its Continental AG shares or Continental ADRs between such shares and ADRs and the Company shares or Vitesco Technologies ADRs received in the Spin-off in proportion to the relative fair market values on the date the Company shares or Vitesco Technologies ADRs are received.

(iii) The holding period of the Company shares or Vitesco Technologies ADRs received by a U.S. Holder in the Spin-off will include such U.S. Holder's holding period of the Continental AG shares or Continental ADRs with respect to which the distribution of the Company shares or Vitesco Technologies ADRs is made.

A U.S. Holder that acquired its Continental AG shares or Continental ADRs at different dates or at different prices will need to determine their tax basis and holding period for each separate block of Contingent AG shares or Continental ADRs.

The IRS Ruling relies upon certain representations, assumptions and undertakings, and the IRS Ruling may not be relied upon if such representations, assumptions and undertakings were incorrect.

If the Spin-off fails to qualify for tax-free treatment, U.S. Holders receiving Company shares or Vitesco Technologies ADRs in the Spin-off would be subject to tax as if they had received a taxable distribution from Continental AG. In such circumstances, U.S. Holders would be required to treat the distribution of Company shares or Vitesco Technologies ADRs as a dividend in a U.S. dollar amount equal to the fair market value of the Company shares or Vitesco Technologies ADRs received on the date of receipt, would take a tax basis in the Company shares or Vitesco Technologies ADRs equal to U.S. dollar amount included in income as a dividend and would have a holding period in the Company shares or Vitesco Technologies ADRs that begins with the effective date of the Spin-off. The dividend generally would be treated as from sources outside the U.S. for foreign tax credit purposes. Any amount included as a dividend should not be eligible for the dividends received deduction generally allowed to U.S. corporations. Eligible non-corporate U.S. Holders that satisfy a minimum holding period and certain other requirements generally would be taxed at the preferential rate applicable to qualified dividend income if Continental AG qualifies for the benefits of US-Germany Treaty and Continental AG is not a PFIC as to the U.S. Holder in the taxable year the Spin-off is completed or the preceding taxable year. The remainder of this discussion assumes that the Spin-off will qualify for tax-free treatment.

***Passive Foreign Investment Company***

A foreign corporation will be a PFIC in any taxable year when, taking into account the income and assets of 25%-owned subsidiaries, either (i) 75% or more of its gross income is passive income or (ii) 50% or more of the average value of its assets is attributable to assets that produce or are held to produce passive income.

Continental AG does not believe that Continental AG will be a PFIC for its current taxable year, and although it has not undertaken to determine whether Continental AG has been a PFIC in all prior taxable years, it does not believe Continental AG has been a PFIC in any of the five prior taxable years. Continental AG also believes that the Company will not be considered a PFIC in its current taxable year, and based on its present assets, income and activities, it does not believe it is likely to become a PFIC in the foreseeable future. The tests to determine whether a company is a PFIC apply annually and a company's status can change depending, among other things, on changes in the composition and relative value of its gross receipts and assets, changes in its operations and changes and the market value of its stock. Accordingly, no assurance can be provided that Continental AG has not been a PFIC or that the Company will not become a PFIC in any future year.

If Continental AG were determined to be a PFIC in the current taxable year or any other taxable year during a U.S. Holder's holding period, then any such U.S. Holder will (i) be deemed to have disposed of its Continental AG shares or Continental ADRs in exchange for a combination of new Continental AG shares or ADRs together with Company shares or Vitesco Technologies ADRs, and will realize any gain on such exchange, (ii) be required to recognize the portion of any such gain (but not loss) to the extent attributable to the receipt of Company shares or Vitesco Technologies ADRs and (iii) any such gain recognized will be taxed under the excess distribution rules. For any gain subject to the excess distribution rules, (i) such U.S. Holder will be required to rateably allocate the amount of such gain over their holding period, (ii) the amount allocated to the current taxable year and any years before Continental AG became a PFIC will be taxed as ordinary income in the current year and (iii) the amount allocated to other taxable years will be taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year.

U.S. Holders should consult their tax advisors concerning the PFIC rules, including whether the Company will be a PFIC, if Continental AG had been a PFIC at any time during their holding period and the consequences to them if the Continental AG or the Company were to be a PFIC.

**Ownership of the Vitesco Technologies shares or Vitesco Technologies ADRs**

***Distributions on the Vitesco Technologies shares or Comp Vitesco Technologies any ADRs***

Distributions with respect to Company shares or Vitesco Technologies ADRs will generally be included in a U.S. Holder's gross income as ordinary dividend income from foreign sources when actually or constructively received. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations. Dividends received by eligible non-corporate U.S. Holders that satisfy a minimum holding period and certain other requirements generally will be taxed at the preferential rate applicable to qualified dividend income if the Company qualifies for the benefits of the US-Germany Treaty. The Company expects that it will qualify for benefits under the US-Germany Treaty.

Dividends paid on Company shares in a currency other than U.S. dollars will be included in income in a U.S. dollar amount based on the exchange rate in effect on the date of receipt (or for U.S. Holders of ADRs, the date of receipt by the trustee for the ADRs (the ***ADR Trustee***), whether or not the currency is converted into U.S. dollars at that time. A U.S. Holder's tax basis in the non-U.S. currency will equal the U.S. dollar amount included in income. Any gain or loss realized on a subsequent conversion (including any gain or loss on a conversion of such currency by the ADR Trustee for distribution on the ADRs or other disposition of the non-U.S. currency for a different U.S. dollar amount generally will be U.S. source ordinary income or loss. If dividends paid in a currency other than U.S. dollars are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

***Dispositions***

A U.S. Holder generally will recognize capital gain or loss on the sale or other disposition of Company shares or Vitesco Technologies ADRs equal to the difference between the U.S. dollar value of the amount realized and the U.S. Holder's adjusted tax basis in the disposed shares or ADRs. Any gain or loss generally will be treated as arising from U.S. sources and will be long-term capital gain or loss if the U.S. Holder's holding period exceeds one year. Deductions for capital loss are subject to significant limitations.

A U.S. Holder that receives a currency other than U.S. dollars on the sale or other disposition of Company shares or Vitesco Technologies ADRs will realize an amount equal to the U.S. dollar value of the currency received at the spot rate on the date of sale or other disposition (or, if the Company shares or Vitesco Technologies ADRs are traded on an "established securities market" at the time of disposition, in the case of cash basis and electing accrual basis U.S. Holders, the settlement date). A U.S. Holder that does not determine the amount realized using the spot rate on the settlement date will recognize foreign currency gain or loss if the U.S. dollar value of the currency received at the spot rate on the settlement date differs from the amount realized. A U.S. Holder will have a tax basis in the currency received equal to its U.S. dollar value at the spot rate on the settlement date. Any foreign currency gain or loss realized on the settlement date or on a subsequent conversion of the non-U.S. currency for a different U.S. dollar amount generally will be U.S. source ordinary income or loss.

### *Information Reporting and Backup Withholding*

The receipt of Company shares or Vitesco Technologies ADRs pursuant to the Spin-off, and payments of dividends and other proceeds with respect to the Company shares or Vitesco Technologies ADRs may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption. A U.S. Holder can claim a credit against its U.S. federal income tax liability for amounts withheld under the backup withholding rules, and can claim a refund of amounts in excess of its tax liability by timely providing the appropriate information to the IRS.

Certain non-corporate U.S. Holders are required to report information with respect to their Company shares or Vitesco Technologies ADRs not held through an account with a domestic financial institution. U.S. Holders that fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from their ownership in Company shares or Vitesco Technologies ADRs.

THE DISCUSSION ABOVE IS A GENERAL OVERVIEW. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. PROSPECTIVE INVESTORS SHOULD BE WARNED THAT THE TAX LAWS OF THEIR COUNTRY OF CITIZENSHIP, DOMICILE OR RESIDENCY MAY HAVE AN IMPACT ON THE TAX CONSIDERATIONS TO THEM OF THE SPIN-OFF AND INCOME RECEIVED FROM THE COMPANY SHARES OR VITESCO TECHNOLOGIES ADRS. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF THE SPIN-OFF AND OWNERSHIP OF THE COMPANY SHARES OR VITESCO TECHNOLOGIES ADRS IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

## 18. GLOSSARY

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| ***ACC*** | Advanced clean cars. |
| ***ACUs*** | Exhaust gas aftertreatment control unit. |
| ***ADAS*** | Advanced driver-assistance system. |
| ***ADR*** | American Depositary Receipts. |
| ***AGV*** | Automated guided vehicles. |
| ***AI*** | Artificial intelligence. |
| ***AP*** | Advanced purchasing. |
| ***AQL or Automotive Quality Labs*** | Research and development, testing and certification facilities. |
| ***Articles of Association*** | Company's articles of association. |
| ***ASIC*** | Application-specific integrated circuits. |
| ***ASIL D*** | Automotive safety integrity level D. |
| ***BaFin*** | German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht).* |
| ***BAT*** | Best available techniques. |
| ***BEV*** | Battery electric vehicles. |
| ***BREFs*** | Best available techniques reference documents. |
| ***CA France*** | Continental Automotive France S.A.S. |
| ***CAFC*** | Corporate average fuel consumption standards, China. |
| ***CAFE*** | Corporate average fuel economy standards, U.S. federal standards. |
| ***CAGR*** | Compound annual growth rate. |
| ***CARB*** | California Air Resource Board. |
| ***CAP Measures*** | The implemented "Cash Agility Program" of the Group to secure its financial liquidity due to a significant decline in sales revenue caused by the COVID-19 Pandemic. |
| ***Carve-Out*** | The former Powertrain division (since January 1, 2020: Powertrain business area) was, prior to the operational and organizational separation of its business, one of Continental Groups five divisions (since January 1, 2020: business areas) which has been transferred to Vitesco Technologies GmbH and became independent in terms of operation and organization. |
| ***Category Management*** | Central material groups. |
| ***CFR*** | Title 49 Code of Federal Regulations. |
| ***China*** | People's Republic of China. |
| ***Clearstream*** | Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany. |
| ***CM*** | Contract manufacturing business unit. |
| ***CMS*** | Compliance management system. |
| ***CO*** | Carbon monoxide. |
| ***$CO_2$*** | Carbon dioxide. |
| ***Cobot*** | Collaborative robot. |

| | |
|---|---|
| ***Cobot Hub*** | In-house departments for developing Cobot applications. |
| ***Commercial Vehicle*** | Medium and heavy duty trucks with a weight over six metric tons and buses. |
| ***Company*** | Vitesco Technologies Group Aktiengesellschaft. |
| ***Continental ADRs*** | American Depositary Receipts of Continental AG. |
| ***Continental Group*** | Continental AG together with its consolidated subsidiaries. |
| ***COVID-19 Pandemic*** | The global outbreak of COVID-19, a novel strain of the coronavirus. |
| ***Core Technologies*** | The Group's business excluding Non-Core ICE Technologies and CM. |
| ***CPV*** | Content per vehicle. |
| ***CTA*** | Contractual trust arrangement. |
| ***CTF*** | Catalysts & filters product line. |
| ***D&O*** | Directors and officers. |
| ***DC/AC*** | Direct current / alternating current. |
| ***DC/DC*** | Direct current / direct current. |
| ***EC*** | Electronic controls business unit. |
| ***ECHA*** | European chemicals agency. |
| ***ECU*** | Engine control units. |
| ***EES*** | Exhaust & emissions sensors product line. |
| ***EFTA*** | European Free Trade Association. |
| ***EMICAT*** | Electrically heated catalyst. |
| ***EPA*** | U.S. Environmental Protection Agency. |
| ***ESG*** | Environmental, social and governance. |
| ***ET*** | Electrification technology business unit. |
| ***EU*** | European Union. |
| ***EU Safety Regulation*** | Regulation (EC) No 661/2009 concerning type-approval requirements for the general safety of motor vehicles, their trailers and systems, components and separate technical units intended therefor. |
| ***EU Type Approval Regulation*** | Regulation (EU) 2018/858 of the European Parliament and of the Council of 30 May 2018 on the approval and market surveillance of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles. |
| ***EUIPO*** | European Union Intellectual Property Office. |
| ***FCCU*** | Fuel cell control units. |
| ***FCEV*** | Fuel cell electric vehicle. |
| ***FHEV*** | Full hybrid electric vehicle. |
| ***FM*** | Fuel management product line. |
| ***FMVSS*** | U.S. Motor Vehicle Safety Standards. |
| ***GAAP*** | Generally accepted accounting principles. |
| ***GaN*** | Gallium nitride. |

| | |
|---|---|
| ***GDPR*** | Regulation (EU) No 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. |
| ***German GAAP*** | Generally accepted accounting principles in accordance with the German Commercial Code (*Handelsgesetzbuch*). |
| ***Groundwater Subsidiary Directive*** | Directive 2006/118/EC of the European Parliament and of the Council of 12 December 2006 on the protection of groundwater against pollution and deterioration. |
| ***GTC*** | General purchasing terms and conditions. |
| ***HC*** | Hydrocarbons. |
| ***Headcount*** | Headcount includes all employees that are on the payroll of Vitesco Technologies, including leased employees, excluding trainees. |
| ***HEV*** | Hybrid electric vehicles. |
| ***HPP*** | High pressure pump product line. |
| ***HVD*** | High voltage drives product line. |
| ***IAM*** | Independent aftermarket. |
| ***IAS*** | International accounting standards. |
| ***IATF*** | International automotive task force. |
| ***IATF 16949:2016*** | Represents an innovative document issued by IATF, given the strong orientation to the customer, with inclusion of a number of consolidated previous customer specific requirements. |
| ***IAV*** | IAV GmbH Ingenieurgesellschaft Auto und Verkehr. |
| ***ICE*** | Internal combustion engine. |
| ***IED Directive*** | European Directive 2010/75/EC of the European Parliament and of the Council on industrial emissions. |
| ***IFRS*** | International Financial Reporting Standards as adopted by the EU. |
| ***IHS Markit*** | IHS Markit Ltd. and its subsidiaries. |
| ***IHS Markit Materials*** | IHS Markit reports, data and information referenced herein. |
| ***IRS*** | United States Internal Revenue Services. |
| ***kW*** | Kilowatt. |
| ***LEED gold standard*** | LEED (Leadership in Energy and Environmental Design) is a green building certification program developed by the non-profit U.S. Green Building Council (USGBC) and includes a set of rating systems for the design, construction, operation, and maintenance of green buildings. According to its certification level, buildings earning 60-79 (out of 100) points can be rated as “gold”. |
| ***LEV*** | Low-emission vehicle. |
| ***LEV III*** | Low-emission vehicle III. |
| ***Light vehicle*** | Consisting of vehicles with a weight up to six metric tons such as passenger cars, crossover vehicles, sports utility vehicles, pick-ups, vans and light trucks. |
| ***LTI*** | Long-term incentive. |

| | |
|---|---|
| ***Management Board*** .......... | Company's board of management. |
| ***Member States*** ............ | EU Member States. |
| ***MHD*** .................... | Mild hybrid drives product line. |
| ***MHEV*** ................... | Mild hybrid electric vehicles (mostly 48V). |
| ***Mitigation Act*** ............. | German Act on the Mitigation of the Consequences of the COVID-19 Pandemic in the Areas of Insolvency, Civil and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19 Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*), as amended. |
| ***MMC*** .................... | Mitsubishi Motor Corporation. |
| ***NAS*** .................... | Non-automotive system. |
| ***NEDC*** ................... | New European Driving Cycle; standardized driving pattern used to measure exhaust emissions (pollutants and fuel consumption / $CO_2$ emissions). |
| ***NEV*** .................... | New Energy Vehicle. |
| ***NHTSA*** .................. | National Highway Transport Safety Agency. |
| ***Non-Core ICE Technologies*** .... | Certain technologies and products for ICEs, manufactured within EC and S&A, which are not considered part of the Group's core technologies, such as fuel injection equipment, fuel delivery, selective catalytic reduction systems as well as turbochargers. |
| ***$NO_x$*** .................... | Nitrogen oxide. |
| ***OBC*** .................... | On-board chargers. |
| ***OECD*** ................... | Organisation of Economic Co-operation and Development. |
| ***OEM*** .................... | Original equipment manufacturer. |
| ***OES*** .................... | Original equipment service. |
| ***OSH*** .................... | Federal Occupational Safety and Health Act of 1970. |
| ***OSHA*** ................... | Occupational Safety and Health Administration. |
| ***PCF*** .................... | Personal contribution factor. |
| ***PHEV*** ................... | Plug-in hybrid electric vehicle. |
| ***PM*** ..................... | Particulate matter. |
| ***PRB*** .................... | Patent reexamination board. |
| ***PRIME*** .................. | Production real-time control and information system for manufacturing excellence. |
| ***Product Liability Directive*** ...... | Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the EU member states concerning liability for defective products, as amended by Directive 1999/34/EC of the European Parliament and of the Council of 10 May 1999. |
| ***R&D*** .................... | Research and development. |
| ***Roland Berger*** ............. | Roland Berger GmbH. |
| ***RDE*** .................... | Real driving emissions. |
| ***RoW*** .................... | Rest of world. |
| ***S&A*** .................... | Sensing & actuation business unit. |
| ***SCM*** .................... | Supply chain management. |

| | |
|---|---|
| ***SCR*** | Selective catalytic reduction systems product line. |
| ***SiC*** | Silicon carbide. |
| ***Solid Waste Prevention Law*** | Law of China on Prevention and Control of Environment Pollution Caused by Solid Waste. |
| ***SOP*** | Start of production. |
| ***SQM*** | Supplier quality management. |
| ***Supervisory Board*** | Company's supervisory board. |
| ***SSC*** | Strategic supplier contracts. |
| ***STI*** | Short-term incentive. |
| ***T&I*** | Technology & Innovation, a central pre-development R&D department within Vitesco Technologies. |
| ***TAMs*** | Transmission actuator modules. |
| ***TA Luft*** | Technical instructions on Air Quality Control. |
| ***TCMS*** | Technical compliance management system. |
| ***TCU*** | Transmission control units. |
| ***TES*** | Transmission & engine sensors product line. |
| ***TSCA*** | Toxic Substances Control Act of 1976 |
| ***UDA*** | Urea dosing apparatus. |
| ***UK*** | United Kingdom. |
| ***U.S.A. or U.S.*** | United States of America. |
| ***VDA*** | German association of the automotive industry (*Verband der Automobilindustrie*). |
| ***Vitesco Technologies*** or ***Group*** | Vitesco Technologies Group Aktiengesellschaft together with its combined subsidiaries. |
| ***Vitesco Technologies ADRs*** | American Depositary Receipts representing shares in Vitesco Technologies Group Aktiengesellschaft. |
| ***VT E*** | VT Engineering, an organizational R&D department within Vitesco Technologies, serving the business units EC and ET. |
| ***Waste Framework Directive*** | Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008, as last amended by Directive (EU) 2018/851 of the European Parliament and of the Council of 30 May 2018 on waste. |
| ***Water Framework Directive*** | Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy as last amended by Directive 2014/101/EU of 30 October 2014. |
| ***XCUs*** | Driveline control units. |
| ***ZEV*** | Zero emission vehicles. |
| ***48V*** | 48 Volt. |

# 19. FINANCIAL INFORMATION

**Unaudited Condensed Combined Interim Financial Statements of Vitesco Technologies Group Aktiengesellschaft as of and for the six months ended June 30, 2021, prepared in accordance with IFRS for interim financial reporting (IAS 34)**

## Interim Combined Financial Statements

### Interim Combined Statement of Income

| € millions | January 1 to June 30 2021 | 2020 |
|---|---|---|
| **Sales** | **4,396.9** | **3,408.7** |
| Cost of sales | -3,744.3 | -3,068.7 |
| **Gross margin on sales** | **652.6** | **340.0** |
| Research and development expenses | -503.2 | -500.7 |
| Selling and logistics expenses | -67.8 | -78.6 |
| Administrative expenses | -114.8 | -139.9 |
| Other income | 314.5 | 259.0 |
| Other expenses | -241.7 | -180.3 |
| Income from equity-accounted investees | 0.2 | -0.1 |
| Other income from investments | — | 0.0 |
| **EBIT** | **39.8** | **-300.6** |
| Interest income | 9.7 | 12.5 |
| Interest expense | -13.5 | -19.0 |
| Effects from currency translation | 15.5 | -33.9 |
| Effects from changes in the fair value of derivative instruments, and other valuation effects | -2.3 | -2.7 |
| **Financial result** | **9.4** | **-43.1** |
| **Earnings before tax** | **49.2** | **-343.7** |
| Income tax expense | -80.7 | 42.4 |
| **Net income** | **-31.5** | **-301.3** |
| Non-controlling interests | — | -3.6 |
| Net income attributable to Continental Group | -31.5 | -304.9 |

## Interim Combined Statement of Comprehensive Income

| € millions | January 1 to June 30 2021 | 2020 |
|---|---|---|
| **Net income** | **-31.5** | **-301.3** |
| Items that will not be reclassified to profit or loss | | |
| Remeasurement of defined benefit plans[1] | 95.0 | -37.2 |
| Fair value adjustments[1] | 95.7 | -38.2 |
| Currency translation[1] | -0.7 | 1.0 |
| Tax on other comprehensive income | 0.1 | -95.9 |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Currency translation[1] | 65.3 | -50.9 |
| Tax on other comprehensive income | — | -0.0 |
| **Other comprehensive income** | **160.4** | **-184.0** |
| **Comprehensive income** | **128.9** | **-485.3** |
| Attributable to non-controlling interests | — | -1.3 |
| **Attributable to Continental Group** | **128.9** | **-486.6** |

*(1) Including non-controlling interests.*

**Interim Combined Statement of Financial Position**

| € millions | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Goodwill | 793.1 | 785.2 |
| Other intangible assets | 161.1 | 164.5 |
| Property, plant and equipment | 2,371.0 | 2,458.0 |
| Investments in equity-accounted investees | 16.0 | 15.9 |
| Other investments | 15.2 | 15.2 |
| Deferred tax assets | 261.2 | 266.0 |
| Defined benefit assets | 3.9 | 3.8 |
| Long-term derivative instruments and interest-bearing investments | 13.3 | 11.2 |
| Long-term other financial assets | 27.7 | 7.0 |
| Long-term other assets | 5.2 | 5.8 |
| **Non-current assets** | **3,667.7** | **3,732.6** |
| Inventories | 729.4 | 561.8 |
| Trade accounts receivable | 1,630.2 | 1,983.6 |
| Short-term contract assets | 2.8 | 11.0 |
| Short-term other financial assets | 40.3 | 65.6 |
| Short-term other assets | 437.0 | 403.8 |
| Income tax receivables | 24.0 | 14.3 |
| Short-term derivative instruments and interest-bearing investments | 768.9 | 1,034.0 |
| Cash and cash equivalents | 971.8 | 255.0 |
| Assets held for sale | 17.5 | — |
| **Current assets** | **4,621.9** | **4,329.1** |
| **Total assets** | **8,289.6** | **8,061.7** |

| € millions | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Invested equity attributable to Continental Group | 2,904.2 | 3,056.6 |
| Other comprehensive income | -247.6 | -408.0 |
| **Equity attributable to Continental Group** | **2,656.6** | **2,648.6** |
| Non-controlling interests | — | — |
| **Total equity** | **2,656.6** | **2,648.6** |
| Long-term employee benefits | 874.3 | 923.6 |
| Deferred tax liabilities | 48.3 | 36.8 |
| Long-term provisions for other risks and obligations | 325.2 | 339.9 |
| Long-term indebtedness | 192.7 | 181.3 |
| Long-term contract liabilities | 15.2 | — |
| Long-term other liabilities | 5.8 | 9.3 |
| **Non-current liabilities** | **1,461.5** | **1,490.9** |
| Short-term employee benefits | 244.2 | 209.6 |
| Trade accounts payable | 2,050.5 | 2,215.5 |
| Short-term contract liabilities | 105.0 | 98.1 |
| Income tax payables | 82.8 | 86.8 |
| Short-term provisions for other risks and obligations | 463.2 | 440.0 |
| Short-term indebtedness | 963.4 | 688.9 |
| Short-term other financial liabilities | 164.8 | 106.0 |
| Short-term other liabilities | 87.2 | 77.3 |
| Liabilities held for sale | 10.4 | — |
| **Current liabilities** | **4,171.5** | **3,922.2** |
| **Total equity and liabilities** | **8,289.6** | **8,061.7** |

## Interim Combined Statement of Cash Flows

| € millions | January 1 to June 30 2021 | 2020 |
|---|---|---|
| **Net income** | **-31.5** | **-301.3** |
| Income tax expense | 80.7 | -42.4 |
| Financial result | -9.4 | 43.1 |
| **EBIT** | **39.8** | **-300.6** |
| Interest paid | -29.0 | -12.4 |
| Interest received | 8.8 | 12.4 |
| Income tax paid | -73.3 | -76.3 |
| Dividends received | — | — |
| Depreciation, amortization, impairment and reversal of impairment losses | 304.7 | 298.0 |
| Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses | -0.2 | 0.1 |
| Gains/losses from the disposal of assets, companies and business operations | -4.6 | -2.4 |
| Changes in | | |
| inventories | -159.5 | -43.3 |
| trade accounts receivable | 389.4 | -18.3 |
| trade accounts payable | -207.2 | -373.4 |
| employee benefits and other provisions | 76.8 | 0.1 |
| other assets and liabilities | 0.1 | -125.3 |
| **Cash flow arising from operating activities** | **345.8** | **-641.4** |
| Cash flow from the disposal of assets | 30.7 | 20.5 |
| Capital expenditure on property, plant and equipment, and software | -146.0 | -161.7 |
| Capital expenditure on intangible assets from development projects and miscellaneous | -16.7 | -20.6 |
| Cash flow from the disposal of companies and business operations | 91.0 | - |
| Acquisition of companies and business operations | — | -1.0 |
| **Cash flow arising from investing activities** | **-41.0** | **-162.8** |
| **Cash flow before financing activities (free cash flow)** | **304.8** | **-804.2** |
| Net cash change in short-term indebtedness(1) | -3.9 | 10.7 |
| Cash change in long-term indebtedness(1) | 4.1 | — |
| Other cash changes | -42.1 | -14.5 |
| Financial transactions with Continental Group(1) | 443.9 | 970.5 |
| Dividends paid to and cash changes from equity transactions with non-controlling interests | — | -3.3 |
| Cash and cash equivalents arising from the first-time consolidation of subsidiaries | — | — |
| **Cash flow arising from financing activities** | **402.0** | **963.4** |
| **Change in cash and cash equivalents** | **706.8** | **159.2** |
| Cash and cash equivalents at the beginning of the period | 255.0 | 184.8 |
| Effect of exchange-rate changes on cash and cash equivalents | 10.0 | -6.8 |
| **Cash and cash equivalents at the end of the period** | **971.8** | **337.2** |

*(1) Short-term and long-term indebtedness in this table only represent transactions with third parties and does not include financial transactions with Continental Group companies. The latter are shown in the line item "Financial transactions with Continental Group".*

## Interim Combined Statement of Changes in Equity

| € millions | Invested equity attributable to Continental Group | Difference from remeasurement of defined benefit plans | Difference from currency translation | Difference from financial instruments | **Subtotal** | Non-controlling interests | **Total** |
|---|---|---|---|---|---|---|---|
| **As at January 1, 2020** | **3,256.4** | **-243.2** | **108.7** | **0.1** | **3,122.0** | **56.9** | **3,178.9** |
| Withdrawals / contributions | -18.3 | — | — | — | -18.3 | — | -18.3 |
| Net income | -304.9 | — | — | — | -304.9 | 3.6 | -301.3 |
| Other comprehensive income | — | -133.2 | -48.5 | — | -181.7 | -2.3 | -184.0 |
| **Net profit for the period** | **-304.9** | **-133.2** | **-48.5** | **—** | **-486.6** | **1.3** | **-485.3** |
| Other changes | — | — | — | — | — | -3.2 | -3.2 |
| **As at June 30, 2020** | **2,933.2** | **-376.4** | **60.2** | **0.1** | **2,617.1** | **55.0** | **2,672.1** |
| **As at January 1, 2021** | **3,056.6** | **-410.8** | **-3.7** | **6.5** | **2,648.6** | **—** | **2,648.6** |
| Withdrawals / contributions | — | — | — | — | — | — | — |
| Net income | -31.5 | — | — | — | -31.5 | — | -31.5 |
| Other comprehensive income | — | 95.1 | 65.3 | — | 160.4 | — | 160.4 |
| **Net profit for the period** | **-31.5** | **95.1** | **65.3** | **—** | **128.9** | **—** | **128.9** |
| Other changes | -120.9 | — | — | — | -120.9 | — | -120.9 |
| **As at June 30, 2021** | **2,904.2** | **-315.7** | **61.6** | **6.5** | **2,656.6** | **—** | **2,656.6** |

## 1. Segment reporting

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

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| External sales | 1,870.9 | 312.2 | 1,668.2 | 545.6 | — | 4,396.9 |
| Intercompany sales | 2.4 | 0.2 | 16.2 | 0.5 | -19.3 | — |
| **Sales (total)** | **1,873.3** | **312.4** | **1,684.4** | **546.1** | **-19.3** | **4,396.9** |
| EBIT (segment result) | 35.4 | -177.6 | 119.4 | 94.4 | -31.8 | 39.8 |
| in % of sales | 1.9 | -56.9 | 7.1 | 17.3 | — | 0.9 |
| Capital expenditure(1) | 91.4 | 54.4 | 59.8 | 7.1 | — | 212.7 |
| in % of sales | 4.9 | 17.4 | 3.6 | 1.3 | — | 4.8 |
| Depreciation and amortization(2) | 131.8 | 47.7 | 96.0 | 28.7 | — | 304.2 |
| thereof impairment(3) | 4.3 | 35.2 | 9.6 | — | 0.1 | 49.2 |
| Operating assets as at June 30 | 1,131.1 | -65.3 | 1,080.3 | 247.4 | -43.8 | 2,349.7 |
| Number of employees as at June 30(4) | 16,164 | 3,843 | 16,175 | 3,429 | — | 39,611 |
| Adjusted sales(5) | 1,873.3 | 312.4 | 1,684.4 | 546.1 | -19.3 | 4,396.9 |
| Adjusted operating result (adjusted EBIT)(6) | 51.9 | -139.4 | 141.3 | 32.9 | -2.5 | 84.2 |
| in % of adjusted sales | 2.8 | -44.6 | 8.4 | 6.0 | — | 1.9 |

(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) *Excluding trainees.*

(5) *Before changes in the scope of combination.*

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

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

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| External sales | 1,527.0 | 139.8 | 1,260.9 | 481.0 | — | 3,408.7 |
| Intercompany sales | 1.9 | — | 9.2 | 0.4 | -11.5 | — |
| **Sales (total)** | **1,528.9** | **139.8** | **1,270.1** | **481.4** | **-11.5** | **3,408.7** |
| EBIT (segment result) | -95.5 | -226.9 | -0.1 | 19.8 | 2.1 | -300.6 |
| in % of sales | -6.2 | -162.3 | 0.0 | 4.1 | — | -8.8 |
| Capital expenditure(1) | 71.6 | 36.9 | 54.6 | 9.6 | — | 172.7 |
| in % of sales | 4.7 | 26.4 | 4.3 | 2.0 | — | 5.1 |
| Depreciation and amortization(2) | 125.5 | 54.7 | 86.3 | 31.5 | -0.1 | 297.9 |
| thereof impairment(3) | 2.5 | 42.9 | 3.5 | — | — | 48.9 |
| Operating assets as at June 30 | 1,387.7 | 153.4 | 1,269.8 | 300.5 | -67.4 | 3,044.0 |
| Number of employees as at June 30(4) | 16,097 | 2,987 | 15,529 | 3,862 | — | 38,475 |
| Adjusted sales(5) | 1,528.9 | 139.8 | 1,270.1 | 481.4 | -11.5 | 3,408.7 |
| Adjusted operating result (adjusted EBIT)(6) | -74.3 | -182.7 | 16.8 | 19.9 | 2.2 | -218.1 |
| in % of adjusted sales | -4.9 | -130.7 | 1.3 | 4.1 | — | -6.4 |

(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) *Excluding trainees.*

(5) *Before changes in the scope of combination.*

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

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

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| **Sales** | **1,873.3** | **312.4** | **1,684.4** | **546.1** | **-19.3** | **4,396.9** |
| Changes in the scope of combination(1) | — | — | — | — | — | — |
| **Adjusted sales** | **1,873.3** | **312.4** | **1,684.4** | **546.1** | **-19.3** | **4,396.9** |
| **EBITDA** | **167.2** | **-129.9** | **215.4** | **123.1** | **-31.8** | **344.0** |
| Depreciation and amortization(2) | -131.8 | -47.7 | -96.0 | -28.7 | — | -304.2 |
| **EBIT** | **35.4** | **-177.6** | **119.4** | **94.4** | **-31.8** | **39.8** |
| Amortization of intangible assets from purchase price allocation (PPA) | 0.9 | — | 1.6 | — | — | 2.5 |
| Changes in the scope of combination(1) | — | — | — | — | — | — |
| Special effects | | | | | | |
| Goodwill impairment | — | — | — | — | — | — |
| Impairment(3) | 4.0 | 35.2 | 9.8 | — | — | 49.0 |
| Restructuring(4) | -9.0 | — | -1.9 | — | — | -10.9 |
| Other(5) | 20.6 | 3.0 | 12.4 | -61.5 | 29.3 | 3.8 |
| **Adjusted operating result (adjusted EBIT)** | **51.9** | **-139.4** | **141.3** | **32.9** | **-2.5** | **84.2** |

*(1) Changes in the scope of combination 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 includes impairment losses totaling €0.2 million (Electronic Controls €0.4 million; Sensing & Actuation -€0.2 million).*

*(5) This includes cost of carve-out for Vitesco Technologies Group totaling €25.4 million (Electronic Controls €12.7 million; Electrification Technology €2.2 million; Sensing & Actuation €10.5 million).*

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

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| **Sales** | **1,528.9** | **139.8** | **1,270.1** | **481.4** | **-11.5** | **3,408.7** |
| Changes in the scope of combination(1) | — | — | — | — | — | — |
| **Adjusted sales** | **1,528.9** | **139.8** | **1,270.1** | **481.4** | **-11.5** | **3,408.7** |
| **EBITDA** | **30.0** | **-172.2** | **86.2** | **51.3** | **2.0** | **-2.7** |
| Depreciation and amortization(2) | -125.5 | -54.7 | -86.3 | -31.5 | 0.1 | -297.9 |
| **EBIT** | **-95.5** | **-226.9** | **-0.1** | **19.8** | **2.1** | **-300.6** |
| Amortization of intangible assets from purchase price allocation (PPA) | 2.3 | — | 2.9 | — | — | 5.2 |
| Changes in the scope of combination(1) | — | — | — | — | — | — |
| Special effects | | | | | | |
| Goodwill impairment | — | — | — | — | — | — |
| Impairment(3) | 0.5 | 42.9 | — | — | — | 43.4 |
| Restructuring(4) | 3.8 | — | 6.7 | — | — | 10.5 |
| Other(5) | 14.6 | 1.3 | 7.3 | 0.1 | 0.1 | 23.4 |
| **Adjusted operating result (adjusted EBIT)** | **-74.3** | **-182.7** | **16.8** | **19.9** | **2.2** | **-218.1** |

*(1) Changes in the scope of combination 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 includes impairment losses totaling €5.5 million (Electronic Controls €2.0 million; Sensing & Actuation €3.5 million).*

*(5) This includes cost of carve-out for Vitesco Technologies Group totaling 15.9 million (Electronic Controls €8.4 million; Electrification Technology €0.8 million; Sensing & Actuation €6.7 million).*

**Reconciliation of EBIT to net income**

| € millions | January 1 to June 30 2021 | 2020 |
|---|---|---|
| Electronic Controls | 35.4 | -95.5 |
| Electrification Technology | -177.6 | -226.9 |
| Sensing & Actuation | 119.4 | -0.1 |
| Contract Manufacturing | 94.4 | 19.8 |
| Other/consolidation | -31.8 | 2.1 |
| **EBIT** | **39.8** | **-300.6** |
| Financial result | 9.4 | -43.1 |
| **Earnings before tax** | **49.2** | **-343.7** |
| Income tax expense | -80.7 | 42.4 |
| **Net income** | **-31.5** | **-301.3** |
| Non-controlling interests | — | -3.6 |
| **Net income attributable to Continental Group** | **-31.5** | **-304.9** |

Given the affinity of certain products, these have been combined as segments. This can mainly be seen in product requirements and market trends.

The activities of Vitesco Technologies Group are divided into the following segments:

**Electronic Controls** focuses on technologies, products and services ensuring the efficiency, performance and convenience of powertrains. It offers products and services for combustion engine-based vehicles, hybrid vehicles and electric vehicles for the passenger-car, commercial-vehicles and two-wheeler market.

**Electrification Technology** focuses on the electrification of powertrains and offers technologies and products for hybrids, plug-in hybrids and battery-electric vehicles as well as 48-volt mild hybrids.

**Sensing & Actuation** focuses on technologies and products relating to the precise sensing and actuation in the powertrain and offers a broad product portfolio for combustion engines, hybridization and ultimately the electrification of the entire powertrain.

**Contract Manufacturing** resulted from the carve-out of Continental Group's powertrain business to form Vitesco Technologies Group. It records the business relationship between Vitesco Technologies Group and Continental Group for certain products of the Continental Group business produced in Vitesco Technologies Group's locations.

**Other/consolidation** comprises centrally managed subsidiaries and affiliates, such as holding and financing companies, as well as the holding function of Vitesco Technologies Group Aktiengesellschaft, Hanover, Germany, (Vitesco Technologies Group 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.

## 2. Accounting principles and basis of preparation

These Interim Combined Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period and endorsed by the European Union. These also include the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor, the International Financial Reporting Interpretations Committee (IFRIC), and the former Standing Interpretations Committee (SIC). The Interim Combined Financial Statements were prepared in compliance with IAS 34, *Interim Financial Reporting*; they should be read in conjunction with the 2020 Combined Financial Statements of Vitesco Technologies Group AG for fiscal year 2020. The same accounting policies have been applied in the Interim Combined Financial Statements as in the Combined Financial Statements for 2020. These accounting policies are described in detail in the 2020 Combined Financial Statements. In addition, the IFRS amendments and new regulations effective as at June 30, 2021, have also been applied in the Interim Combined Financial Statements. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2020 Combined Financial Statements.

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

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

Although certain elements of the Vitesco Technologies Group's business are seasonal, the overall comparability of the Interim Combined Financial Reports is not compromised. All significant effects in the current period are shown in this report.

The Interim Combined Financial Statements are prepared using the extraction method, which is applicable for transactions under common control. The carrying amounts from the superordinate IFRS consolidated financial statements are transferred including goodwill and PPA adjustments from higher-level acquisitions.

The interim combined financial information presented here does not necessarily reflect the financial position and results of operations that would have occurred if Vitesco Technologies Group had existed as a separate group in the reporting periods. Due to the fact that the Vitesco Technologies Group did not historically exist as a stand-alone group, the validity of the combined financial information is limited. It also means that the combined financial information cannot be used to forecast the future development of the operations that have been combined to form Vitesco Technologies Group.

The Interim Combined 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.

## 3. Effects of the COVID-19 pandemic on accounting in the reporting period

It is still not currently possible to predict the long-term economic consequences of the COVID-19 pandemic and the stabilization measures that have been introduced. On the basis of the information available in the reporting period, an analysis of the effects on the accounting of the Vitesco Technologies Group was carried out as at June 30, 2021.

- Financial instruments: An increase in bankruptcies and the associated credit losses as a result of COVID-19 pandemic cannot be ruled out. Vitesco Technologies Group has impaired receivables, where following an assessment by credit management, there are reasons to believe based with a higher degree of uncertainty that receivables will not be recoverable. Vitesco Technologies Group regulary reviews the model of expected credit losses under IFRS 9 in order to identify potential impacts on the model and to make any necessary adjustments. A review based on current information available did not reveal any request for adjustments as per June 30, 2021.
- Leases: As a result of COVID-19 pandemic, changes in lease payments may result in a change in the accounting for individual leases. All relevant issues were checked by Vitesco Technologies Group and accounted for in accordance with the requirements of IFRS 16, *Leases*. As per June 30, 2021 this did not result in any significant adjustments.
- Employee benefits: The review of the established actuarial assumptions for employee benefits, including the discount rate, resulted in no adjustments for COVID-19 pandemic as per June 30, 2021.

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

## 4. Scope of Combination

Until the spin-off, Vitesco Technologies Group will be part of Continental Group and will not operate as an independent group. The legal reorganization that will be finalized with the spin-off in 2021 is reflected in the Interim Combined Financial Statements.

The scope of combination includes:

- Vitesco Technologies GmbH, as well as its direct or indirect subsidiaries, and
- its holding companies including Vitesco Technologies Group AG, Hanover, Germany.

As of June 30, 2021, the Vitesco Technologies Group was comprised of 43 (June 30, 2020: 41) domestic and foreign companies.

Two (PY: one) joint ventures are accounted for in the Interim Combined Financial Statements using the equity method.

The number of companies combined has increased by a total of one since December 31, 2020. One company was founded.

Since June 30, 2020, the number of companies combined has increased by a total of two, due to a new founded entity in China and one new founded entity in Germany.

With signing as per March 1, 2021 Vitesco Technologies Group sold its entity Vitesco Technologies Faulquemont SAS, Faulquemont, France. For further information please refer the 2020 Combined Financial Statements.

## 5. Revenue from contracts with customers

The following table shows the breakdown of sales in accordance with IFRS 15, *Revenue from Contracts with Customers*, into main geographical markets, segments and customer groups.

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

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| Germany | 305.7 | 120.5 | 338.9 | 13.5 | -0.8 | 777.8 |
| Europe excluding Germany | 472.9 | 174.4 | 486.3 | 135.7 | -3.7 | 1,265.6 |
| North America | 430.1 | 17.1 | 371.3 | 230.6 | -4.1 | 1,045.0 |
| Asia | 635.4 | 0.4 | 464.7 | 161.7 | -10.6 | 1,251.6 |
| Other countries | 29.2 | — | 23.2 | 4.6 | -0.1 | 56.9 |
| **Sales by region** | **1,873.3** | **312.4** | **1,684.4** | **546.1** | **-19.3** | **4,396.9** |
| Automotive original-equipment business | 1,782.9 | 312.4 | 1,578.0 | 535.9 | -19.3 | 4,189.9 |
| Retail/replacement business | 90.4 | — | 106.4 | 10.2 | — | 207.0 |
| **Sales by customer type** | **1,873.3** | **312.4** | **1,684.4** | **546.1** | **-19.3** | **4,396.9** |

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

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| Germany | 229.6 | 53.3 | 287.6 | 10.2 | -0.1 | 580.6 |
| Europe excluding Germany | 360.2 | 67.1 | 359.7 | 97.4 | -4.7 | 879.7 |
| North America | 344.9 | 14.7 | 268.9 | 208.5 | -3.1 | 833.9 |
| Asia | 579.0 | 4.7 | 337.5 | 159.9 | -3.7 | 1,077.4 |
| Other countries | 15.2 | — | 16.4 | 5.4 | 0.1 | 37.1 |
| **Sales by region** | **1,528.9** | **139.8** | **1,270.1** | **481.4** | **-11.5** | **3,408.7** |
| Automotive original-equipment business | 1,465.7 | 139.8 | 1,193.6 | 473.8 | -11.5 | 3,261.4 |
| Retail/replacement business | 63.2 | — | 76.5 | 7.6 | — | 147.3 |
| **Sales by customer type** | **1,528.9** | **139.8** | **1,270.1** | **481.4** | **-11.5** | **3,408.7** |

## 6. Impairment

Impairments of €49.2 million (PY: €48.9 million) were recognized.

## 7. Income tax expense

Income tax expense in the first half of 2021 amounted to tax expense of €80.7 million (PY: tax income of €42.4 million). The tax rate amounted to 164.0% (PY: 12.3%).

## 8. Leases

The table below shows the right of use assets reported as at June 30, 2021:

| € millions | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| Land, land rights and buildings | 213.4 | 206.7 |
| Technical equipment and machinery | 2.1 | 1.7 |
| Other equipment factory and office equipment | 11.3 | 7.1 |
| **Right of use assets** | **226.8** | **215.5** |

The lease liabilities as at June 30, 2021, are shown in the table below:

| € millions | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| **Lease liabilities** | **233.5** | **220.6** |
| short term | 40.8 | 39.3 |
| long term | 192.7 | 181.3 |

## 9. Long-term employee benefits

Compared to December 31, 2020, the remeasurement of defined benefit pension plans as at June 30, 2021, led to a €95.1 million increase (PY: €41.3 million decrease) in other comprehensive income, which resulted from a rise (PY: decline) in discount rates. The corresponding increase in equity contrasted with a decline in long-term employee benefits of €95.7 million (PY: €41.7 million increase). No effect from changes in deferred tax assets is shown in Germany due to limited recoverability of deferred tax assets.

## 10. Cash changes in pension and similar obligations

Pension funds exist solely for pension obligations – particularly in Germany, the USA and Canada – and not for other benefit obligations. These pension funds qualify as plan assets. In the period from January 1 to June 30, 2021, the companies of the Vitesco Technologies Group made regular payments of €1.9 million (PY: €3.8 million) into these pension funds.

Payments for pension obligations totaled €7.8 million (PY: €7.8 million) in the period from January 1 to June 30, 2021. Payments for obligations similar to pensions totaled €0.8 million (PY: €0.6 million).

The net pension cost of the Vitesco Technologies Group can be summarized as follows:

| | **January 1 to June 30, 2021** | | | | | | January 1 to June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| € millions | **Germany** | **U.S.A.** | **CAN** | **France** | **Other** | **Total** | Germany | U.S.A. | CAN | France | Other | Total |
| Current service cost | 28.4 | — | — | 0.6 | 1.8 | **30.8** | 25.7 | — | — | 0.6 | 2.5 | 28.8 |
| Service cost from plan amendments | — | — | — | — | — | **—** | — | — | — | — | — | — |
| Curtailments/settlements | — | — | — | — | — | **—** | — | — | — | — | — | — |
| Interest on defined benefit obligations | 3.6 | 0.4 | 1.0 | 0.1 | 0.8 | **5.9** | 4.3 | 0.6 | 1.2 | 0.1 | 0.8 | 7.0 |
| Expected return on the pension funds | -0.4 | -0.4 | -0.9 | — | -0.5 | **-2.2** | -0.6 | -0.6 | -1.0 | — | -0.6 | -2.8 |
| Effect of change of asset ceiling | — | — | — | — | — | **—** | — | — | — | — | — | — |
| Other pension income and expenses | — | 0.1 | 0.1 | — | — | **0.2** | — | 0.1 | 0.1 | — | — | 0.2 |
| **Net pension cost** | **31.6** | **0.1** | **0.2** | **0.7** | **2.1** | **34.7** | **29.4** | **0.1** | **0.3** | **0.7** | **2.7** | **33.2** |

The net cost of healthcare and life-insurance benefit obligations of the Vitesco Technologies Group in the USA and Canada consists of the following:

| | January 1 to June 30 | |
|---|---|---|
| € millions | **2021** | 2020 |
| Current service cost | 0.1 | 0.1 |
| Interest on healthcare and life insurance benefit obligations | 0.4 | 0.4 |
| **Net loss/income** | **0.5** | **0.5** |

## 11. Indebtedness

Vitesco Technologies Group is largely financed by Continental Group, through equity, loans and central financing, and invests excess liquidity with Continental AG or its subsidiaries. Financing from related parties reported as other indebtedness amounted to €920.3 million (PY: €617.5 million) as at June 30, 2021.

Bank loans and overdrafts of €0.0 million were used (PY: €30.7 million) as at June 30, 2021. On June 30, 2021, there were credit lines and available financing and guarantees from banks in the amount of €183.3 million (PY: €246.1 million). A nominal amount of €176.2 million of this had not been utilized as at the end of the reporting period (PY: €215.4 million).

On March 24, 2021 Vitesco Technologies Group AG and Vitesco Technologies GmbH concluded a facilities agreement regarding two multicurrency revolving facilities with an aggregate volume of

€1,000.0 million. This facility agreement encompasses a core revolving credit facility of €750.0 million and an incremental revolving credit facility of €250.0 million. The loans will be used to finance general corporate purposes. The facility agreement is secured by a comprehensive collateral package of share pledges over all shares in Vitesco Technologies GmbH and each Material Subsidiary, pledges of bank accounts and security over intercompany receivables. The facility agreement has an initial term of three years and contains certain covenants, obligations and termination rights.

## 12. 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 measurement categories are shown according to IFRS 9, *Financial Instruments*, and the levels of the fair value hierarchy relevant for calculating fair value according to IFRS 13, *Fair Value Measurement*.

| € millions | Measurement category in acc. with IFRS 9 | **Carrying amount as at June 30, 2021** | **Fair value as at June 30, 2021** | thereof Level 1 | thereof Level 2 | thereof Level 3 |
|---|---|---|---|---|---|---|
| Other investments | FVOCIwoR | 15.2 | 15.2 | — | — | 15.2 |
| Derivative instruments and interest-bearing investments | | | | | | |
| Derivative instruments not accounted for as effective hedging instruments | FVPL | 1.7 | 1.7 | — | 1.7 | — |
| Debt instruments | FVPL | 13.3 | 13.3 | — | 13.3 | — |
| Debt instruments | At cost | 767.2 | 767.2 | — | — | — |
| Trade accounts receivable | | | | | | |
| Trade accounts receivable | At cost | 1,560.1 | 1,560.1 | — | — | — |
| Bank drafts | FVOCIwR | 70.1 | 70.1 | — | 70.1 | — |
| Other financial assets | At cost | 68.0 | 68.0 | — | — | — |
| Cash and cash equivalents | | | | | | |
| Cash | At cost | 645.6 | 645.6 | — | — | — |
| Cash equivalents | FVPL | 326.2 | 326.2 | 326.2 | — | — |
| **Financial assets** | | **3,467.4** | **3,467.4** | **326.2** | **85.1** | **15.2** |
| Indebtedness without lease liabilities | | | | | | |
| Derivative instruments not accounted for as effective hedging instruments | FVPL | 2.3 | 2.3 | — | 2.3 | — |
| Other indebtedness | At cost | 920.3 | 920.3 | — | — | — |
| Trade accounts payable | At cost | 2,050.5 | 2,050.5 | — | — | — |
| Other financial liabilities | At cost | 164.8 | 164.8 | — | — | — |
| **Financial liabilities without lease liabilities** | | **3,137.9** | **3,137.9** | **—** | **2.3** | **—** |
| Aggregated according to measurement categories as defined in IFRS 9: | | | | | | |
| Financial assets (FVOCIwR) | | 70.1 | | | | |
| Financial assets (FVOCIwoR) | | 15.2 | | | | |
| Financial assets (FVPL) | | 341.2 | | | | |
| Financial assets (At cost) | | 3,040.9 | | | | |
| Financial liabilities (FVPL) | | 2.3 | | | | |
| Financial liabilities (At cost) | | 3,135.6 | | | | |

| € millions | Measurement category in acc. with IFRS 9 | **Carrying amount as at Dec. 31, 2020** | **Fair value as at Dec. 31, 2020** | thereof Level 2 | thereof Level 3 |
|---|---|---|---|---|---|
| Other investments | FVOCIwoR | 15.2 | 15.2 | — | 15.2 |
| Derivative instruments and interest-bearing investments | | | | | |
| Derivative instruments not accounted for as effective hedging instruments | FVPL | 4.5 | 4.5 | 4.5 | — |
| Debt instruments | FVPL | 11.2 | 11.2 | 11.2 | — |
| Debt instruments | At cost | 1,029.5 | 1,029.5 | — | — |
| Trade accounts receivable | | | | | |
| Trade accounts receivable | At cost | 1,911.5 | 1,911.5 | — | — |
| Bank drafts | FVOCIwR | 72.1 | 72.1 | 72.1 | — |
| Other financial assets | At cost | 72.6 | 72.6 | — | — |
| Cash and cash equivalents | At cost | 255.0 | 255.0 | — | — |
| **Financial assets** | | **3,371.6** | **3,371.6** | **87.8** | **15.2** |
| Indebtedness without lease liabilities | | | | | |
| Derivative instruments not accounted for as effective hedging instruments | FVPL | 1.4 | 1.4 | 1.4 | — |
| Other indebtedness | At cost | 648.2 | 648.2 | — | — |
| Trade accounts payable | At cost | 2,215.5 | 2,215.5 | — | — |
| Other financial liabilities | At cost | 106.0 | 106.0 | — | — |
| **Financial liabilities without lease liabilities** | | **2,971.1** | **2,971.1** | **1.4** | **—** |
| | | | | | |
| Aggregated according to measurement categories as defined in IFRS 9: | | | | | |
| Financial assets (FVOCIwR) | | 72.1 | | | |
| Financial assets (FVOCIwoR) | | 15.2 | | | |
| Financial assets (FVPL) | | 15.7 | | | |
| Financial assets (At cost) | | 3,268.6 | | | |
| Financial liabilities (FVPL) | | 1.4 | | | |
| Financial liabilities (At cost) | | 2,969.7 | | | |

**Abbreviations:**

- At cost: measured at amortized cost
- FVOCIwR: fair value through other comprehensive income with reclassification
- FVOCIwoR: fair value through other comprehensive income without reclassification
- FVPL: fair value through profit and loss
- n. a.: not applicable, not assigned to any measurement category

**Levels of the fair value hierarchy according to IFRS 13, *Fair Value Measurement*:**

- Level 1: quoted prices in active markets for identical instruments
- Level 2: quoted prices in active markets for similar instruments or measurement methods for which all major input factors are based on observable market data
- Level 3: measurement methods for which the major input factors are not based on observable market data

For other investments 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. Other investments are centrally monitored with regard to any changes to the key non-observable input factors and continuously checked for changes in value. As at the reporting date, there were no indications of any significant change in the value of the financial investments. For this reason, there is no need to present the changes in carrying amounts separately, or for a sensitivity analysis.

### 13. Litigation and compensation claims

There were no significant findings or developments in the reporting period with regard to the litigation and compensation claims described in the 2020 Combined Financial Statements.

### 14. Contingent liabilities and other financial obligations

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

### 15. Transactions with related parties

The remuneration of the group's key management personnel comprises the remuneration of the active members of the Management.

The remuneration of the active members of the Management in the respective years was as follows:

| € thousands | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| Short-term benefits | 799 | 1,260 |
| Service cost relating to post-employment benefits | 169 | 677 |
| Termination benefits | — | — |
| Share-based payment | 215 | 165 |
| **Total** | **1,183** | **2,102** |

The total remuneration granted to the Management of Vitesco Technologies Group, in 2021 amounted to €1.6 million (PY: €2.3 million). That total remuneration also includes, in addition to short-term benefits of €0.8 million (PY: €1.3 million), a newly granted long-term incentive plan totaling €0.6 million (PY: €0.9 million) and the long-term component of variable remuneration totaling €0.2 million (PY: €0.2 million).

In the first quarter 2021 Vitesco Technologies Group AG Management Board changed from Dr. Christian zur Nedden and Dr. Ulrike Schramm (both for the period January 1, 2021 till March 8, 2021) to Andreas Wolf appointed as Chief Executive Officer, Werner Volz appointed as Chief Financial Officer and Ingo Holstein as Chief Human Resources Officer with effect as of March 8, 2021 as Management Board of Vitesco Technologies Group.

Transactions with related parties other than subsidiaries are shown in the following table:

| | Income | | Expenses | | Accounts receivable | | Accounts payable | |
|---|---|---|---|---|---|---|---|---|
| | January 1 to June 30 | | January 1 to June 30 | | | | | |
| | **2021** | 2020 | **2021** | 2020 | **June 30, 2021** | December 31, 2020 | **June 30, 2021** | December 31, 2020 |
| **€ millions** | | | | | | | | |
| **Continental Group** | | | | | | | | |
| Ordinary business activities | 786.1 | 610.0 | 624.1 | 508.4 | 432.5 | 836.6 | 848.5 | 942.0 |
| Leasing | 0.3 | 0.3 | 0.5 | 0.6 | — | — | 88.3 | 104.4 |
| Financing | 4.8 | 10.2 | 14.8 | 24.4 | 765.9 | 1,026.2 | 924.7 | 619.7 |
| Other | — | 1.2 | — | 2.0 | — | — | — | — |
| **Schaeffler Group** | | | | | | | | |
| Ordinary business activities | 17.4 | 3.9 | — | — | 10.3 | 10.3 | 3.1 | 2.9 |
| **Total** | **808.6** | **625.6** | **639.4** | **535.4** | **1,208.7** | **1,873.1** | **1,864.6** | **1,669.0** |

## Leasing

Vitesco Technologies Group has entered into related party transactions for leasing services and goods that are affected by IFRS 16, *Leases*, for the asset categories of land, buildings and machines. In most of these few lease agreements between Vitesco Technologies Group and Continental Group, Vitesco Technologies Group acts as a lessee. The related expenses for leasing include payments for unrecognized leases for short-term leases as well as interest expenses.

## Ordinary business activities Continental Group

The ordinary business activities with companies of the Continental Group are mainly attributable to the sale of goods and services in connection with contract manufacturing agreements between Continental Group and Vitesco Technologies Group and were conducted on an arm's length basis. In 2021 and 2020, sales and cost of sales in connection with contract manufacturing, which are shown within the ordinary business activities, classify as variable lease payments according to IFRS 16, *Leases*.

## Ordinary business activities Schaeffler Group

The ultimate parent company of Schaeffler Group is INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany. In the reporting periods, Continental AG was a dependent company of INA-Holding Schaeffler GmbH & Co. KG as defined under Section 312 AktG.

The income from ordinary business activities with Schaeffler Group companies is attributable solely to sale of products and services. The transactions were conducted on an arm's length basis. Accounts receivable and payable from ordinary business transactions with Schaeffler Group companies are solely related to the sale and purchase of products and services.

## Financing

Vitesco Technologies Group is largely financed by Continental Group, through equity, loans and central financing, and invests excess liquidity with Continental AG or its subsidiaries. This includes integration into Continental Group's cash pooling and cash management system. The available financing from related parties was, as in the previous years, predominantly floating-rate short-term borrowings that also resulted in material effects in interest expense. Financial receivables resulted mainly from short-term loans and cash-pool credit balances that also resulted in material effects in interest income.

As per June 24, 2021 Vitesco Technologies 1. Beteiligungs KG, Hanover, Germany and Vitesco Technologies 2. Beteiligungs KG, Hanover, Germany acquired the outstanding 3.56% shareholding from Continental Automotive France SAS, Toulouse, France. The purchase price amounted to €121.0 million.

**Significant Events after June 30, 2021**

There were no significant events after June 30, 2021.

Hanover, July 30, 2021

Vitesco Technologies Group AG

Andreas Wolf Werner Volz Ingo Holstein

# Audited Combined Financial Statements of Vitesco Technologies Group Aktiengesellschaft as of and for the fiscal years ended December 31, 2020, 2019 and 2018, prepared in accordance with IFRS

### Combined Statement of Income

Due to the application of the modified retrospective approach during the first-time adoption of IFRS 16, *Leases*, as at January 1, 2019, the respective figures from comparative period (fiscal year 2018) are shown unadjusted.

| € millions | See Note | **2020** | 2019 | 2018 |
|---|---|---|---|---|
| **Sales** | 6 | **8,027.7** | **9,092.5** | **9,143.1** |
| Cost of sales | | -6,971.8 | -7,883.5 | -7,749.7 |
| **Gross margin on sales** | | **1,055.9** | **1,209.0** | **1,393.4** |
| Research and development expenses | 7 | -1,001.3 | -1,121.2 | -1,123.2 |
| Selling and logistics expenses | | -156.2 | -190.6 | -180.9 |
| Administrative expenses | | -258.0 | -267.1 | -127.3 |
| Other income | 8 | 538.7 | 753.3 | 590.2 |
| Other expenses | 8 | -504.4 | -1,018.1 | -367.7 |
| Income from equity-accounted investees | 10 | 1.0 | -0.5 | -0.3 |
| Other income from investments | 10 | — | 0.0 | 0.0 |
| **EBIT** | | **-324.3** | **-635.2** | **184.2** |
| Interest income | 11 | 20.6 | 37.0 | 13.4 |
| Interest expense | 11 | -33.7 | -49.4 | -26.7 |
| Effects from currency translation | 11 | -14.8 | -20.7 | 5.4 |
| Effects from changes in the fair value of derivative instruments, and other valuation effects | 11 | 0.9 | 1.8 | -1.8 |
| **Financial result** | 11 | **-27.0** | **-31.2** | **-9.7** |
| **Earnings before tax** | | **-351.3** | **-666.4** | **174.5** |
| Income tax expense | 12 | -11.9 | 26.5 | -68.0 |
| **Net income** | | **-363.2** | **-639.9** | **106.5** |
| Non-controlling interests | | -13.5 | -20.0 | -20.0 |
| Net income attributable to Continental Group | | -376.7 | -659.9 | 86.5 |

### Combined Statement of Comprehensive Income

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| **Net income** | **-363.2** | **-639.9** | **106.5** |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement of defined benefit plans(1) | -71.2 | -118.8 | -16.2 |
| Fair value adjustments(1) | -72.6 | -118.1 | -16.3 |
| Currency translation(1) | 1.4 | -0.7 | 0.1 |
| Other investments | 6.4 | — | — |
| Tax on other comprehensive income | -94.0 | 97.2 | 5.2 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Currency translation(1) | -112.4 | 29.9 | -5.1 |
| Tax on other comprehensive income | 0.0 | 1.0 | 1.8 |
| **Other comprehensive income** | **-271.2** | **9.3** | **-14.3** |
| **Comprehensive income** | **-634.4** | **-630.6** | **92.2** |
| Attributable to non-controlling interests | -14.2 | -18.7 | -19.9 |
| Attributable to Continental Group | -648.6 | -649.3 | 72.3 |

*(1) Including non-controlling interests.*

## Combined Statement of Financial Position

### Assets

| € millions | See Note | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|---|
| Goodwill | 14 | 785.2 | 805.7 | 1,025.4 |
| Other intangible assets | 14 | 164.5 | 173.9 | 159.7 |
| Property, plant and equipment | 15, 16 | 2,458.0 | 2,658.4 | 2,373.9 |
| Investments in equity-accounted investees | 17 | 15.9 | 2.3 | 2.0 |
| Other investments | 18 | 15.2 | 27.2 | 27.2 |
| Deferred tax assets | 19 | 266.0 | 276.1 | 240.9 |
| Defined benefit assets | 26 | 3.8 | 1.5 | 1.6 |
| Long-term derivative instruments and interest-bearing investments | 30 | 11.2 | 10.8 | 9.8 |
| Long-term other financial assets | 20 | 7.0 | 5.9 | 3.7 |
| Long-term other assets | 21 | 5.8 | 5.2 | 1.1 |
| **Non-current assets** | | **3,732.6** | **3,967.0** | **3,845.3** |
| Inventories | 22 | 561.8 | 621.1 | 620.5 |
| Trade accounts receivable | 23 | 1,983.6 | 1,474.7 | 1,552.7 |
| Short-term contract assets | 6 | 11.0 | 19.5 | 14.2 |
| Short-term other financial assets | 20 | 65.6 | 17.7 | 24.1 |
| Short-term other assets | 21 | 403.8 | 363.7 | 179.1 |
| Income tax receivables | | 14.3 | 2.2 | 1.9 |
| Short-term derivative instruments and interest-bearing investments | 30 | 1,034.0 | 1,760.4 | 2,738.8 |
| Cash and cash equivalents | 24 | 255.0 | 184.8 | 71.1 |
| **Current assets** | | **4,329.1** | **4,444.1** | **5,202.4** |
| **Total assets** | | **8,061.7** | **8,411.1** | **9,047.7** |

### Equity and liabilities

| € millions | See Note | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|---|
| Invested equity attributable to Continental Group | | 3,056.6 | 3,256.5 | 5,095.1 |
| Other comprehensive income | | -408.0 | -134.5 | -46.1 |
| **Equity attributable to Continental Group** | | **2,648.6** | **3,122.0** | **5,049.0** |
| Non-controlling interests | | — | 56.9 | 45.1 |
| **Total equity** | 25 | **2,648.6** | **3,178.9** | **5,094.1** |
| Long-term employee benefits | 26 | 923.6 | 755.1 | 554.7 |
| Deferred tax liabilities | 19 | 36.8 | 69.9 | 217.7 |
| Long-term provisions for other risks and obligations | 27 | 339.9 | 273.1 | 4.6 |
| Long-term indebtedness | 29 | 181.3 | 186.8 | 3.2 |
| Long-term contract liabilities | 6 | — | 5.9 | — |
| Long-term other liabilities | 33 | 9.3 | 2.3 | 1.2 |
| **Non-current liabilities** | | **1,490.9** | **1,293.1** | **781.4** |
| Short-term employee benefits | 26 | 209.6 | 226.1 | 219.1 |
| Trade accounts payable | 32 | 2,215.5 | 1,963.5 | 1,679.8 |
| Short-term contract liabilities | 6 | 98.1 | 72.6 | 28.8 |
| Income tax payables | 28 | 86.8 | 114.6 | 21.2 |
| Short-term provisions for other risks and obligations | 27 | 440.0 | 454.3 | 244.3 |
| Short-term indebtedness | 29 | 688.9 | 822.2 | 868.8 |
| Short-term other financial liabilities | 31 | 106.0 | 194.5 | 59.4 |
| Short-term other liabilities | 33 | 77.3 | 91.3 | 50.8 |
| **Current liabilities** | | **3,922.2** | **3,939.1** | **3,172.2** |
| **Total equity and liabilities** | | **8,061.7** | **8,411.1** | **9,047.7** |

### Combined Statement of Cash Flows

| € millions | See Note | **2020** | 2019 | 2018 |
|---|---|---|---|---|
| **Net income** | | **-363.2** | **-639.9** | **106.5** |
| Income tax expense | 12 | 11.9 | -26.5 | 68.0 |
| Financial result | 11 | 27.0 | 31.2 | 9.7 |
| **EBIT** | | **-324.3** | **-635.2** | **184.2** |
| Interest paid | | -19.4 | -30.4 | -11.4 |
| Interest received | | 17.3 | 29.4 | 6.9 |
| Income tax paid | 12, 28 | -171.0 | -86.3 | -32.8 |
| Dividends received | | — | 0.0 | 0.0 |
| Depreciation, amortization, impairment and reversal of impairment losses | 8, 14, 15, 16 | 577.2 | 814.9 | 451.3 |
| Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses | 10, 17 | -1.0 | 0.5 | 0.3 |
| Gains/losses from the disposal of assets, companies and business operations | | -11.4 | -5.0 | -20.0 |
| Changes in | | | | |
| inventories | 22 | 33.6 | 10.1 | -86.9 |
| trade accounts receivable | 23 | -548.0 | -859.2 | -34.2 |
| trade accounts payable | 32 | 335.1 | 1,000.0 | 40.5 |
| employee benefits and other provisions | 26, 27 | 149.0 | 552.5 | 129.8 |
| other assets and liabilities | | -43.0 | -98.8 | 51.9 |
| **Cash flow arising from operating activities** | | **-5.9** | **692.5** | **679.6** |
| Cash flow from the disposal of assets | 14, 15 | 31.3 | 30.6 | 97.1 |
| Capital expenditure on property, plant and equipment, and software | 14, 15 | -428.4 | -595.5 | -684.1 |
| Capital expenditure on intangible assets from development projects and miscellaneous | 14 | -35.4 | -72.2 | -55.7 |
| Cash flow from the disposal of companies and business operations | 18 | 10.5 | — | — |
| Acquisition of companies and business operations | 17, 18 | -27.8 | — | -1.3 |
| **Cash flow arising from investing activities** | | **-449.8** | **-637.1** | **-644.0** |
| **Cash flow before financing activities (free cash flow)** | | **-455.7** | **55.4** | **35.6** |
| Net cash change in short-term indebtedness(1) | 29 | -10.4 | 22.9 | -25.4 |
| Cash change in long-term indebtedness[1] | 29 | — | — | — |
| Other cash changes | | 4.8 | -2.6 | -3.3 |
| Successive purchases | 25 | -121.6 | — | — |
| Financial transactions with Continental Group[1] | 36 | 668.2 | 43.1 | -8.9 |
| Dividends paid to and cash changes from equity transactions with non-controlling interests | | -3.3 | -6.8 | — |
| Cash and cash equivalents arising from the first-time consolidation of subsidiaries | | — | — | — |
| **Cash flow arising from financing activities** | | **537.7** | **56.6** | **-37.6** |
| **Change in cash and cash equivalents** | | **82.0** | **112.0** | **-2.0** |
| Cash and cash equivalents as at January 1 | | 184.8 | 71.1 | 72.7 |
| Effect of exchange-rate changes on cash and cash equivalents | | -11.8 | 1.7 | 0.4 |
| **Cash and cash equivalents as at December 31** | 24 | **255.0** | **184.8** | **71.1** |

*(1) Short-term and long-term indebtedness in this table only represents transactions with third parties and does not include financial transactions with Continental Group. The latter are shown in the line item "Financial transactions with Continental Group".*

## Combined Statement of Changes in Equity

| € millions | Invested equity attributable to Continental Group | Difference from remeasurement of defined benefit plans | Difference from currency translation | Difference from financial instruments | Subtotal | Non-controlling interests | **Total** |
|---|---|---|---|---|---|---|---|
| **As at December 31, 2017** | **2,486.1** | **-141.8** | **110.1** | **-0.2** | **2,454.2** | **39.0** | **2,493.2** |
| Effects from the first-time adoption of new standards (IFRS 9/15) | 0.3 | — | — | — | 0.3 | — | 0.3 |
| **Adjusted as at January 1, 2018** | **2,486.4** | **-141.8** | **110.1** | **-0.2** | **2,454.5** | **39.0** | **2,493.5** |
| Withdrawals/contributions | 2,522.2 | — | — | — | 2,522.2 | — | 2,522.2 |
| Net income | 86.5 | — | — | — | 86.5 | 20.0 | 106.5 |
| Other comprehensive income | — | -10.7 | -3.8 | 0.3 | -14.2 | -0.1 | -14.3 |
| **Net profit for the period** | **86.5** | **-10.7** | **-3.8** | **0.3** | **72.3** | **19.9** | **92.2** |
| Other changes | — | — | — | — | — | -13.8 | -13.8 |
| **As at December 31, 2018** | **5,095.1** | **-152.5** | **106.3** | **0.1** | **5,049.0** | **45.1** | **5,094.1** |
| Effects from the first-time adoption of new standard (IFRS 16) | — | — | — | — | — | — | — |
| **Adjusted as at January 1, 2019** | **5,095.1** | **-152.5** | **106.3** | **0.1** | **5,049.0** | **45.1** | **5,094.1** |
| Withdrawals/contributions | -1,178.9 | -69.9 | -29.0 | — | -1,277.8 | 0.0 | -1,277.8 |
| Net income | -659.9 | — | — | — | -659.9 | 20.0 | -639.9 |
| Other comprehensive income | — | -20.8 | 31.4 | — | 10.6 | -1.3 | 9.3 |
| **Net profit for the period** | **-659.9** | **-20.8** | **31.4** | **—** | **-649.3** | **18.7** | **-630.6** |
| Other changes | — | — | — | — | — | -6.9 | -6.9 |
| **As at December 31, 2019** | **3,256.4** | **-243.2** | **108.7** | **0.1** | **3,122.0** | **56.9** | **3,178.9** |
| Withdrawals/contributions | 231.6 | — | — | — | 231.6 | — | 231.6 |
| Net income | -376.7 | — | — | — | -376.7 | 13.5 | -363.2 |
| Other comprehensive income | — | -165.9 | -112.4 | 6.4 | -271.9 | 0.7 | -271.2 |
| **Net profit for the period** | **-376.7** | **-165.9** | **-112.4** | **6.4** | **-648.6** | **14.2** | **-634.4** |
| Other changes | — | — | — | — | — | -3.3 | -3.3 |
| Successive purchases | -54.7 | -1.7 | — | — | -56.4 | -67.8 | -124.1 |
| **As at December 31, 2020** | **3,056.6** | **-410.8** | **-3.7** | **6.5** | **2,648.6** | **—** | **2,648.6** |

## Notes to the Combined Financial Statements

### 1. Segment Reporting

#### Notes to segment reporting

In accordance with the provisions of IFRS 8, *Operating Segments*, Vitesco Technologies Group'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. Vitesco Technologies Group's reporting structure will be finalized with the spin-off in 2021. This expected reporting structure was mapped retrospectively for the fiscal years 2020, 2019 and 2018. It is considered necessary to provide reliable financial data for all three years for purposes of the spin-off of Vitesco Technologies Group. Therefore, IFRS 8 is fully applied for the voluntary segment report within the Combined Financial Statements.

Given the affinity of certain products, these have been combined as segments. This can mainly be seen in product requirements and market trends.

The activities of Vitesco Technologies Group are divided into the following segments (the segments have been renamed as shown below as of January 1, 2020):

**Electronic Controls** (formerly Engine & Drivetrain Systems) focuses on technologies, products and services ensuring the efficiency, performance and convenience of powertrains. It offers products and services for combustion engine-based vehicles, hybrid vehicles and electric vehicles for the passenger-car, commercial-vehicles and two-wheeler market.

**Electrification Technology** (formerly Hybrid Electric Vehicle) focuses on the electrification of powertrains and offers technologies and products for hybrids, plug-in hybrids and battery-electric vehicles as well as 48-volt mild hybrids.

**Sensing & Actuation** (formerly Powertrain Components) focuses on technologies and products relating to the precise sensing and actuation in the powertrain and offers a broad product portfolio for combustion engines, hybridization and ultimately the electrification of the entire powertrain.

**Contract Manufacturing** resulted from the carve-out of Continental Group's powertrain business to form Vitesco Technologies Group. It records the business relationship between Vitesco Technologies Group and Continental Group for certain products of the Continental Group business produced in Vitesco Technologies Group's locations.

#### Other/consolidation

This comprises centrally managed subsidiaries and affiliates, such as holding and financing companies, as well as the holding function of Vitesco Technologies Group Aktiengesellschaft, Hanover, Germany, (Vitesco Technologies Group 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 Vitesco Technologies Group are based on International Financial Reporting Standards (IFRS) as described in Note 3. The group measures the performance of its segments on the basis of their adjusted return on sales (adjusted operating result (adjusted EBIT) divided by adjusted sales) and 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 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 Combined 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 Combined Statement of Financial Position.

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

Non-cash expenses/income mainly include the changes in provisions for pension liabilities – except for contributions to or withdrawals from the associated funds – and the profit or loss from impairment and reversal of impairment losses on the value of equity-accounted investees.

In the segment information broken down by country and region, sales are allocated on the basis of the domicile of the respective customer (for further information please see Note 4, section "Revenue recognition", and Note 6); in contrast, capital expenditure and segment assets are allocated on the basis of the domicile of the respective companies.

Viewed across all segments except for Contract Manufacturing, Vitesco Technologies Group recorded sales with two main customers totaling €1,239.1 million (PY: €1,443.3 million; 2018: €1,524.7 million) and €703.5 million (PY: €933.6; 2018: €1,003.2 million) respectively in the year under review. Moreover, in 2020, all segments generated sales totaling €876.6 million (PY: €985.9 million; 2018: €966.5 million) with another external customer. Regarding sales with the Continental Group which are reported as sales with related parties please refer to Note 36.

In 2020, 20% (PY: 18%; 2018: 18%) of sales were generated in China, 18% (PY: 19%; 2018: 20%) in the U.S.A. and 17% (PY: 17%; 2018: 17%) in Germany. Other than this, there were no countries in which more than 10% of sales were achieved in the period under review, as was the case in previous years.

## Segment report for 2020

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| External sales | 3,632.1 | 405.9 | 2,891.2 | 1,098.5 | — | 8,027.7 |
| Intercompany sales | 4.7 | — | 26.0 | 0.8 | -31.5 | — |
| **Sales (total)** | **3,636.8** | **405.9** | **2,917.2** | **1,099.3** | **-31.5** | **8,027.7** |
| EBIT (segment result) | -26.6 | -400.9 | 45.8 | 53.0 | 4.4 | -324.3 |
| in % of sales | -0.7 | -98.8 | 1.6 | 4.8 | — | -4.0 |
| thereof income from equity-accounted investees | 1.4 | — | -0.4 | — | — | 1.0 |
| Capital expenditure(1) | 174.5 | 121.5 | 164.3 | 19.6 | 0.1 | 480.0 |
| in % of sales | 4.8 | 29.9 | 5.6 | 1.8 | — | 6.0 |
| Depreciation and amortization(2) | 258.6 | 74.1 | 182.4 | 62.1 | — | 577.2 |
| thereof impairment(3) | 9.0 | 51.6 | 15.7 | 0.3 | 0.1 | 76.7 |
| Internally generated intangible assets | 35.0 | — | 0.4 | — | — | 35.4 |
| Significant non-cash expenses/income | -26.3 | -8.5 | -15.6 | -1.4 | -19.3 | -71.1 |
| Segment assets | 3,054.1 | 422.6 | 2,107.1 | 534.0 | 39.3 | 6,157.1 |
| thereof investments in equity-accounted investees | 4.6 | — | 11.3 | — | — | 15.9 |
| Segment liabilities | 1,808.4 | 355.0 | 1,074.4 | 255.0 | 28.8 | 3,521.6 |
| Operating assets as at December 31 | 1,245.7 | 67.6 | 1,032.7 | 279.0 | 10.5 | 2,635.5 |
| Operating assets (average) | 1,291.8 | 132.1 | 1,173.5 | 249.6 | -38.9 | 2,808.1 |
| ROCE | -2.1 | -303.5 | 3.9 | 21.2 | — | -11.5 |
| Number of employees as at December 31(4) | 16,686 | 3,495 | 16,419 | 3,890 | — | 40,490 |
| Adjusted sales(5) | 3,636.8 | 405.9 | 2,917.2 | 1,099.3 | -31.5 | 8,027.7 |
| Adjusted operating result (adjusted EBIT)(6) | 85.6 | -345.7 | 110.3 | 53.5 | 4.4 | -91.9 |
| in % of adjusted sales | 2.4 | -85.2 | 3.8 | 4.9 | — | -1.1 |

*(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) Excluding trainees.*

*(5) Before changes in the scope of combination.*

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

## Segment report for 2019

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| External sales | 4,265.6 | 236.8 | 3,243.6 | 1,346.5 | — | 9,092.5 |
| Intercompany sales | 5.2 | -1.6 | 17.6 | -4.5 | -16.7 | — |
| **Sales (total)** | **4,270.8** | **235.2** | **3,261.2** | **1,342.0** | **-16.7** | **9,092.5** |
| EBIT (segment result) | -570.5 | -341.5 | 210.3 | 66.7 | -0.1 | -635.2 |
| in % of sales | -13.4 | -145.2 | 6.4 | 5.0 | — | -7.0 |
| thereof income from equity-accounted investees | -0.5 | — | — | — | — | -0.5 |
| Capital expenditure(1) | 323.0 | 117.7 | 258.8 | 82.7 | 0.2 | 782.4 |
| in % of sales | 7.6 | 50.0 | 7.9 | 6.2 | — | 8.6 |
| Depreciation and amortization(2) | 524.8 | 54.7 | 169.2 | 66.2 | 0.0 | 814.9 |
| thereof impairment(3) | 281.0 | 31.3 | 9.0 | 0.3 | — | 321.6 |
| Internally generated intangible assets | 66.1 | — | 1.8 | 4.2 | — | 72.1 |
| Significant non-cash expenses/income | -25.3 | -6.3 | -12.2 | -1.3 | -1.7 | -46.8 |
| Segment assets | 2,928.9 | 345.7 | 2,015.1 | 646.7 | 5.7 | 5,942.0 |
| thereof investments in equity-accounted investees | 2.3 | — | — | — | — | 2.3 |
| Segment liabilities | 1,753.6 | 193.9 | 841.3 | 361.5 | 126.8 | 3,277.1 |
| Operating assets as at December 31 | 1,175.3 | 151.7 | 1,173.8 | 285.2 | -121.1 | 2,664.9 |
| Operating assets (average) | 1,415.4 | 127.4 | 1,094.1 | 374.6 | -216.9 | 2,794.6 |
| ROCE | -40.3 | -268.1 | 19.2 | 17.8 | — | -22.7 |
| Number of employees as at December 31(4) | 17,157 | 2,875 | 16,350 | 4,140 | — | 40,522 |
| Adjusted sales5 | 4,270.8 | 235.2 | 3,261.2 | 1,342.0 | -16.7 | 9,092.5 |
| Adjusted operating result (adjusted EBIT)(6) | 3.7 | -298.4 | 280.8 | 67.0 | -0.1 | 52.9 |
| in % of adjusted sales | 0.1 | -126.9 | 8.6 | 5.0 | — | 0.6 |

*(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) Excluding trainees.*

*(5) Before changes in the scope of combination.*

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

## Segment report for 2018

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| External sales | 4,565.5 | 197.1 | 3,158.2 | 1,222.3 | — | 9,143.1 |
| Intercompany sales | 2.4 | -0.3 | 67.8 | 2.4 | -72.3 | — |
| **Sales (total)** | **4,567.9** | **196.8** | **3,226.0** | **1,224.7** | **-72.3** | **9,143.1** |
| EBIT (segment result) | 239.6 | -369.2 | 247.2 | 64.6 | 2.0 | 184.2 |
| in % of sales | 5.2 | -187.6 | 7.7 | 5.3 | — | 2.0 |
| thereof income from equity-accounted investees | -0.3 | — | — | — | — | -0.3 |
| Capital expenditure(1) | 313.8 | 45.2 | 228.8 | 96.3 | — | 684.1 |
| in % of sales | 6.9 | 23.0 | 7.1 | 7.9 | — | 7.5 |
| Depreciation and amortization(2) | 217.3 | 30.2 | 146.8 | 57.0 | — | 451.3 |
| thereof impairment(3) | 5.4 | 11.0 | 1.7 | — | — | 18.1 |
| Internally generated intangible assets | 52.4 | — | 3.1 | — | — | 55.5 |
| Significant non-cash expenses/income | -22.9 | -5.3 | -9.4 | -0.3 | -3.5 | -41.4 |
| Segment assets | 3,105.3 | 229.3 | 2,041.9 | 590.0 | 0.2 | 5,966.7 |
| thereof investments in equity-accounted investees | 2.0 | — | — | — | — | 2.0 |
| Segment liabilities | 1,231.2 | 89.8 | 721.7 | 263.6 | 1.2 | 2,307.5 |
| Operating assets as at December 31 | 1,874.1 | 139.5 | 1,320.2 | 326.4 | -1.0 | 3,659.2 |
| Operating assets (average)(4) | 1,819.0 | 137.4 | 1,306.8 | 299.3 | -1.0 | 3,561.5 |
| ROCE(4) | 13.2 | -268.7 | 18.9 | 21.6 | — | 5.2 |
| Number of employees as at December 31(5) | 17,673 | 2,503 | 16,298 | 4,411 | — | 40,885 |
| Adjusted sales(6) | 4,567.9 | 196.8 | 3,226.0 | 1,224.7 | -72.3 | 9,143.1 |
| Adjusted operating result (adjusted EBIT)(7) | 261.1 | -358.2 | 255.2 | 64.6 | 2.0 | 224.7 |
| in % of adjusted sales | 5.7 | -182.0 | 7.9 | 5.3 | — | 2.5 |

(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) *Operating assets (average) for the year 2018 are calculated as an average of the reporting dates December 31, 2018 and December 31, 2017.*

(5) *Excluding trainees.*

(6) *Before changes in the scope of combination.*

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

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

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| **Sales** | **3,636.8** | **405.9** | **2,917.2** | **1,099.3** | **-31.5** | **8,027.7** |
| Changes in the scope of combination(1) | — | — | — | — | — | — |
| **Adjusted sales** | **3,636.8** | **405.9** | **2,917.2** | **1,099.3** | **-31.5** | **8,027.7** |
| **EBITDA** | **232.0** | **-326.8** | **228.2** | **115.1** | **4.4** | **252.9** |
| Depreciation and amortization(2) | -258.6 | -74.1 | -182.4 | -62.1 | — | -577.2 |
| **EBIT** | **-26.6** | **-400.9** | **45.8** | **53.0** | **4.4** | **-324.3** |
| Amortization of intangible assets from purchase price allocation (PPA) | 4.6 | — | 4.5 | — | — | 9.1 |
| Changes in the scope of combination1 | — | — | — | — | — | — |
| Special effects | | | | | | |
| Goodwill impairment | — | — | — | — | — | — |
| Impairment(3) | 3.2 | 54.0 | 12.2 | 0.3 | — | 69.7 |
| Restructuring(4) | 60.0 | -3.0 | 30.3 | — | — | 87.3 |
| Other(5) | 44.4 | 4.2 | 17.5 | 0.2 | — | 66.3 |
| **Adjusted operating result (adjusted EBIT)** | **85.6** | **-345.7** | **110.3** | **53.5** | **4.4** | **-91.9** |

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

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| **Sales** | **4,270.8** | **235.2** | **3,261.2** | **1,342.0** | **-16.7** | **9,092.5** |
| Changes in the scope of combination(1) | — | — | — | — | — | — |
| **Adjusted sales** | **4,270.8** | **235.2** | **3,261.2** | **1,342.0** | **-16.7** | **9,092.5** |
| **EBITDA** | **-45.7** | **-286.8** | **379.5** | **132.9** | **-0.1** | **179.8** |
| Depreciation and amortization(2) | -524.8 | -54.7 | -169.2 | -66.2 | 0.0 | -814.9 |
| **EBIT** | **-570.5** | **-341.5** | **210.3** | **66.7** | **-0.1** | **-635.2** |
| Amortization of intangible assets from purchase price allocation (PPA) | 4.8 | — | 5.9 | — | — | 10.7 |
| Changes in the scope of combination(1) | — | — | — | — | — | — |
| Special effects | | | | | | |
| Goodwill impairment | 223.5 | — | — | — | — | 223.5 |
| Impairment(3) | 19.3 | 20.6 | 3.3 | 0.3 | — | 43.5 |
| Restructuring(6) | 299.1 | 20.1 | 42.4 | — | — | 361.6 |
| Other(7) | 27.5 | 2.4 | 18.9 | — | — | 48.8 |
| **Adjusted operating result (adjusted EBIT)** | **3.7** | **-298.4** | **280.8** | **67.0** | **-0.1** | **52.9** |

*(1) Changes in the scope of combination 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 includes impairment losses totaling €7.0 million (Electronic Controls €5.9 million; Electrification Technology €-2.4 million; Sensing & Actuation €3.5 million).*

*(5) This includes cost of carve-out for Vitesco Technologies Group totaling €52.6 million (Electronic Controls €27.5 million; Electrification Technology €2.8 million; Sensing & Actuation €22.3 million).*

*(6) This includes impairment losses totaling €54.6 million (Electronic Controls €38.2 million; Electrification Technology €10.7 million; Sensing & Actuation €5.7 million).*

*(7) This includes costs for the carve-out of Vitesco Technologies Group totaling €46.3 million (Electronic Controls €26.0 million; Electrification Technology €1.4 million; Sensing & Actuation €18.9 million).*

### Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2018

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| **Sales** | **4,567.9** | **196.8** | **3,226.0** | **1,224.7** | **-72.3** | **9,143.1** |
| Changes in the scope of combination(1) | — | — | — | — | — | — |
| **Adjusted sales** | **4,567.9** | **196.8** | **3,226.0** | **1,224.7** | **-72.3** | **9,143.1** |
| **EBITDA** | **456.9** | **-339.0** | **394.0** | **121.6** | **2.0** | **635.5** |
| Depreciation and amortization(2) | -217.3 | -30.2 | -146.8 | -57.0 | — | -451.3 |
| **EBIT** | **239.6** | **-369.2** | **247.2** | **64.6** | **2.0** | **184.2** |
| Amortization of intangible assets from purchase price allocation (PPA) | 5.2 | — | 6.2 | — | — | 11.4 |
| Changes in the scope of combination(1) | — | — | — | — | — | — |
| Special effects | | | | | | |
| Impairment(3) | 2.1 | 11.0 | 1.7 | — | — | 14.8 |
| Restructuring(4) | 14.2 | — | 0.1 | — | — | 14.3 |
| Other | — | — | — | — | — | — |
| **Adjusted operating result (adjusted EBIT)** | **261.1** | **-358.2** | **255.2** | **64.6** | **2.0** | **224.7** |

*(1) Changes in the scope of combination 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 includes impairment losses totaling €3.3 million in the segment Electronic Controls.*

### Reconciliation of EBIT to net income

| € millions | 2020 | 2019 | 2018 |
|---|---|---|---|
| Electronic Controls | -26.6 | -570.5 | 239.6 |
| Electrification Technology | -400.9 | -341.5 | -369.2 |
| Sensing & Actuation | 45.8 | 210.3 | 247.2 |
| Contract Manufacturing | 53.0 | 66.7 | 64.6 |
| Other/consolidation | 4.4 | -0.1 | 2.0 |
| **EBIT** | **-324.3** | **-635.2** | **184.2** |
| Financial result | -27.0 | -31.2 | -9.7 |
| **Earnings before tax** | **-351.3** | **-666.4** | **174.5** |
| Income tax expense | -11.9 | 26.5 | -68.0 |
| **Net income** | **-363.2** | **-639.9** | **106.5** |
| Non-controlling interests | -13.5 | -20.0 | -20.0 |
| **Net income attributable to Continental Group** | **-376.7** | **-659.9** | **86.5** |

### Segment report by region

| € millions | Germany | Europe excluding Germany | North America | Asia | Other countries | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| **External sales 2020** | **1,380.0** | **2,053.0** | **2,022.3** | **2,486.4** | **86.0** | **8,027.7** |
| External sales 2019 | 1,549.7 | 2,404.3 | 2,406.0 | 2,602.3 | 130.2 | 9,092.5 |
| External sales 2018 | 1,582.8 | 2,421.3 | 2,321.0 | 2,678.1 | 139.9 | 9,143.1 |
| **Capital expenditure 2020(1)** | **117.4** | **129.8** | **64.5** | **168.1** | **0.2** | **480.0** |
| Capital expenditure 2019(1) | 244.9 | 199.0 | 125.4 | 209.4 | 3.7 | 782.4 |
| Capital expenditure 2018(1) | 146.2 | 206.0 | 114.7 | 212.2 | 5.0 | 684.1 |
| **Segment assets as at December 31, 2020** | **1,653.6** | **1,630.2** | **1,112.8** | **1,739.6** | **20.9** | **6,157.1** |
| Segment assets as at December 31, 2019 | 1,646.1 | 1,455.7 | 1,166.5 | 1,632.5 | 41.2 | 5,942.0 |
| Segment assets as at December 31, 2018 | 1,683.9 | 1,516.0 | 1,227.7 | 1,504.3 | 34.8 | 5,966.7 |
| **Number of employees as at December 31, 2020(2)** | **10,509** | **11,029** | **8,964** | **9,747** | **241** | **40,490** |
| Number of employees as at December 31, 2019(2) | 10,780 | 11,155 | 8,676 | 9,554 | 357 | 40,522 |
| Number of employees as at December 31, 2018(2) | 11,149 | 11,371 | 8,415 | 9,531 | 419 | 40,885 |

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

*(2) Excluding trainees.*

### Reconciliation to operating assets in 2020

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| **Total assets** | **3,075.2** | **422.9** | **2,116.9** | **534.8** | **1,911.9** | **8,061.7** |
| Cash and cash equivalents | — | — | — | — | 255.0 | 255.0 |
| Short- and long-term derivative instruments, interest-bearing investments | — | — | — | — | 1,045.2 | 1,045.2 |
| Other financial assets | 19.5 | 0.3 | 8.1 | 0.4 | 0.9 | 29.2 |
| **Less financial assets** | **19.5** | **0.3** | **8.1** | **0.4** | **1,301.1** | **1,329.4** |
| **Less other non-operating assets** | **1.6** | **—** | **1.7** | **0.4** | **291.2** | **294.9** |
| Deferred tax assets | — | — | — | — | 266.0 | 266.0 |
| Income tax receivables | — | — | — | — | 14.3 | 14.3 |
| **Less income tax assets** | **—** | **—** | **—** | **—** | **280.3** | **280.3** |
| **Segment assets** | **3,054.1** | **422.6** | **2,107.1** | **534.0** | **39.3** | **6,157.1** |
| **Total liabilities and provisions** | **2,225.1** | **451.1** | **1,412.3** | **258.8** | **1,065.8** | **5,413.1** |
| Short- and long-term indebtedness | — | — | — | — | 870.2 | 870.2 |
| Interest payable and other financial liabilities | — | — | — | — | 2.2 | 2.2 |
| **Less financial liabilities** | **—** | **—** | **—** | **—** | **872.4** | **872.4** |
| Deferred tax liabilities | — | — | — | — | 36.8 | 36.8 |
| Income tax payables | — | — | — | — | 86.8 | 86.8 |
| **Less income tax liabilities** | **—** | **—** | **—** | **—** | **123.6** | **123.6** |
| **Less other non-operating liabilities** | **416.7** | **96.1** | **337.9** | **3.8** | **41.0** | **895.5** |
| **Segment liabilities** | **1,808.4** | **355.0** | **1,074.4** | **255.0** | **28.8** | **3,521.6** |
| **Operating assets** | **1,245.7** | **67.6** | **1,032.7** | **279.0** | **10.5** | **2,635.5** |

## Reconciliation to operating assets in 2019

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| **Total assets** | **2,923.4** | **345.8** | **2,014.3** | **638.8** | **2,488.8** | **8,411.1** |
| Cash and cash equivalents | — | — | — | — | 184.8 | 184.8 |
| Short- and long-term derivative instruments, interest-bearing investments | — | — | — | — | 1,771.2 | 1,771.2 |
| Other financial assets | 6.3 | 0.2 | 5.5 | 0.3 | 2.4 | 14.7 |
| **Less financial assets** | **6.3** | **0.2** | **5.5** | **0.3** | **1,958.4** | **1,970.7** |
| **Less other non-operating assets** | **-11.7** | **-0.1** | **-6.3** | **-8.2** | **246.4** | **220.1** |
| Deferred tax assets | — | — | — | — | 276.1 | 276.1 |
| Income tax receivables | — | — | — | — | 2.2 | 2.2 |
| **Less income tax assets** | **—** | **—** | **—** | **—** | **278.3** | **278.3** |
| **Segment assets** | **2,928.8** | **345.7** | **2,015.1** | **646.7** | **5.7** | **5,942.0** |
| | | | | | | |
| **Total liabilities and provisions** | **2,083.6** | **265.6** | **1,131.2** | **365.6** | **1,386.2** | **5,232.2** |
| Short- and long-term indebtedness | — | — | — | — | 1,009.0 | 1,009.0 |
| Interest payable and other financial liabilities | — | — | — | — | 2.4 | 2.4 |
| **Less financial liabilities** | **—** | **—** | **—** | **—** | **1,011.4** | **1,011.4** |
| Deferred tax liabilities | — | — | — | — | 69.9 | 69.9 |
| Income tax payables | — | — | — | — | 114.6 | 114.6 |
| **Less income tax liabilities** | **—** | **—** | **—** | **—** | **184.5** | **184.5** |
| **Less other non-operating liabilities** | **330.0** | **71.6** | **289.9** | **4.1** | **63.6** | **759.2** |
| **Segment liabilities** | **1,753.6** | **194.0** | **841.3** | **361.5** | **126.8** | **3,277.1** |
| | | | | | | |
| **Operating assets** | **1,175.3** | **151.7** | **1,173.8** | **285.2** | **-121.1** | **2,664.9** |

### Reconciliation to operating assets in 2018

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| **Total assets** | **3,087.5** | **229.8** | **2,025.5** | **590.0** | **3,114.9** | **9,047.7** |
| Cash and cash equivalents | — | — | — | — | 71.1 | 71.1 |
| Short- and long-term derivative instruments, interest-bearing investments | — | — | — | — | 2,748.6 | 2,748.6 |
| Other financial assets | 13.6 | 0.5 | 5.9 | 0.2 | 0.8 | 21.0 |
| **Less financial assets** | **13.6** | **0.5** | **5.9** | **0.2** | **2,820.5** | **2,840.7** |
| **Less other non-operating assets** | **-31.4** | **—** | **-22.3** | **-0.2** | **51.4** | **-2.5** |
| Deferred tax assets | — | — | — | — | 240.9 | 240.9 |
| Income tax receivables | — | — | — | — | 1.9 | 1.9 |
| **Less income tax assets** | **—** | **—** | **—** | **—** | **242.8** | **242.8** |
| **Segment assets** | **3,105.3** | **229.3** | **2,041.9** | **590.0** | **0.2** | **5,966.7** |
| **Total liabilities and provisions** | **1,479.1** | **136.4** | **935.4** | **267.1** | **1,135.6** | **3,953.6** |
| Short- and long-term indebtedness | — | — | — | — | 872.0 | 872.0 |
| Interest payable and other financial liabilities | — | — | — | — | 0.8 | 0.8 |
| **Less financial liabilities** | **—** | **—** | **—** | **—** | **872.8** | **872.8** |
| Deferred tax liabilities | — | — | — | — | 217.7 | 217.7 |
| Income tax payables | — | — | — | — | 21.2 | 21.2 |
| **Less income tax liabilities** | **—** | **—** | **—** | **—** | **238.9** | **238.9** |
| **Less other non-operating liabilities** | **247.9** | **46.6** | **213.7** | **3.5** | **22.7** | **534.4** |
| **Segment liabilities** | **1,231.2** | **89.8** | **721.7** | **263.6** | **1.2** | **2,307.5** |
| **Operating assets** | **1,874.1** | **139.5** | **1,320.2** | **326.4** | **-1.0** | **3,659.2** |

## 2. General Information on Combined Financial Statements

### Background

The Executive Board of Continental made the decision to fully spin off its powertrain business Vitesco Technologies Group (Powertrain segment) with subsequent listing. Subject to the approval of the Supervisory Board of Continental Aktiengesellschaft, Hanover, Germany, (Continental AG) the spin-off of Vitesco Technologies Group will be submitted for a decision to be made by the Annual Shareholders' Meeting held on April 29, 2021.

Vitesco Technologies Group Aktiengesellschaft (formerly: Vitesco Technologies EINS Aktiengesellschaft), Vahrenwalder Strasse 9, Hanover, Germany, will be the future parent company of the Vitesco Technologies Group. The company was established on November 15, 2019, as a direct subsidiary of Continental AG, Hanover, Germany.

In an initial preparatory step for the separation of the Continental powertrain business from Continental AG, Hanover, Germany, and its subsidiaries (Continental Group), Vitesco Technologies GmbH, Hanover, Germany, was established on August 2, 2018, under the name CPT Group GmbH, Hanover, Germany. Under this company and its direct and indirect subsidiaries, the Continental powertrain business has been bundled.

All activities of the Continental powertrain business that so far have not been conducted by companies solely dedicated to the Continental powertrain business, have been transferred to separate legal entities established in fiscal year 2018 as direct or indirect subsidiaries of Vitesco Technologies GmbH. All companies exclusively or predominantly comprising Continental powertrain business have been transferred via share deals to Vitesco Technologies GmbH and its direct or indirect subsidiaries. Any activities of these companies that were not related to the Continental powertrain business were transferred to the companies controlled by Continental AG, Hanover, Germany (so-called reverse asset deals). The described initial steps of the restructuring became mainly effective as of January 1, 2019.

The shareholders of Vitesco Technologies GmbH are Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, Germany, with 49.18%, Vitesco Technologies 2. Beteiligungs-gesellschaft mbH & Co. KG, Hanover, Germany, with 47.26% and Continental Automotive France SAS, Toulouse, France, with 3.56% shareholding. The general partner of Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG is Vitesco Technologies 1. Verwaltungs GmbH, Hanover, Germany. The general partner of Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG is Vitesco Technologies 2. Verwaltungs GmbH, Hanover, Germany. The exclusive business purpose of these companies is to hold the investments and to ensure the sustainable financing of Vitesco Technologies Group. Vitesco Technologies Group intends to acquire the non-controlling interest of 3.56% in Vitesco Technologies GmbH before spin-off from Continental Group.

In a second step, Continental AG, Hanover, Germany, as transferor intends to spin off its shares in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, Germany, Vitesco Technologies 1. Verwaltungs GmbH, Hanover, Germany, Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Hanover, Germany, and Vitesco Technologies 2. Verwaltungs GmbH, Hanover, Germany, in 2021 to Vitesco Technologies Group AG. Finally, the majority of shares in Vitesco Technologies Group AG held by Continental AG are transferred to the shareholders of Continental AG. The remaining 20.000 shares in Vitesco Technologies Group AG held by Continental AG are sold shortly after the public listing of Vitesco Technologies Group AG.

According to the European Prospectus Regulation No. 2017/1129 in connection with the supplementing delegated Regulation No. 2019/980 (collectively referred to as European Prospectus Regulation) an issuer must include historical financial information covering the latest three fiscal years in its prospectus. The final legal structure will be established with the spin-off in fiscal year 2021. The Combined Financial Statements have been prepared for the fiscal years from January 1, 2020 to December 31, 2020 (fiscal year 2020), January 1, 2019 to December 31, 2019 (fiscal year 2019), and January 1, 2018 to December 31, 2018 (fiscal year 2018). According to the European Prospectus Regulation, the issuer has a “Complex Financial History” at the time of issuance. The historical financial information represents the Continental powertrain business under the common control of Continental AG, Hanover, Germany, and has been managed centrally since 2019 by the management board of Vitesco Technologies Group. The scope of combination includes companies directly or indirectly controlled by Vitesco Technologies Group AG, along with the net assets (assets and liabilities) of corporate units that have conducted operations of the Vitesco Technologies Group that have been managed centrally since 2019 by the management board of Vitesco Technologies Group during the reporting periods, but did not constitute a group with Vitesco Technologies Group AG as ultimate parent.

The Combined Financial Statements are prepared using the extraction method, which is applicable for transactions under common control. The carrying amounts from the superordinate IFRS consolidated financial statements are transferred including goodwill and PPA adjustments from higher-level acquisitions.

The Combined Financial Statements consist of the Combined Statement of Income, Combined Statement of Comprehensive Income, Combined Statement of Financial Positions, Combined Statement of Cash Flows, Combined Statement of Changes in Equity and Notes to the Combined Financial Statements for the fiscal years 2020, 2019 and 2018 (collectively referred to hereafter as “Combined Financial Statements”).

The Combined Financial Statements have been prepared in euros. Unless otherwise stated, all amounts are shown in millions of euros. Please note that differences may arise as a result of the use of rounded amounts and percentages.

The combined financial information presented here does not necessarily reflect the financial position and results of operations that would have occurred if Vitesco Technologies Group had existed as a separate group in the reporting periods. Due to the fact that the Vitesco Technologies Group did not historically exist as a stand-alone group, the validity of the combined financial information is limited. It also means that the combined financial information cannot be used to forecast the future development of the operations that have been combined to form Vitesco Technologies Group.

The Combined Financial Statements were prepared on March 1, 2021 by Vitesco Technologies Group AG.

Companies that are dormant or have only a low level of business activity and therefore have no significant impact on the earnings and financial and net assets position of the Vitesco Technologies Group are not included in the Combined Financial Statements. Such companies are recognized in the Combined Financial Statements at cost unless there are listings for these shares on the capital markets and unless the calculation of fair value is expected to provide a significant improvement of the presentation of Combined Financial Statements.

**Description of Vitesco Technologies Group**

As part of the organizational restructuring of Continental AG, Hanover, Germany, the former Powertrain segment was carved out on January 1, 2019. It now operates as a largely independent unit and was renamed "Vitesco Technologies Group" in the second half of 2019. The product portfolio of Vitesco Technologies Group ranges from engine and transmission control units, fuel injection systems, as well as sensors and actuators, to exhaust aftertreatment technologies and components and systems for hybrid and electric drives.

Vitesco Technologies Group manages its operations on an activity basis and maintains the following reporting segments due to similarity in nature of individual products (mainly reflected in product requirements and market trends):

- Electronic Controls (formerly Engine & Drivetrain Systems).
- Electrification Technology (formerly Hybrid Electric Vehicle).
- Sensing & Actuation (formerly Powertrain Components).
- Contract Manufacturing.

The segments are regularly reported to the chief operating decision maker, the management board of Vitesco Technologies Group, consisting of the Chief Executive Officer, Chief Financial Officer and Chief Human Resources Officer.

The Contract Manufacturing segment resulted from the carve-out of Continental Group's powertrain business to form Vitesco Technologies Group. It records the business relationship between Vitesco Technologies Group and Continental Group for certain products of the Continental Group business produced in Vitesco Technologies Group's locations. Contract Manufacturing has been set up for the following reasons:

- Before the reorganization, there were 23 "Zebra" plants that to date manufactured certain products for Continental Group and the former powertrain business. After the reorganization, the plants were legally either fully allocated to Continental Group or Vitesco Technologies Group (15 Continental Group plants and eight Vitesco Technologies Group plants).
- Continental Group and Vitesco Technologies Group have agreed to enter into a contract manufacturing agreement in order to ensure production/supply capability from Continental Group to Vitesco Technologies Group and vice versa on arm's length terms and conditions. As a result, all 23 former "Zebra" plants have become contract manufacturing plants.
- The plan is to relocate all production equipment from the contract manufacturing plants or let production phase out to the plants the equipment belongs to. After the complete relocation of the production machines, the plant will lose its status as a contract manufacturing plant. The relocation of production equipment started in fiscal year 2020.

The segment reporting is presented in the Combined Financial Statements for each of the reporting periods 2020, 2019 and 2018. Activities of the segments are explained in Note 1.

## 3. Basis of Preparation of the Combined Financial Statements

**Compliance with IFRS**

The Combined Financial Statements of the Vitesco Technologies Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable for the year ended December 31, 2020, as endorsed by the European Union (EU). The term IFRS also includes the International Accounting Standards (IAS) and the interpretations issued by the International Financial

Reporting Standards Interpretations Committee or its predecessor the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC). All International Financial Reporting Standards mandatory for fiscal year 2020 have been applied, subject to endorsement by the European Union.

The IFRS provide no guidelines for the preparation of Combined Financial Statements. Therefore, the Combined Financial Statements are subject to rules given in IAS 8.12, which requires consideration of the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and recognized industry practices.

In the Combined Financial Statements of the Vitesco Technologies Group the predecessor accounting approach has been applied in accordance with accounting rules for business combinations under common control. Using the extraction method, assets and liabilities of the businesses included in the Combined Financial Statements correspond to the historically reported amounts in the IFRS Consolidated Financial Statements of the Continental Group including PPA adjustments. This includes the transfer of goodwill that can be allocated to the cash-generating units (CGUs) of the former Powertrain segment. Because of the extraction method IFRS 1, *First-time Adoption of International Financial Reporting Standards*, will not be applied to the Combined Financial Statements.

The financial information of businesses included in the IFRS Combined Financial Statements have been prepared using the same accounting policies and measurement principles that are used by Continental Group when preparing the Consolidated Financial Statements in the respective reporting periods if not otherwise stated separately.

**Impact of the COVID-19 pandemic on accounting for the reporting period**

Due to COVID-19 pandemic, fiscal year 2020 was particularly subject to uncertainties with regards to the economic environment. The long-term economic consequences of the COVID-19 pandemic and the stabilization measures that have been initiated cannot be foreseen at the moment. Based on the information available, a constant review for adjustments of the Combined Financial Statements was performed. The analysis of the effects on the Combined Financial Statements of Vitesco Technologies Group as of December 31, 2020 resulted in the following:

- Financial instruments: An increase in bankruptcies and the associated credit losses as a result of COVID-19 pandemic cannot be ruled out. Vitesco Technologies Group has impaired receivables, where following an assessment by credit management, there are reasons to believe based with a higher degree of uncertainty that receivables will not be recoverable. Vitesco Technologies Group regulary reviews the model of expected credit losses under IFRS 9 in order to identify potential impacts on the model and to make any necessary adjustments. A review based on current information available did not reveal any request for adjustments as per December 31, 2020.
- Leases: As a result of COVID-19 pandemic, changes in lease payments may result in a change in the accounting for individual leases. All relevant issues were checked by Vitesco Technologies Group and accounted for in accordance with the requirements of IFRS 16, *Leases*. As per December 31, 2020 this did not result in any significant adjustments.
- Employee benefits: The review of the established actuarial assumptions for employee benefits, including the discount rate, resulted in no adjustments for COVID-19 pandemic as per December 31, 2020.

Vitesco Technologies Group is continuously reviewing possible impacts of the COVID-19 pandemic on the Combined Financial Statements.

**Scope of Combination**

Until the spin-off, Vitesco Technologies Group will be part of Continental Group and will not operate as an independent group. The legal reorganization that will be finalized with the spin-off in 2021 is reflected in the reporting periods 2020, 2019 and 2018 in the Combined Financial Statements. Mainly included are assets, particularly land, production facilities, office buildings and other real estate that historically have been used by Vitesco Technologies Group or relate to the business of Vitesco Technologies Group including employee contracts.

The scope of combination includes:

- Vitesco Technologies GmbH, as well as its direct or indirect subsidiaries, and
- its holding companies excluding Continental Automotive France SAS, Toulouse, France, but including Vitesco Technologies Group AG, Hanover, Germany.

As of December 31, 2020, the Vitesco Technologies Group was comprised of 42 companies. One entity was founded in fiscal year 2020. In 2019, one Vitesco Technologies Group company was liquidated. For the fiscal year 2018, the respective assets and liabilities of Vitesco Technologies Group related operations were considered in the Combined Financial Statements (legal reorganization approach).

Two joint ventures are accounted for in the Combined Financial Statements using the equity method. Details are given in Note 17. One subsidiary that is immaterial for the Vitesco Technologies Group's financial position and results of operations is not combined but recognized at cost.

In addition to the parent company, Vitesco Technologies Group AG, Hanover, Germany, the scope of combination for 2020, 2019 and 2018 includes the following Vitesco Technologies Group companies:

| Company | Equity interest | Registered office |
|---|---|---|
| **Germany** | | |
| Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG(1) | 100% | Frankfurt am Main |
| Vitesco Technologies 1. Verwaltungs GmbH(1) | 100% | Hanover |
| Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG(1) | 100% | Hanover |
| Vitesco Technologies 2. Verwaltungs GmbH(1) | 100% | Hanover |
| Vitesco Technologies Eisenach Verwaltungs GmbH(2,4) | 100% | Hoerselberg-Hainich |
| Vitesco Technologies Emitec GmbH(3) | 100% | Lohmar |
| Vitesco Technologies Germany GmbH(4) | 100% | Hanover |
| Vitesco Technologies GmbH(1,4) | 96% | Hanover |
| Vitesco Technologies Lohmar Verwaltungs GmbH(3) | 100% | Lohmar |
| Vitesco Technologies Roding GmbH(3) | 100% | Roding |
| **Outside Germany** | | |
| Vitesco Automotive Tianjin Co., Ltd.(4,6) | 100% | Tianjin, China |
| Vitesco Automotive Wuhu Co., Ltd.(6) | 100% | Wuhu, China |
| Vitesco Automotive Changchun Co., Ltd.(3,4) | 100% | Changchun, China |
| Emitec Denmark A/S(2) | 100% | Randers, Denmark |
| Emitec Emission Treatment System (Shanghai) Co., Ltd.(2,5) | — | Shanghai, China |
| Vitesco Technologies Faulquemont SAS(2) | 100% | Faulquemont, France |
| Vitesco Technologies RUS(3) | 100% | Kaluga, Russia |
| Vitesco Technologies Maquila México DE R.L. DE C.V.(4) | 100% | Silao, Mexico |
| Vitesco Technologies (Thailand) Co., Ltd.(6) | 100% | Rayong, Thailand |
| Vitesco Technologies Automotive Cuautla S.A. de C.V.(3) | 100% | Silao, Mexico |
| Vitesco Technologies Canada, ULC(6) | 100% | Mississauga, Canada |
| Vitesco Technologies Czech Republic s.r.o.(3,4) | 100% | Trutnov, Czechia |
| Vitesco Technologies Delavan, LLC(2) | 100% | Delavan, Wisconsin, U.S.A. |
| Vitesco Technologies Engineering Romania S.R.L.(3,4) | 100% | Timisoara, Romania |
| Vitesco Technologies France S.A.S.(3,4) | 100% | Toulouse, France |
| Vitesco Technologies GDL S. de R.L. de C.V.(4) | 100% | Silao, Mexico |
| Vitesco Technologies Holding 1 Canada, Inc.(1) | 100% | Chatham, Canada |
| Vitesco Technologies Holding 2 Canada, Inc.(1) | 100% | Chatham, Canada |
| Vitesco Technologies Holding China Co., Ltd.(1,4) | 100% | Shanghai, China |
| Vitesco Technologies Holding Netherlands B.V.(1) | 100% | Maastricht, Netherlands |
| Vitesco Technologies Hungary Kft.(4) | 100% | Debrecen, Hungary |
| Vitesco Technologies India Pvt. Ltd.(2,4) | 100% | Pune, India |
| Vitesco Technologies Italy S.R.L.(4) | 100% | Pisa, Italy |
| Vitesco Technologies Japan K.K.(4) | 100% | Yokohama, Japan |
| Vitesco Technologies Korea(3,7) | 100% | Icheon-si, South Korea |
| Vitesco Technologies Mexico S. de R.L. de C.V.(4) | 100% | Silao, Mexico |
| Vitesco Technologies Romania S.R.L.(3) | 100% | Brasov, Romania |
| Vitesco Technologies Singapore Pte. Ltd.(4) | 100% | Singapore, Singapore |

| Company | Equity interest | Registered office |
|---|---|---|
| Vitesco Technologies UK Ltd.[3,4] | 100% | Birmingham, United Kingdom |
| Vitesco Technologies USA, LLC[3,4] | 100% | Wilmington, Delaware, U.S.A. |
| Vitesco Tecnologia Brasil Automotiva Ltda.[4] | 100% | Salto, Brazil |
| Vitesco Automotive Turbocharger (Shanghai) Co., Ltd. [8] | 100% | Shanghai, China |

*(1) Holding company.*

*(2) Subsidiary of a share-deal company.*

*(3) Share-deal company.*

*(4) Asset-deal company.*

*(5) Liquidated in 2019; equity interest in 2018 100%.*

*(6) Share-deal company combined with reverse asset deal.*

*(7) Equity interest in 2019 and 2018 65%.*

*(8) First time consolidation in 2020.*

| Company | Equity interest | Registered office |
|---|---|---|
| **Joint venture accounted for using the equity method** | | |
| Napino Control Systems Private Limited | 30% | Gurgaon, India |
| PV Clean Mobility Technologies Private Limited[1] | 50% | Gurugram, India |
| **Immaterial subsidiaries** | | |
| Synerject Taiwan Co., Ltd | 100% | Taipei City, Taiwan |

*(1) Acquired in fiscal year 2020.*

## Share-deal companies

Legal transfers to Vitesco Technologies Group or its subsidiaries, involving shares of companies are referred to as share deals, the legal entities concerned referred to as share-deal companies.

In the context of the reorganization, the following significant companies have been transferred to Vitesco Technologies Group and are now direct or indirect subsidiaries of Vitesco Technologies Group AG, Hanover, Germany.

**Share deals**

| Shares in capital | Selling company | Purchasing company | Purchase price (€ millions) | Effective date |
|---|---|---|---|---|
| 100% | CPT Automotive Changchun Co., Ltd., Changchun, China | Vitesco Technologies Holding China Co., Ltd., Shanghai, China | 3.6 | November 14, 2018 |
| 100% | Vitesco Technologies Lohmar Verwaltungs GmbH, Lohmar, Germany | Vitesco Technologies GmbH, Hanover, Germany | 216.0 | December 5, 2018 |
| 100% | Continental Automotive Systems (Tianjin) Co., Ltd., Tianjin, China | Vitesco Technologies Holding China Co., Ltd., Shanghai, China | 240.1 | December 18, 2018 |
| 31% | Vitesco Technologies Canada, ULC, Mississauga, Canada | Vitesco Technologies Holding 1 Canada, Inc., Chatham, Canada | 26.6 | January 1, 2019 |
| 100% | Vitesco Technologies Emitec GmbH, Lohmar, Germany | Vitesco Technologies GmbH, Hanover, Germany | 89.6 | January 1, 2019 |
| 100% | Vitesco Technologies UK Ltd., Birmingham, United Kingdom | Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands | 22.0 | January 1, 2019 |
| 65% | Vitesco Technologies Korea, Icheon-si, South Korea | Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands | 358.9 | January 1, 2019 |
| 100% | Vitesco Technologies (Thailand) Co., Ltd., Rayong, Thailand | Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands | 105.0 | January 1, 2019 |
| 100% | Continental Automotive Wuhu Co., Ltd., Wuhu, China | Vitesco Technologies Holding China Co., Ltd., Shanghai, China | 269.3 | January 1, 2019 |
| 69% | Vitesco Technologies Canada, ULC, Mississauga, Canada | Vitesco Technologies Holding 2 Canada, Inc., Chatham, Canada | 59.2 | January 3, 2019 |

**Share deals**

| Shares in capital | Selling company | Purchasing company | Purchase price (€ millions) | Effective date |
|---|---|---|---|---|
| 30% ..... | Napino Control Systems Private Limited, Gurgaon, India | Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands | 7.6 | January 4, 2019 |
| 100% ..... | Vitesco Technologies USA, LLC, Wilmington, Delaware, U.S.A. | Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands | 1,023.2 | January 8, 2019 |
| 100% ..... | Vitesco Technologies Czech Republic s.r.o., Trutnov, Czechia | Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands | 366.5 | March 12, 2019 |
| 100% ..... | Vitesco Technologies France S.A.S., Toulouse, France | Vitesco Technologies GmbH, Hanover, Germany(1) | 97.9 | April 24, 2019 |
| 100% ..... | Vitesco Technologies Automotive Cuautla S.A. de C.V., Silao, Mexico | Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands | 7.4 | May 6, 2019 |

*(1) Renamed in 2020 to Vitesco Automotive Changchun Co., Ltd.*

*(2) Renamed in 2020 to Vitesco Automotive Tianjin Co., Ltd.*

*(3) Renamed in 2020 to Vitesco Automotive Wuhu Co., Ltd.*

*(4) Contribution in kind.*

Business of the following share-deal companies that is not related to the Vitesco Technologies Group's business was transferred back to companies of the Continental Group (reverse asset deals):

| Reverse asset deals | Selling company | Purchasing company | Purchase price (€ millions) | Effective date |
|---|---|---|---|---|
| | Continental Automotive Systems (Tianjin) Co., Ltd., Tianjin, China | Continental Automotive Systems (Changsha) Co., Ltd., Changsha, China | 11.8 | January 1, 2019 |
| | Vitesco Technologies (Thailand) Co., Ltd., Rayong, Thailand | Continental Automotive Bangkok Co., Ltd., Bangkok, Thailand | 7.3 | January 1, 2019 |
| | Vitesco Technologies Canada, ULC, Mississauga, Canada | Continental Tire Canada, Inc., Mississauga, Canada | 106.3 | January 1, 2019 |
| | Continental Automotive Wuhu Co., Ltd., Wuhu, China(1) | Continental Automotive Interior Wuhu Co., Ltd., Wuhu, China | 2.1 | December 17, 2019 |
| | Continental Automotive Systems (Tianjin) Co., Ltd., Tianjin, China(2) | Vitesco Technologies Holding China Co., Ltd., Shanghai, China | 1.2 | December 17, 2019 |

*(1) Renamed in 2020 to Vitesco Automotive Wuhu Co., Ltd.*

*(2) Renamed in 2020 to Vitesco Automotive Tianjin Co., Ltd.*

### Asset-deal companies

Legal transfers to Vitesco Technologies Group or its subsidiaries until December 31, 2019, that entirely relate to assets and liabilities or obligations are referred to in the following as asset deals, with the legal entities concerned referred to as asset-deal companies.

For purposes of the Combined Financial Statements, the relevant income, expenses, assets and liabilities of asset-deal companies were allocated to the Vitesco Technologies Group operations.

No allocations of assets or liabilities were made in the Combined Financial Statements to administrative services, service companies or the central activities of the holding companies that pertained to Vitesco Technologies Group. The related expenses were consistently recognized in the reporting period in the amounts of the historically charged and allocated costs.

The transferred net assets mainly comprise goodwill, property, plant and equipment, inventories and employee benefits. Net indebtedness was not transferred.

In the context of the reorganization, the following significant Vitesco Technologies Group operations have been transferred:

**Asset deals**

| Selling company | Purchasing company | Purchase price (€ millions) | Effective date |
|---|---|---|---|
| Continental Automotive France SAS, Toulouse, France[1] | Vitesco Technologies France S.A.S., Toulouse, France | 112.7 | January 1, 2019 |
| Continental Automotive Czech Republic s.r.o., Jicin, Czechia[1] | Vitesco Technologies Czech Republic s.r.o., Trutnov, Czechia | -366.5 | January 1, 2019 |
| Continental Automotive Systems SRL, Sibiu, Romania | Vitesco Technologies Engineering Romania S.R.L., Timisoara, Romania | -39.7 | January 1, 2019 |
| Continental Automotive Changchun Co., Ltd., Changchun, China | CPT Automotive Changchun Co., Ltd., Changchun, China | 350.0 | January 1, 2019 |
| Continental Automotive Components (India) Private Ltd., Bangalore, India | Vitesco Technologies India Pvt. Ltd., Pune, India | 31.1 | January 1, 2019 |
| Continental Automotive Maquila Mexico, S. de R.L. de C.V., Silao, Mexico | POWERTRAIN MAQUILA MEXICO, S. DE R.L. DE C.V., Silao, Mexico | 3.4 | January 1, 2019 |
| CONTINENTAL CPM S. DE R.L. DE C.V., Tlajomulco de Zuniga, Mexico | POWERTRAIN MAQUILA MEXICO, S. DE R.L. DE C.V., Silao, Mexico | 10.9 | January 1, 2019 |
| Continental Automotive Italy S.p.A., Pisa, Italy | Vitesco Technologies Italy S.R.L., Pisa, Italy | 124.7 | January 1, 2019 |
| Continental Automotive Japan K.K., Yokohama, Japan | Vitesco Technologies Japan K.K., Yokohama, Japan | 21.3 | January 1, 2019 |
| Continental Automotive Mexicana, S. de R.L. de C.V., Silao, Mexico | Vitesco Technologies Mexico S. de R.L. de C.V., Silao, Mexico | 161.7 | January 1, 2019 |
| Continental Automotive Singapore Pte. Ltd., Singapore, Singapore | Vitesco Technologies Singapore Pte. Ltd., Singapore, Singapore | 15.1 | January 1, 2019 |
| Continental Automotive Systems, Inc., Wilmington, Delaware, U.S.A.[2] | Vitesco Technologies USA, LLC, Wilmington, Delaware, U.S.A. | 585.9 | January 1, 2019 |
| Continental Automotive GmbH, Hanover, Germany | Vitesco Technologies Eisenach Verwaltungs GmbH, Hoerselberg-Hainich, Germany | 9.0 | January 1, 2019 |
| Conti Temic microelectronic GmbH, Nuremberg, Germany | Vitesco Technologies Eisenach Verwaltungs GmbH, Hoerselberg-Hainich, Germany | 7.0 | January 1, 2019 |
| Continental Teves AG & Co. OHG, Frankfurt am Main, Germany | Vitesco Technologies Germany GmbH, Hanover, Germany | 9.8 | January 1, 2019 |
| Conti Temic microelectronic GmbH, Nuremberg, Germany | Vitesco Technologies Germany GmbH, Hanover, Germany | 49.1 | January 1, 2019 |
| Continental Automotive GmbH, Hanover, Germany | Vitesco Technologies GmbH, Hanover, Germany | 264.9 | January 1, 2019 |
| Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil[(1)] | Vitesco Tecnologia Brasil Automotiva Ltda., Salto, Brazil | 1.0 | March 1, 2019 |
| Continental Automotive Romania SRL, Timisoara, Romania[(1)] | Vitesco Technologies Engineering Romania S.R.L., Timisoara, Romania | -37.7 | April 1, 2019 |

*(1) Demerger.*

*(2) Renamed in 2020 to Vitesco Automotive Changchun Co., Ltd.*

*(3) Contribution in kind.*

**Reporting of legal organization in 2019**

Any consideration transferred by Vitesco Technologies Group to the Continental Group in the course of the legal transfer of Vitesco Technologies Group legal entities or operations which are already economically included in the Combined Financial Statements of Vitesco Technologies Group are reported as withdrawals by Continental AG as shareholder at the time of the transfer. Any consideration or investments in the course of the legal transfer made by Continental Group to Vitesco Technologies Group in invested equity are reported as contribution by Continental AG as shareholder at the time of transfer. Any transactions that became legally effective after the defined carve-out date January 1, 2019 were recognized as if the transactions became effective at January 1, 2019.

That means the net assets were transferred at their net book value as per January 1, 2019. The respective Combined Statement of Income contains 12 months for all periods presented.

**Principles for the preparation of the Combined Financial Statements**

The transfer of companies between Vitesco Technologies Group and Continental Group has been qualified as common control transaction.

All income, expenses, assets and liabilities that are attributable to the economic operations of the Vitesco Technologies Group and covered by the legal reorganization are reflected in the Combined Financial Statements of the Vitesco Technologies Group.

Further assumptions and estimates had to be made, particularly with regards to the allocation of expenses. These were appropriately and consistently applied in the reporting periods. The actual amounts, however, may vary from the estimates and therefore do not necessarily indicate what the results of operations of the Vitesco Technologies Group would have been if it had existed as a separate group in the reporting periods.

The carrying amounts of participating interests and Vitesco Technologies Group's interests in the equity of its subsidiaries were eliminated outside combined profit or loss in preparing the Combined Financial Statements.

The Combined Financial Statements also include joint ventures and associates accounted for using the equity method.

Intercompany balances and transactions within the Vitesco Technologies Group along with all gains and losses from transactions within the Vitesco Technologies Group were eliminated for purposes of the Combined Financial Statements.

During the preparation of the Combined Financial Statements, deferred income tax effects on combination entries were recognized.

The adjusting-event period for 2018 does not differ in comparison with the periods applied to the Consolidated Financial Statements of Continental AG.

**Goodwill allocation**

The goodwill included in the Combined Financial Statements is based on the goodwill attributable to the businesses that were transferred to the Vitesco Technologies Group during the legal reorganization. The amounts correspond to the historically reported amounts in the IFRS Consolidated Financial Statements of the Continental Group (predecessor values). During the reporting periods presented, goodwill was tested based on the cash-generating unit structure used at that time to monitor goodwill.

**Cost allocation**

Income and expenses were allocated directly or, if this was not possible, indirectly using appropriate allocation keys (e.g. based on revenue or headcount), which were applied consistently in the reporting periods.

Continental Group provided centralized expenses for various services for the Vitesco Technologies Group. In the reporting periods, these services were charged on by the providing units and are included in the Combined Statement of Income with their historical values. The Continental Group has reported its transfer prices at arm's length in the past and this also applies to all services in the future to represent the total cost of doing business of Vitesco Technologies Group.

In connection with the separation from the Continental Group, Vitesco Technologies GmbH (formerly CPT Group GmbH, Hanover, Germany) and Continental AG entered into a transitional general service agreement on December 17, 2018 (TGSA). The TGSA is designed as an overarching agreement under which service-specific individual agreements are concluded between Vitesco Technologies Group and the Continental Group. The purpose of the TGSA is to enable Vitesco Technologies Group and the Continental Group to conduct their business without interruption, as previously done by the Continental Group in the last reporting periods.

**Related-party transactions**

Related-party transactions are measured at arm's length. Transactions between the Vitesco Technologies Group and the remainder of the Continental Group are recognized in accordance with IFRS and classified as related-party transactions. The Combined Financial Statements reflect all material transactions between the Vitesco Technologies Group and the Continental Group.

**Accounting estimates and judgements**

Proper and complete preparation of the Combined Financial Statements requires management to make estimates and assumptions, particularly in connection with operations to be transferred and allocable expenses for administrative services provided by Continental Group. These estimates and assumptions affect the assets, liabilities and disclosures in the notes, as well as the income and expenses for the period.

The most important estimates relate to the determination of the useful lives of intangible assets and property, plant and equipment; the impairment testing of goodwill and non-current assets, in particular the underlying cash flow forecasts and discount rates; the recoverability of amounts receivable and other assets as well as income tax receivable; the financial modeling parameters for stock option plans; the recognition and measurement of liabilities and provisions, especially the actuarial parameters for pensions and other post-employment obligations; and the probabilities of claims and amounts of settlements for warranty, litigation or environmental risks and restructuring.

The assumptions and estimates for the reporting period are based on the information currently available at the date of preparation of the Combined Financial Statements. The underlying information is regularly reviewed and updated to reflect actual developments as necessary.

The estimates in accordance with the basis of preparation made in these Combined Financial Statements are consistent with estimates made for the same date in accordance with the IFRS reporting requirements as part of the consolidation group of Continental AG. Where there is objective evidence that those estimates are not in accordance with IFRS on a stand-alone basis additional assumptions and estimates have been made. The corresponding areas with significant estimates and assumptions are disclosed.

Material accounting judgments were made with regards to contract manufacturing, taxes, leasing, restructuring and assessment of principal agent accounting for sales revenues. For more information, please refer to the respective sections.

**Pensions and similar obligations**

The Combined Financial Statements present the pension obligations and corresponding plan assets or reimbursement rights attributable to Vitesco Technologies Group. The obligations and plan assets have been valued on the basis of expert actuarial opinions. The actuarial valuation parameters were determined and applied. Both, active employees and retirees, were included in the obligations of the Vitesco Technologies Group. The liabilities were mainly calculated on an individual-member basis; only in exceptional cases was an employee-based key applied. Plan assets that were not readily allocable were split based on the obligations of the plan sponsors. The actual amounts of the plan assets to be transferred may differ from the plan assets presented in the Combined Financial Statements in light of local regulations and laws to be considered when making the transfer.

**Taxes**

Current and deferred income taxes are recognized in accordance with IAS 12, *Income Taxes*. For the purposes of the Combined Financial Statements, income taxes were determined using the separate tax return approach based on the assumption that the companies (or operations) of the Vitesco

Technologies Group constitute separate taxable entities. This assumption implies that current and deferred taxes for all companies (or operations) and tax groups within the Vitesco Technologies Group are calculated separately and that the recoverability of deferred tax assets is assessed on this basis.

Deferred tax assets resulting from tax loss carryforwards were recognized in the Combined Financial Statements if it is probable that they can be offset against positive results from the respective Vitesco Technologies Group companies (or operations) in the future. Tax receivables and tax liabilities, along with deferred tax assets on loss carryforwards of companies (or operations) of the Vitesco Technologies Group that did not constitute separate income tax payers in the reporting period, were recognized in the Combined Financial Statements in the years in which they arose as non-cash contributions or withdrawals by the respective stock-holders, and are not included in the scope of combination of the Vitesco Technologies Group.

In the Combined Statement of Cash Flows, the taxes actually paid by the Vitesco Technologies Group were included as inflows/outflows from operating activities.

Effects of uncertain tax positions on earnings are reflected in the Combined Financial Statements where relevant to Vitesco Technologies Group.

The management of Vitesco Technologies Group deems the approach adopted as appropriate but not necessarily indicative of the tax expense or income that would result for Vitesco Technologies Group as a separate group.

**Capital structure**

The equity of Vitesco Technologies Group consists of the invested equity attributable to Continental Group, accumulated other comprehensive income, and the invested equity attributable to non-controlling interests. The Combined Financial Statements do not report subscribed capital or additional paid-in capital.

Components of other comprehensive income in asset deals relating to differences from remeasurements of defined benefit plans were transferred to the defined benefit obligations. Components of other comprehensive income in asset deals relating to currency translation were transferred proportionally to the transferred net assets.

The Vitesco Technologies Group has a low net indebtedness and is mainly equity financed. The capital structure of the Vitesco Technologies Group at the time of the spin-off and Consolidated Financial Statements will differ from the presentation in the Combined Financial Statements. In 2021 it is intended to replace internal financing by the Continental Group by external financing and ensure a solid capital structure.

**Combined Statement of Cash Flows**

According to IAS 7, *Statement of Cash Flows*, the Combined Statement of Cash Flows of Vitesco Technologies Group contains operating, investing and financing activities.

Operating transactions of the Vitesco Technologies Group with the Continental Group are reported in the cash flows from operating activities.

The line item “Financial transactions with Continental Group” includes financing transactions with the Continental Group e.g. cash pooling, cash inflows and outflows in connection with profit and loss transfers between Vitesco Technologies Group companies and Continental Group, capital contributions and transfers from reserves in connection with the legal reorganization as well as tax receivables, tax liabilities and deferred taxes presented as contributions or withdrawals under the separate tax return approach.

The Combined Statement of Cash Flows shows the sources during the 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 as comprising all existing restrictions on the cash and cash equivalents. In the Vitesco Technologies 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.

## 4. Aggregation of the Significant Accounting Principles

The following principal accounting policies have been applied consistently in preparing the accompanying Combined Financial Statements.

The Combined Financial Statements were prepared on the basis of historical cost, with the exception of certain financial assets and liabilities (including derivative instruments), which are measured at fair value; assets held for sale, which are measured at fair value less costs to sell; and defined benefit pension plans for which the plan assets are measured at fair value.

### Currency translation

The assets and liabilities of foreign subsidiaries with a functional currency other than the euro are translated into euros at the yearend middle rates (closing rate). The Combined Statement of Comprehensive Income is translated at the average exchange rates 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 Vitesco Technologies Group and its subsidiaries, foreign-currency receivables and liabilities 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 from currency translation are recognized in profit or loss, except for certain loans. Exchange-rate adjustments 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 currency is 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 Combined Financial Statements:

| **Currencies** | | **Closing rate** | | | **Average rate for the year** | | |
|---|---|---|---|---|---|---|---|
| **€1 in** | | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 | **2020** | 2019 | 2018 |
| Brazil | BRL | 6.38 | 4.51 | 4.44 | 5.86 | 4.42 | 4.31 |
| Canada | CAD | 1.56 | 1.46 | 1.56 | 1.53 | 1.49 | 1.53 |
| China | CNY | 8.03 | 7.81 | 7.88 | 7.86 | 7.73 | 7.80 |
| Czechia | CZK | 26.27 | 25.41 | 25.71 | 26.43 | 25.67 | 25.64 |
| United Kingdom | GBP | 0.90 | 0.85 | 0.90 | 0.89 | 0.88 | 0.88 |
| Hungary | HUF | 364.63 | 330.55 | 321.05 | 350.84 | 325.32 | 318.74 |
| India | INR | 89.70 | 80.02 | 79.94 | 84.46 | 78.84 | 80.66 |
| Japan | JPY | 126.53 | 121.78 | 126.02 | 121.73 | 122.07 | 130.43 |
| South Korea | KRW | 1,335.28 | 1,294.82 | 1,276.08 | 1,344.10 | 1,304.91 | 1,299.44 |
| Mexico | MXN | 24.38 | 21.23 | 22.49 | 24.45 | 21.56 | 22.71 |
| Romania | RON | 4.87 | 4.78 | 4.67 | 4.84 | 4.75 | 4.65 |
| Russia | RUB | 91.77 | 69.75 | 79.70 | 82.34 | 72.44 | 73.97 |
| Singapore | SGD | 1.62 | 1.51 | 1.56 | 1.57 | 1.53 | 1.59 |
| Thailand | THB | 36.76 | 33.38 | 37.05 | 35.66 | 34.77 | 38.18 |
| U.S.A | USD | 1.23 | 1.12 | 1.14 | 1.14 | 1.12 | 1.18 |

**Revenue recognition**

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

In accordance with IFRS 15, *Revenue from Contracts with Customers*, Vitesco Technologies Group recognizes the amount as revenue from contracts with customers, which is received for the transfer of promised goods or services to customers in exchange for those goods or services. The relevant point in time or period over time is the transfer of control of the goods or services (control approach).

To determine when to recognize revenue and at what amount, the five-step model has to be applied. By applying the five-step model in the Vitesco Technologies Group for 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, *Revenue from Contracts with Customers*. 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, 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 currently not material.

In some cases the customer is still invoiced by the Continental Group due to the outstanding legal transfer of the business to Vitesco Technologies Group, which nonetheless shows the respective sales. Vitesco Technologies Group is the principal and Continental Group acts as an agent due to the rights and obligations laid out in the agreements concluded between these two parties. This applies to all segments except for the segment Contract Manufacturing where the products are exclusively sold to Continental Group.

**Description of sales revenues 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 Vitesco Technologies Group; please also refer to the descriptions of the segments in the segment reporting. Invoices are generally prepared once a month, while the payment terms average 60 days and differ mostly on a regional basis only. Payments are made by bank transfer in the vast majority of cases and 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 revenues are 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. In some cases the customer is still invoiced by Continental Group due to the outstanding legal transfer of the business to Vitesco Technologies Group, which nonetheless shows the respective sales. Vitesco Technologies Group is the principal and Continental Group acts as an agent due to the rights and obligations laid out in the agreements concluded between these two parties. This applies to all segments except for the segment Contract Manufacturing where the products are exclusively sold to Continental Group.

**Description of sales revenues in the segment Contract Manufacturing**

In the segment Contract Manufacturing all products are summarized, which are directly linked to Continental Group business. These are manufactured exclusively on behalf of Continental Group and exclusively sold to Continental Group. These transactions and sales revenues result from the carve-out of Continental Group's powertrain business which took effect in 2019. The amounts presented in the Combined Financal Statements for fiscal year 2018 were generated as if this business had been run also in these periods. Please refer to the description in Note 3.

The type of performance obligations to Continental Group in the segment Contract Manufacturing relate to the diverse and predominantly customer-specific products which are produced by Vitesco Technologies Group and are sold by Continental Group to the customer since the carve-out. Invoices are generally prepared at the product dispatch date. Such invoices are paid at the twentieth day of the month following the month of the invoice date. Payments are made by bank transfer in the vast majority of cases and 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. Continental Group does not usually make any significant advance payments. Revenue is almost always recognized over time using an output-based measurement method, and sales revenues are 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 Continental Group to return products, or from reimbursements to Continental Group or similar obligations, or from warranty commitments that include a service component.

**Description of sales revenues in retail and replacement business**

The type of performance obligations to customers in retail and replacement business is of minor significance to Vitesco Technologies Group; please also refer to the descriptions of the segments in the segment reporting. 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 recognized at the point in time when control is transferred to the customer, also taking account of the agreed incoterms. There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

**Description of revenues in smaller business areas**

Revenues in smaller business areas are included in the sales of the automotive original-equipment business and in other revenues. On the one hand, services are provided and, on the other, project business is conducted in which developments for customers are made, goods produced or services provided over a medium-term or longer period. Except in the case of revenues from research and development, as also shown above in the section on significant changes in accounting, these smaller business areas are only of minor significance for Vitesco Technologies Group. For all of these revenues, 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 these revenues relates to revenues from research and development, which are recognized at a point in time, either when the entire development is completed or when identifiable milestones within a development are reached. Invoices are generally prepared after completion – of an entire development or a milestone – and acceptance by the customer. Payments are made by bank transfer in 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, and in smaller amounts, services that are performed alongside the main business lead to revenue recognition over time. Both input- and output-based measurement methods are used and sales are measured either based on the hours or days worked or the costs incurred (input), or based on the goods or services provided (output). Invoices are generally prepared at least once a month and payments are made by bank transfer in the vast majority of cases. No significant discounts on the invoice amount are granted. The customers do not usually make any significant advance payments.

In addition, project business is conducted, in which generally customer-specific goods or services are produced or provided for customers over a medium-term or longer period. Revenue from this is likewise recognized over time and sales are mostly measured using input-based measurement methods, taking account of the costs incurred. Invoices are generally issued as contractually agreed. Usually no advance payments are 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. If research and development expenses are planned, these costs are recognized in inventories until control is transferred. When 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, preproduction prototypes or tests for products already being marketed (application engineering) do not qualify as development expenditure which may be recognized as an intangible asset. Furthermore, expenses incurred directly in connection with the launch of new production operations and plants are recognized directly in profit or loss.

New developments for the original equipment business are not marketable until Vitesco Technologies Group 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 comfort and safety technology. Accordingly, development costs are recognized as an asset only as at the date of nomination as supplier and upon fulfillment of a specific preproduction 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 the 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 probable warranty claims on sold products on the basis of past experience, as well as legal and contractual terms. Additional provisions are recognized for specific known cases.

### Financial result and investment income

Interest income and expenses are recognized for the period to which they relate. Distributions are recognized at the time of payment.

Dividends receivable are recognized upon the legal entitlement to payment.

### Combined Statement of Financial Position classification

Assets and liabilities are reported as non-current assets and liabilities in the Combined 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. Provisions for pensions and other post-employment benefits, 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. Details of the annual impairment tests are described in the section "Impairment". Once an impairment loss has been recognized on goodwill, it is not reversed in subsequent periods.

**Intangible assets**

Purchased intangible assets are carried at acquisition costs and internally generated intangible assets at their production costs, provided that the conditions for recognition of an internally generated intangible asset are met in accordance with IAS 38, *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. Details of the annual impairment tests are described in the section "Impairment".

**Property, plant and equipment**

Property, plant and equipment is carried 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 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 a gain or loss in other operating income or expenses 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 that are directly attributable to depreciable fixed assets are deducted from the cost of the assets in question. All other monetary grants 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 (from fiscal year 2019)**

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. The lessee recognizes a right-of-use asset and a corresponding lease liability, which displays the obligation to lease payment.

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 weighted-average incremental borrowing rates, as the interest rates underlying the leases often cannot be determined. 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 any lease incentives received into account. 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 expenses are recognized in the financial result. Vitesco Technologies Group utilizes the exemptions for short-term leases and for leases in which the underlying asset is of low value. In case Vitesco Technologies Group is a lessor in a lease agreement the accounting of leases depends on the classification as finance and operating lease. Vitesco Technologies Group leases property, plant and equipment, especially buildings.

As lessor, Vitesco Technologies Group classifies leases as operating leases or finance leases. For this classification, Vitesco Technologies Group 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 Vitesco Technologies Group 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 group applies the exemption described in Note 5, it classifies the sublease as an operating lease. The group applies IFRS 15, *Revenue from Contracts with Customers*, when allocating the consideration in the contract to each lease and non-lease.

**Impairment**

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

The expected cash flows for the CGU 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 for 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. The perpetuity beyond the period of five years is extrapolated using the expected long-term growth rates for the individual CGUs. For the two CGUs High Voltage Power Applications and Low Voltage & Control Unit Applications of the Electrification Technology segment, a detailed model with long-term detailed planning was used as a basis due to the specific situation of a start-up. Certain Electronic Controls products are suspended as part of a restructuring program up to eight years. After completing the restructuring program reflected in a long-term detailed plan for Electronic Controls the perpetuity is extrapolated using the expected long-term growth rate.

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 2018 was generally performed on the basis of the bottom-up business plan for the next five years approved by management in the respective period under review. In the year under review, the cash flows of the CGUs were discounted with an interest rate before tax of 10.7% for fiscal year 2018. The pre-tax WACC is based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate is 1.1% and the market risk premium 6.75%. 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. The average growth rate in the detailed planning period for the CGUs was 6.5%. The long-term growth rate 2018 for the CGUs was 1.5% in 2018. The growth rate does not exceed the long-term average growth rate for the fields of business in which the CGUs operate.

Assuming a 0.5 percentage point increase in the discount rate to 11.2% before tax would not result in goodwill impairment in 2018. There would be no asset impairment. Reducing long-term growth rates by 0.5 percentage points would not result in goodwill impairment. 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 goodwill impairment. There would be no asset impairment.

The annual impairment testing of goodwill determined no requirement for impairment for fiscal year 2018.

Within the context of the annual planning in September 2019 for fiscal years 2020 onwards, global production of passenger cars and light commercial vehicles was not expected to increase substantially over the next five years until 2024. Due to this triggering event and other significant assumptions made when calculating the value in use of a CGU – such as free cash flows, the discount rate and its parameters, and the long-term growth rate, in 2019, an impairment of goodwill of €223.5 million (2018: –) for the segment Electronic Controls is recognized in other expenses. The value in use for Electronic Controls amounted to €2,118.6 million as of September 30, 2019. The cash flows were discounted with an interest rate of 9.6%. This pre-tax WACC is based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate is -0.03% and the market risk premium 7.00%.

Annual impairment testing 2019 was generally performed on the basis of the bottom-up business plan for the next five years approved by management in the period under review. In the year under review, the cash flows of the CGUs were discounted with an interest rate before tax of 10.7%. The pre-tax WACC is based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate is 0.2% and the market risk premium 7.50%. 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. The average growth rate in the detailed planning period for the CGUs was 5.9%. The long-term growth rate 2019 for the CGUs was 1.0%. The growth rate does not exceed the long-term average growth rate for the fields of business in which the CGUs operate.

Assuming a 0.5 percentage point increase in the discount rate to 11.2% before tax would not result in goodwill impairment in 2019. There would be no asset impairment. Reducing long-term growth rates by 0.5 percentage points would not result in goodwill impairment. 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 goodwill impairment. There would be no asset impairment.

The annual impairment testing of goodwill determined no additional requirement for impairment for fiscal year 2019.

Within the context of the annual planning in September 2020 for fiscal years 2021 onwards, global production of passenger cars and light commercial vehicles was not expected to increase substantially over the next five years until 2024 due to COVID-19 pandemic. Due to this triggering event and other significant assumptions made when calculating the value in use of a CGU – such as free cash flows, the discount rate and its parameters, and the long-term growth rate no impairment as per September 2020 was recognized. The cash flows were discounted with an interest rate of 10.7%. This pre-tax WACC is based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate is -0.1% and the market risk premium 7.50%. The impairment test determined no impairment.

Annual impairment testing 2020 was generally performed on the basis of the bottom-up business plan for the next five years approved by management in the period under review. In the year under review, the cash flows of the CGUs were discounted with an interest rate before tax of 10.4%. The pre-tax WACC is based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate is -0.2% and the market risk premium 7.50%. 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. The average growth rate in the detailed planning period for the CGUs was 7.5%. The long-term growth rate for the CGUs was 1.0% in 2020. The growth rate does not exceed the long-term average growth rate for the fields of business in which the CGUs operate.

Assuming a 0.5 percentage point increase in the discount rate to 10.9% before tax would not result in goodwill impairment in 2020. There would be no asset impairment. Reducing long-term growth rates by 0.5 percentage points would not result in goodwill impairment. 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 goodwill impairment. There would be no asset impairment.

The annual impairment testing of goodwill determined no additional requirement for impairment for fiscal year 2020.

**Assets held for sale and related liabilities**

Individual non-current assets or a group of non-current assets and related liabilities are classified separately as held for sale in the Combined Statement of Financial Position if their disposal has been resolved and is probable. Assets held for sale are recognized at the lower of their carrying amount and their fair value less costs to sell and are no longer depreciated once they are classified as held for sale.

**Financial instruments**

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

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

*Financial assets*

Financial assets are recognized in the Combined Statement of Financial Position as at the date Vitesco Technologies Group becomes a contractual party to the financial instrument. At the date of acquisition, they must be classified into measurement categories that determine the subsequent accounting.

The classification and measurement of financial assets is based on the business model in which 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. Vitesco Technologies 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 Vitesco Technologies 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 Vitesco Technologies Group.

- Other: This business model constitutes a catch-all category and is of no importance in the Vitesco Technologies Group.

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

On the basis of these two conditions, a distinction is drawn between the following measurement categories:

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

- 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 Combined Statement of Income 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 Vitesco Technologies Group does not currently intend to apply the fair value option to debt instruments. The financial asset, which constitutes an equity instrument, is to be measured at fair value through profit or loss if there is a trading intention or if there is no trading intention and the fair value option is not used. Income or expenses from a financial asset measured at fair value through profit or loss are recognized in the Combined Statement of Income.

- Measured at fair value through other comprehensive income without reclassification (FVOCIwoR): In the case of a financial asset that constitutes an equity instrument and is not held for trading, changes in the carrying amount are recognized in other comprehensive income if the fair value option is used. The Vitesco Technologies Group regularly exercises this option. The cumulative gain or loss in other comprehensive income is not reclassified to the Combined Statement of Income when the financial asset is derecognized. Dividends are recognized in other income from investments.

Investments that fall within the scope of IFRS 9, *Financial Instruments*, and meet the definition of equity must generally be measured at fair value. For equity instruments that are neither held for trading nor constitute contingent consideration accounted for by the acquirer in a business combination according to IFRS 3, *Business Combinations*, the Vitesco Technologies Group regularly exercises the option at the acquisition date of recognizing changes in fair value in other comprehensive income without later reclassification. Dividends are an exception to this and continue to be recognized in profit or loss when the legal entitlement is established, unless this relates to a partial restitution of acquisition costs. Equity instruments held for trading are without exception recognized at fair value through profit or loss.

On initial recognition, Vitesco Technologies 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 Combined Statement of Income.

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 Combined Statement of Financial Position as at the date Vitesco Technologies Group 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 used. If the fair value option is used, the portion of the change in the fair value due to changes in the entity’s own credit risk is recognized in other comprehensive income. The fair value option is not currently exercised in the Vitesco Technologies Group. In the Combined Financial Statements, all non-derivative financial liabilities are measured at amortized cost, which as a rule comprises the remaining principal balance and issuing costs, net of any unamortized premium or discount. Liabilities from finance leases are shown at the present value of the remaining lease payments based on the implicit lease interest rate. Financial obligations with fixed or determinable payments that comprise neither financial liabilities nor derivative financial liabilities and are not quoted in an active market are reported in the Combined 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 Combined Statement of Financial Position and/ or the measurement category used in accordance with IFRS 9, *Financial Instruments*.

*Derivative financial instruments*

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.

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.

*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, *Financial Instruments*, 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 Vitesco Technologies Group 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 IFRSs. 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 Combined 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 as tax expenses but as financial expenses.

Current taxes owed on income are recognized as expenses when they are incurred.

Deferred taxes include expected tax payments and refunds from temporary differences between the carrying amounts in the Combined 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 group comprise both defined benefit and defined contribution plans.

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

Accordingly, the interest effects of other long-term employee benefits are reported in the financial result. Pension liabilities for some companies of the 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 Combined 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 U.S.A. and Canada in particular.

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

**Provisions for other risks and obligations**

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

**Non-financial liabilities**

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

**Share-based payments**

Cash-settled share-based remuneration is measured at fair value using a Monte Carlo simulation. The liabilities are recognized under other financial liabilities until the end of the holding period.

**Accounting policies applied until December 31, 2018 and information on first-time adoption of IFRS 9 and IFRS 15**

In 2019, Vitesco Technologies Group applied IFRS 16, *Leases*, retrospectively, using the exemption not to restate comparative information retrospectively. The comparative information is therefore still reported in accordance with the previous accounting policies. The basis is therefore IAS 17, *Leases*; IFRIC 4, *Determining Whether an Arrangement Contains a Lease*; SIC-15, *Operating Leases –*

*Incentives*; and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

If the substantial risks and rewards from the use of the leased asset are controlled by Vitesco Technologies Group, the agreement is treated as a finance lease and an asset and related financial liability are recognized. In the case of an operating lease, where the economic ownership remains with the lessor, only the lease payments are recognized as incurred and charged to income. Other arrangements, particularly service contracts, are also treated as leases to the extent they require the use of a particular asset to fulfill the arrangement and the arrangement conveys a right to control the use of the asset.

**Information on the first-time adoption of IFRS 9**

In 2018 Vitesco Technologies Group applied IFRS 9, *Financial Instruments*. The cumulative effect of the first-time adoption of IFRS 9 as of the date of first-time adoption was recognized as an increase in the opening carrying amount of invested equity attributeable to Continental Group.

The cumulated gains in other comprehensive income from the previous measurement category "available-for-sale financial assets" were reclassified to invested equity attributable to Continental Group.

Impairment on financial instruments decreased due to the increase in impairment as a result of the impairment model implemented in accordance with IFRS 9, *Financial Instruments*, which takes account of expected losses. Besides, impairment that had been recognized as at December 31, 2017, on the basis of portfolio valuation allowances using experience-based values in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, was derecognized.

As at January 1, 2018, the Vitesco Technologies Group classified other investments as measured at FVOCIwoR as these investments are held over a long term for strategic purposes. In 2017, other investments were classified as available for sale (AfS).

Chinese bank drafts formerly classified as loans and receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling them and thus are classified as FVOCIwR. The carrying amounts represent approximately their fair values.

The previous accounting methods relevant for the comparative period regarding financial instruments and revenue are explained below separated in the corresponding topics.

**Information on the first-time adoption of IFRS 15**

IFRS 15, *Revenue from Contracts with Customers*, was first applied in the Vitesco Technologies Group as at January 1, 2018. As the transition method, the effects of the first-time adoption of IFRS 15 starting from January 1, 2018, on contracts for which the performance obligations have not yet been satisfied were recorded as a cumulative effect in the opening carrying amount of invested equity attributable to Continental Group at the same date. As a practical expedient for the transition to IFRS 15, Vitesco Technologies Group applied IFRS 15.C5 (c), under which the transaction price from fiscal year 2017 – which is attributable to performance obligations not yet satisfied – is not required to be disclosed. With the clarifications to IFRS 15 the IASB made targeted amendments to IFRS 15 with respect to the following topics: identifying performance obligations, principal versus agent considerations, and licensing. The clarifications were likewise required to be applied for annual periods beginning on or after January 1, 2018.

There were material changes in accounting due to IFRS 15, *Revenue from Contracts with Customers,* with regard to revenue from research and development, which is no longer recognized together with the corresponding costs in fiscal year 2018 but instead is reported under other income. In addition, the costs associated with pre-agreed customer refunds are recognized as assets in inventories. Furthermore, from fiscal year 2018, significant amounts from the other liabilities item are also reported as contract liabilities. With regard to the associated amounts, please refer to Note 6.

## 5. New Accounting Pronouncements

Vitesco Technologies Group has prepared its Combined Financial Statements in compliance with the IFRSs as adopted by the European Union under the endorsement procedure. Thus, IFRS are only required to be applied following endorsement of a new standard by the European Union.

**The following endorsed standards, interpretations issued in relation to published standards and amendments that were applicable to the Combined Financial Statements of Vitesco Technologies Group became effective in 2020 and have been adopted accordingly:**

The amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, (Definition of Material)*, clarify the definition of materiality and standardize it in all standards and the Conceptual Framework of the IFRS. The amendments and the consequential amendments to other standards and publications are required to be applied for annual periods beginning on or after January 1, 2020. The amendments had no significant effect on the Combined Financial Statements of Vitesco Technologies Group.

The amendments to IFRS 3, *Business Combinations (Definition of a Business)*, clarify the definition of a business with the objective to identify uniquely whether a transaction should be accounted for as a business combination or as an asset acquisition. An acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create output in order to be considered a business. The amendments add guidance and illustrative examples to assess whether a substantive process has been acquired and refine the definition of business and output. An assessment of whether market participants are capable of replacing missing elements or integrating the acquired activities and assets is no longer necessary. Furthermore, an optional concentration test was added to permit a simplified assessment of whether an acquired set of activities and assets is not a business. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. The amendments are required to be applied to acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The amendments had no significant effect on the Combined Financial Statements of Vitesco Technologies Group.

The amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 7*, Financial Instruments: Disclosures, (Interest Rate Benchmark Reform)*, modify some specific hedge accounting requirements and require additional information about hedging relationships in the context of the uncertainty caused by the IBOR reform. The amendments are required to be applied for annual periods beginning on or after January 1, 2020. The amendments had no significant effect on the Combined Financial Statements of Vitesco Technologies Group.

The Amendment to IFRS 16, *Leases (COVID-19-Related Rent Concessions)*, provides a practical expedient. A lessee may elect not to assess whether a rent concession that meets special conditions is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The amendment is required to be applied from June 1, 2020 at the latest for annual periods beginning on or after January 1, 2020. The amendment had no effect on the Combined Financial Statements of Vitesco Technologies Group.

The *Amendments to References to the Conceptual Framework in IFRS Standards* set out amendments to IFRS Standards, the accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework (2018). The amendments are required to be applied for annual periods beginning on or after January 1, 2020. The amendments had no significant effect on the Combined Financial Statements of Vitesco Technologies Group.

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

The Amendments to IFRS 4, *Insurance Contracts (Extension of the Temporary Exemption from Applying IFRS 9)*, extend the expiry date for the temporary exemption from IFRS 9, *Financial Instruments,* by two years to annual periods beginning on or after January 1, 2023. The extension maintains the alignment between the expiry date of the temporary exemption and the effective date of IFRS 17, *Insurance Contracts*, which replaces IFRS 4. The amendments are required to be applied for annual periods beginning on or after January 1, 2021. The amendments are not expected to have any significant effect on the future Combined Financial Statements of Vitesco Technologies Group.

The Amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16. *Leases,* (*Interest Rate Benchmark Reform (IBOR Reform) – Phase 2),* address the issues that might affect financial reporting during the reform of an interest rate benchmark, including changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The amendments represent phase 2 of the deliberations regarding the Interest Rate Benchmark Reform after the issuance of the Phase 1 amendments. The amendments are required to be applied for annual periods beginning on or after January 1, 2021. The amendments are not expected to have any significant effect on the future Combined Financial Statements of Vitesco Technologies Group.

**The following standards, interpretations issued in relation to published standards and amendments are not yet endorsed 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 because of the COVID-19 pandemic. The amendments are not expected to have any significant effect on the future Combined Financial Statements of Vitesco Technologies Group.

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 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 Combined Financial Statements of Vitesco Technologies Group.

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 Combined Financial Statements of Vitesco Technologies Group.

The amendments to IFRS 3, *Business Combination (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 Combined Financial Statements of Vitesco Technologies Group.

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 the amendments to IFRS 17 amend and clarify the standard, 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 the 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 Combined Financial Statements of Vitesco Technologies Group.

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. With the amendment the exemption also applies to cumulative translation differences in equity.
- The amendment to IFRS 9, *Financial Instruments (Fees in the '10 per cent' Test for Derecognition of Financial Liabilities)*, clarifies which fees an entity includes in the 10 per cent test for derecognition of financial liabilities. An entity derecognizes the original financial liability and recognizes a new financial liability when there is an exchange between an existing borrower and lender of debt instruments with substantially different terms; or a substantial modification of the terms of an existing financial liability or a part of it. To identify whether the terms are substantially different the 10 per cent test must be made. 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 the Illustrative Example 13 the reimbursement relating to leasehold improvements which was part of the fact pattern. The example has not explained 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 for 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 Combined Financial Statements of Vitesco Technologies Group.

## Notes to the Combined Statement of Income

### 6. Revenues from Contracts with Customers

### Revenues of Vitesco Technologies Group

Revenues from contracts with customers and revenues from other sources are shown in the tables below:

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| Sales | 8,027.7 | 9,092.5 | 9,143.1 |
| Other revenues from research and development | 320.3 | 398.0 | 414.1 |
| Other revenues | 1.7 | 3.8 | 7.1 |
| **Revenues from contracts with customers** | **8,349.7** | **9,494.3** | **9,564.3** |
| Governmental grants[1] | 19.8 | 26.2 | 21.2 |
| Sale of fixed assets | 6.1 | 12.6 | 25.3 |
| Other ancillary business | 0.9 | 5.5 | 6.2 |
| Sale of energy and scrap | 0.3 | 0.1 | 16.1 |
| Others | — | 0.1 | 0.5 |
| **Revenues from other sources** | **27.1** | **44.5** | **69.3** |
| **Total revenues** | **8,376.8** | **9,538.8** | **9,633.6** |

*(1) Government grants related to COVID-19 pandemic are not included. Please refer to Note 13.*

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

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| Germany | 561.8 | 159.6 | 640.4 | 18.6 | -0.4 | 1,380.0 |
| Europe excluding Germany | 829.9 | 202.9 | 805.8 | 223.8 | -9.4 | 2,053.0 |
| North America | 865.2 | 36.6 | 643.0 | 485.5 | -8.0 | 2,022.3 |
| Asia | 1,339.8 | 6.8 | 793.8 | 359.6 | -13.6 | 2,486.4 |
| Other countries | 40.1 | — | 34.2 | 11.8 | -0.1 | 86.0 |
| **Sales by region** | **3,636.8** | **405.9** | **2,917.2** | **1,099.3** | **-31.5** | **8,027.7** |
| Automotive original-equipment business | 3,496.5 | 405.9 | 2,753.2 | 1,079.6 | -31.5 | 7,703.7 |
| Retail/replacement business | 140.3 | — | 164.0 | 19.7 | — | 324.0 |
| **Sales by customer type** | **3,636.8** | **405.9** | **2,917.2** | **1,099.3** | **-31.5** | **8,027.7** |

### Sales revenues from contracts with customers from January 1 to December 31, 2019

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| Germany | 625.3 | 74.4 | 785.1 | 37.4 | 27.5 | 1,549.7 |
| Europe excluding Germany | 1,058.5 | 112.5 | 955.7 | 259.6 | 18.0 | 2,404.3 |
| North America | 1,075.1 | 42.0 | 755.3 | 577.3 | -43.7 | 2,406.0 |
| Asia | 1,452.7 | 6.3 | 715.1 | 445.0 | -16.8 | 2,602.3 |
| Other countries | 59.2 | — | 50.0 | 22.7 | -1.7 | 130.2 |
| **Sales by region** | **4,270.8** | **235.2** | **3,261.2** | **1,342.0** | **-16.7** | **9,092.5** |
| Automotive original-equipment business | 4,148.0 | 235.2 | 3,069.6 | 1,318.3 | -16.7 | 8,754.4 |
| Retail/replacement business | 122.8 | — | 191.6 | 23.7 | — | 338.1 |
| **Sales by customer type** | **4,270.8** | **235.2** | **3,261.2** | **1,342.0** | **-16.7** | **9,092.5** |

**Sales revenues from contracts with customers from January 1 to December 31, 2018**

| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Other/ consolidation | Vitesco Technologies Group |
|---|---|---|---|---|---|---|
| Germany | 742.5 | 42.8 | 745.4 | 53.2 | -1.1 | 1,582.8 |
| Europe excluding Germany | 1,131.4 | 105.5 | 939.5 | 255.5 | -10.6 | 2,421.3 |
| North America | 1,108.8 | 38.3 | 709.5 | 475.8 | -11.4 | 2,321.0 |
| Asia | 1,520.1 | 10.2 | 781.0 | 415.8 | -49.0 | 2,678.1 |
| Other countries | 65.1 | — | 50.6 | 24.4 | -0.2 | 139.9 |
| **Sales by region** | **4,567.9** | **196.8** | **3,226.0** | **1,224.7** | **-72.3** | **9,143.1** |
| Automotive original-equipment business | 4,470.0 | 196.8 | 3,066.6 | 1,197.7 | -72.3 | 8,858.8 |
| Retail/replacement business | 97.9 | — | 159.4 | 27.0 | — | 284.3 |
| **Sales by customer type** | **4,567.9** | **196.8** | **3,226.0** | **1,224.7** | **-72.3** | **9,143.1** |

Revenues from research and development are presented in the section on research and development expenses in the Notes to the Combined Financial Statements (Note 7).

**Information on contract assets and contract liabilities**

Contract assets primarily arise in the project business described above from customer-specific goods or services for customers but are only of minor significance for Vitesco Technologies Group. 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 Vitesco Technologies Group 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 | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Contract assets | 11.0 | 19.5 | 14.2 |

Contract liabilities include mainly advance payments by customers for deliveries of goods and for services to be performed. In the case of these advance payments by customers for deliveries of goods and for services to be performed, for which contract liabilities are recognized, the customer has already paid the consideration – or part of the consideration – but Vitesco Technologies Group 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 Vitesco Technologies Group in these cases reduces the level of the associated contract liabilities.

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

| € millions | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Contract liabilities | 98.1 | 78.5 | 28.8 |

The short-term amount of the contract liabilities of €72.6 million accounted for at the beginning of the year was recognized as revenues in the reporting year. In 2019, the whole amount of contract liabilities of €28.8 million (2018: €15.8 million) accounted for at the beginning of the prior year was recognized as revenues. 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 as of December 31, 2020 of transaction prices for performance obligations not yet satisfied or only partly satisfied from contracts as defined in IFRS 15, *Revenue from Contracts with Customers*, with a term of more than one year.

| € millions | 2021 | 2022 onwards |
|---|---|---|
| Revenues from research and development | 87.7 | 27.0 |

The amounts relate mainly to future revenues from research and development and the revenues are expected to be recognized within the periods shown. For contracts as defined in IFRS 15, *Revenue from Contracts with Customers*, 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 Vitesco Technologies Group and the expected payment by the customer comes to more than one year as at the start of the contract, the practical expedient from IFRS 15.63 is applied and the transaction price is not adjusted for any significant financing components contained.

## 7. Research and Development Expenses

The expenses and revenues from research and development are shown in the three tables below. Research and development expenses include government grants of €19.1 million (PY: €25.3 million; 2018: €20.7 million).

| | 2020 | | | | |
|---|---|---|---|---|---|
| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Vitesco Technologies Group |
| Research and development expenses | -517.5 | -222.7 | -226.3 | -34.8 | -1,001.3 |
| Revenues from research and development | 226.8 | 33.6 | 38.9 | 21.0 | 320.3 |
| **Research and development expenses (net)** | **-290.7** | **-189.1** | **-187.4** | **-13.8** | **-681.0** |

| | 2019 | | | | |
|---|---|---|---|---|---|
| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Vitesco Technologies Group |
| Research and development expenses | -614.0 | -202.9 | -256.3 | -48.0 | -1,121.2 |
| Revenues from research and development | 293.9 | 51.9 | 48.5 | 3.7 | 398.0 |
| **Research and development expenses (net)** | **-320.1** | **-151.0** | **-207.8** | **-44.3** | **-723.2** |

| | 2018 | | | | |
|---|---|---|---|---|---|
| € millions | Electronic Controls | Electrification Technology | Sensing & Actuation | Contract Manufacturing | Vitesco Technologies Group |
| Research and development expenses | -637.6 | -190.2 | -253.1 | -42.3 | -1,123.2 |
| Revenues from research and development | 333.4 | 29.9 | 48.3 | 2.5 | 414.1 |
| **Research and development expenses (net)** | **-304.2** | **-160.3** | **-204.8** | **-39.8** | **-709.1** |

For further information regarding changes in the accounting for expenses and revenues from research and development, please see section “Information on the first-time adoption of IFRS 15” in Note 4.

## 8. Other Income and Expenses

| € millions | 2020 | 2019 | 2018 |
|---|---|---|---|
| Other income | 538.7 | 753.3 | 590.2 |
| Other expenses | -504.4 | -1,018.1 | -367.7 |
| **Other income and expenses** | **34.3** | **-264.8** | **222.5** |

### Other income

| € millions | 2020 | 2019 | 2018 |
|---|---|---|---|
| Income from research and development | 320.3 | 398.0 | 414.1 |
| Income from the reversal of provisions | 50.5 | 51.1 | 17.2 |
| Income from the disposal of companies and business operations | 8.8 | — | — |
| Income from the disposal of property, plant and equipment | 6.1 | 12.6 | 25.3 |
| Compensation from customers and suppliers | 4.7 | 17.6 | 35.9 |
| Income from the reversal of provisions for litigation and environmental risks | 4.1 | 0.1 | 0.1 |
| Income from the reversal of impairment on financial assets and contract assets | 3.6 | 4.5 | 2.6 |
| Reversal of impairment losses on property, plant and equipment | 2.4 | — | 0.5 |
| Income from the reimbursement of customer tooling expenses | 1.7 | 3.8 | 7.1 |
| Income from the reversal of provisions for severance payments | 1.5 | 10.2 | 0.4 |
| Miscellaneous | 135.0 | 255.5 | 87.1 |
| **Other income** | **538.7** | **753.3** | **590.2** |

Other income decreased by €214.6 million to €538.7 million (PY: €753.3 million) in the reporting period. In 2018 the total amount was €590.2 million.

Income from research and development amounted to €320.3 million (PY: €398.0 million; 2018: €414.1 million).

The reversal of provisions resulted in income of €50.5 million (PY: €51.1 million; 2018: €17.2 million) in the reporting period.

Income from the disposal of companies and business operations of €8.8 million resulted in the reporting period (PY: –; 2018: –).

Income of €6.1 million (PY: €12.6 million; 2018: €25.3 million) was generated from the disposal of property, plant and equipment in the period under review.

Compensation for claims against customers and suppliers resulted in income totaling €4.7 million (PY: €17.6 million; 2018: €35.9 million) in the reporting period.

Income from the reversal of provisions for litigation and environment risks amounted to €4.1 million (PY: €0.1 million; 2018: €0.1 million).

The income from the reversal of impairment on financial assets and contract assets was €3.6 million (PY: €4.5 million; 2018: €2.6 million).

There were reversals of impairment losses on property, plant and equipment in the year under review of €2.4 million (PY: –; 2018: €0.5 million).

In 2020, reimbursements for customer tooling resulted in income of €1.7 million (PY: €3.8 million; 2018: €7.1 million).

Income of €1.5 million (PY: €10.2 million; 2018: €0.4 million) arose from the reversal of provisions for severance payments in 2020.

The Miscellaneous item includes proceeds from license agreements and income from insurance compensation due to damage to property, plant and equipment caused by force majeure. Furthermore, income from services charged to Continental Group in the amount of €97.5 million (PY: €211.5 million; 2018: €49.6 million) is included. In addition, government grants amounting to €0.7 million (PY: €1.0 million; 2018: €0.5 million) that were not intended for investments in non-current assets were received and recognized in profit or loss in the Miscellaneous item.

**Other expenses**

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| Additions to specific warranty provisions and provisions for restructuring measures | 254.9 | 550.4 | 182.8 |
| Impairment on property, plant and equipment, and intangible assets | 79.1 | 98.1 | 18.6 |
| Compensation to customers and suppliers | 30.0 | 8.5 | 45.7 |
| Additions to provisions for litigation and environmental risks | 17.6 | 4.3 | 1.4 |
| Expenses from impairment on financial assets and contract assets | 15.5 | 1.6 | 8.1 |
| Expenses from severance payments | 13.5 | 18.8 | 11.0 |
| Losses on the disposal of property, plant and equipment, and from scrapping | 5.7 | 9.5 | 8.0 |
| Expenses from currency translation | 4.1 | 6.4 | 22.4 |
| Expenses from customer tooling | 1.2 | 1.8 | 2.0 |
| Impairment on goodwill | — | 223.5 | — |
| Miscellaneous | 82.8 | 95.2 | 67.7 |
| **Other expenses** | **504.4** | **1,018.1** | **367.7** |

Other expenses decreased by €513.7 million to €504.4 million (PY: €1,018.1 million; 2018: €367.7 million) in the reporting period.

Additions to specific warranty provisions and provisions for restructuring measures resulted in expenses totaling €254.9 million (PY: €550.4 million; 2018: €182.8 million).

Impairment on property, plant and equipment, and intangible assets amounted to €79.1 million (PY: €98.1 million; 2018: €18.6 million) in the reporting period.

Compensation to customer and supplier that is not warranties resulted in expenses of €30.0 million (PY: €8.5 million; 2018: €45.7 million) in the reporting period.

In connection with provisions for litigation and environmental risks, there were expenses of €17.6 million (PY: €4.3 million; 2018: €1.4 million).

The expenses resulting from impairment on financial assets and contract assets were €15.5 million (PY: €1.6 million; 2018: €8.1 million) resulting from valuation allowances on receivables in accordance with IFRS 9, *Financial Instruments*.

Personnel adjustments not related to restructuring led to expenses from severance payments of €13.5 million (PY: €18.8 million; 2018: €11.0 million).

Losses of €5.7 million (PY: €9.5 million; 2018: €8.0 million) arose from the disposal of property, plant and equipment, and from scrapping activities in 2020.

In the year under review, expenses of €4.1 million (PY: €6.4 million; 2018: €22.4 million) were incurred as a result of currency translations from operating receivables and liabilities in foreign currencies not classified as indebtedness.

Expenses from customer tooling of €1.2 million (PY: €1.8 million; 2018: €2.0 million) arose in 2020.

The annual testing of goodwill for fiscal year 2020 determined no requirement of goodwill impairment. During fiscal year 2019 within the context of the annual planning in September 2019 for fiscal years 2020 onwards, global production of passenger cars and light commercial vehicles was not expected to increase substantially over the next five years until 2024. Due to this triggering event in fiscal year 2019 and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, the discount rate and its parameters, and the long-term growth rate – goodwill was impaired in 2019 by €223.5 million (2018: –). Please see Note 4 for further information on impairment of goodwill.

The Miscellaneous item includes expenses from mark-ups which are considered on service charges invoiced by Continental Group in the amount of €17.5 million (PY: €22.8 million; 2018: €4.0 million) as well as other taxes and losses due to force majeure.

## 9. Personnel Expenses

The following total personnel expenses are included in function costs in the Combined Statement of Income:

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| Wages and salaries | 1,455.8 | 1,657.1 | 1,555.1 |
| Social security contributions | 304.7 | 334.6 | 314.5 |
| Pension and post-employment benefit costs | 74.0 | 61.9 | 47.6 |
| **Personnel expenses** | **1,834.5** | **2,053.6** | **1,917.2** |

Compared to fiscal year 2019, personnel expenses decreased by €219.1 million to €1,834.5 million (PY: €2,053.6 million) in 2020. The total amount in 2018 was €1,917.2 million.

The average number of employees in 2020 was 39,539 (PY: 40,844; 2018: 40,877). As at the end of the year, there were 40,490 employees (PY: 40,522; 2018: 40,885) in the Vitesco Technologies Group.

## 10. Income from Investments

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| Income from equity-accounted investees | 1.0 | -0.5 | -0.3 |
| Other income from investments | — | 0.0 | 0.0 |
| **Income from investments** | **1.0** | **-0.5** | **-0.3** |

Net investment income includes, in particular, the share of earnings of companies accounted for using the equity method in the amount of €1.0 million (PY: €-0.5 million; 2018: €-0.3 million).

## 11. Financial Result

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| Interest and similar income | 15.8 | 31.2 | 7.4 |
| Expected income from long-term employee benefits and from pension funds | 4.8 | 5.8 | 6.0 |
| **Interest income** | **20.6** | **37.0** | **13.4** |
| Interest and similar expenses | -15.6 | -29.2 | -10.7 |
| Interest expenses on lease liabilities(1) | -3.7 | -3.2 | — |
| Interest expense for long-term provisions and liabilities | -0.2 | -0.6 | -0.4 |
| Interest expense from long-term employee benefits | -14.2 | -16.4 | -15.6 |
| **Interest expense** | **-33.7** | **-49.4** | **-26.7** |
| **Effects from currency translation** | **-14.8** | **-20.7** | **5.4** |
| Effects from changes in the fair value of derivative instruments | -0.6 | 1.0 | -1.6 |
| Other valuation effects | 1.5 | 0.8 | -0.2 |
| **Effects from changes in the fair value of derivative instruments, and other valuation effects** | **0.9** | **1.8** | **-1.8** |
| **Financial result** | **-27.0** | **-31.2** | **-9.7** |

*(1) In fiscal year 2018: Finance lease expenses.*

Vitesco Technologies Group is largely financed by Continental Group, through equity, loans and central financing, and invests excess liquidity with Continental AG or its subsidiaries. This includes integration into Continental Group's cash pooling and cash management system. This financing affects the structure of the financial result and leads to the effect that the interest income and interest expense from transactions with related parties are material.

The negative financial result decreased by €4.2 million year-on-year to €27.0 million (PY: €31.2 million) in 2020. The negative amount in 2018 was €9.7 million.

Interest income in 2020 decreased by €16.4 million year-on-year to €20.6 million (PY: €37.0 million). The amount in 2018 was €13.4 million. Thereof expected income from long-term employee benefits and pension funds totaled €4.8 million (PY: €5.8 million; 2018: €6.0 million) in 2020. This does not include the interest income from the plan assets of the pension contribution funds. At €15.8 million, interest and similar income was €15.4 million lower than the prior-year figure of €31.2 million (2018: €7.4 million) and resulted, as in the previous years, mainly from transactions with related parties.

Interest expense totaled €33.7 million in 2020 and was thus €15.7 million lower than the previous year's figure of €49.4 million. The total amount in 2018 was €26.7 million. The interest expense from long-term employee benefits totaled €14.2 million (PY: €16.4 million; 2018: €15.6 million) in 2020. This does not include the interest expense from the defined benefit obligations of the pension contribution funds. At €15.6 million, interest and similar expenses were €13.6 million lower than the prior-year figure of €29.2 million (2018: €10.7 million). These mainly include, as in the previous years, transactions with related parties.

The effects from currency translation resulted in a negative contribution to earnings of €14.8 million (PY: negative contribution to earnings of €20.7 million; 2018: positive contribution to earnings of €5.4 million) in 2020. Effects from changes in the fair value of derivative instruments, and other valuation effects resulted in a positive contribution to earnings of €0.9 million (PY: positive contribution to earnings of €1.8 million; 2018: negative contribution to earnings of €1.8 million) in 2020. Other valuation effects accounted for €1.5 million (PY: positive contribution to earnings of €0.8 million; 2018: negative contribution to earnings of €0.2 million) of this.

### 12. Income Tax Expense

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

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| Current taxes (domestic) | -33.4 | -20.9 | 85.8 |
| Current taxes (foreign) | -104.4 | -169.5 | -122.4 |
| Deferred taxes (domestic) | 56.1 | 162.1 | -40.1 |
| Deferred taxes (foreign) | 69.8 | 54.8 | 8.7 |
| **Income tax expense** | **-11.9** | **26.5** | **-68.0** |

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

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| **Earnings before tax** | **-351.3** | **-666.4** | **174.5** |
| Expected tax expense at the domestic tax rate | 107.8 | 204.3 | -53.4 |
| Foreign tax rate differences | -3.4 | -35.3 | -11.4 |
| Goodwill impairment not deductible for tax purposes | — | -40.3 | — |
| Non-deductible expenses and non-imputable withholding taxes | -26.2 | -7.9 | -11.0 |
| Incentives and tax holidays | 25.9 | 19.5 | 20.1 |
| Taxes for previous years | -4.8 | -14.9 | 0.2 |
| Non-recognition of deferred tax assets unlikely to be realized | -102.9 | -65.8 | -12.6 |
| Change in permanent differences | -3.0 | -10.5 | — |
| Realization of previously non-recognized deferred taxes | 34.5 | 2.3 | 1.5 |
| Tax effect from equity-accounted investees | -0.2 | 0.5 | 0.1 |
| Local income tax with different tax base | -17.6 | -12.2 | -0.1 |
| Effects from changes in enacted tax rate | -22.4 | — | 0.3 |
| Other | 0.4 | -13.2 | -1.7 |
| **Income tax expense** | **-11.9** | **26.5** | **-68.0** |
| **Effective tax rate in %** | **3.4** | **-4.0** | **39.0** |

The average domestic tax rate in 2020 was 30.7% (PY: 30.7%; 2018: 30.6%). This takes into account a corporate tax rate of 15.0% (PY: 15.0%; 2018:15.0%), a solidarity surcharge of 5.5% (PY: 5.5%; 2018: 5.5%) and a trade tax rate of 14.9% (PY: 14.9%; 2018: 14.8%).

In 2020, a subsidiary in China obtained the high-tech status that led to a decrease in corporate tax rate, which caused a revaluation of deferred tax assets. This resulted in an increase of income tax expense. In 2018, the decrease of the corporate tax rate in the U.S.A., introduced by the U.S. tax reform in fiscal year 2017, is shown as difference in foreign tax rates. Along with the positive effect from Asia, it is overcompensated by foreign tax rate effects from activities in Eastern Europe. In 2019 and 2020, these trends continued.

The tax rate was negatively impacted by non-cash allowances on deferred tax assets totalling €102.9 million (PY: €65.8 million; 2018: €12.6 million). Furthermore, as in previous years, the tax rate was negatively affected by non-deductible expenses. In 2020, this was mainly impacted by the impairment of deferred tax assets in Germany and release of impairment in Canada and Italy. In 2019, this was especially due to the impairment of goodwill which was only partially tax deductible.

The effect of taxes from prior periods was mainly caused by tax refund in Canada and overall increase of provisions for tax risks.

The change in local tax effects is mainly influenced by the U.S. Base Erosion and Anti-Abuse Tax.

The following table shows the total income tax expense, including the items reported in the other comprehensive income recognized directly in equity:

| € millions | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| **Income tax expense (acc. to Combined Statement of Income)** | **-11.9** | **26.5** | **-68.0** |
| Tax on other comprehensive income | -94.0 | 98.2 | 7.0 |
| Remeasurement of defined benefit plans(1) | -94.0 | 97.2 | 5.2 |
| Investment in equity-accounted investees | — | — | — |
| Currency translation | 0.0 | 1.0 | 1.8 |
| **Total income tax expense** | **-105.9** | **124.6** | **-61.0** |

*(1) In 2019 thereof €59.6 million carve-out effect.*

### 13. Government Grants related to the COVID-19 pandemic

The government grants that were paid to Vitesco Technologies Group due to the COVID-19 pandemic totaled €15.3 million (PY: –; 2018: –) in the reporting period. This includes reimbursements on social security contributions in connection with short-time working allowance of €11.3 million (PY: –; 2018: –).

## 14. Goodwill and Other Intangible Assets

| € millions | Goodwill | Capitalized development expenses(1) | Other intangible assets | Advances to suppliers | Total other intangible assets |
|---|---|---|---|---|---|
| **As at January 1, 2018** | | | | | |
| Cost | **2,248.4** | 130.1 | 133.2 | 1.2 | **264.5** |
| Accumulated amortization | **-1,230.6** | -20.0 | -72.0 | — | **-92.0** |
| **Book value** | **1,017.8** | **110.1** | **61.2** | **1.2** | **172.5** |
| **Net change in 2018** | | | | | |
| Book value | **1,017.8** | 110.1 | 61.2 | 1.2 | **172.5** |
| Exchange-rate changes | **7.6** | 0.5 | 0.1 | 0.0 | **0.6** |
| Additions | **—** | 55.5 | 3.9 | 0.2 | **59.6** |
| Transfers | **—** | — | 0.6 | -0.6 | **—** |
| Disposals | **—** | -21.1 | -8.9 | — | **-30.0** |
| Amortization | **—** | -27.6 | -15.4 | — | **-43.0** |
| Impairment | **—** | — | 0.0 | — | **0.0** |
| **Book value** | **1,025.4** | **117.4** | **41.5** | **0.8** | **159.7** |
| **As at December 31, 2018** | | | | | |
| Cost | **2,255.8** | 165.1 | 128.5 | 0.8 | **294.4** |
| Accumulated amortization | **-1,230.4** | -47.7 | -87.0 | — | **-134.7** |
| **Book value** | **1,025.4** | **117.4** | **41.5** | **0.8** | **159.7** |
| **Net change in 2019** | | | | | |
| Book value | **1,025.4** | 117.4 | 41.5 | 0.8 | **159.7** |
| Exchange-rate changes | **3.8** | 0.6 | -0.4 | 0.0 | **0.2** |
| Additions | **—** | 72.1 | 1.5 | 0.8 | **74.4** |
| Transfers | **—** | — | 0.3 | -0.3 | **—** |
| Disposals | **—** | -1.8 | — | — | **-1.8** |
| Amortization | **—** | -33.6 | -14.4 | — | **-48.0** |
| Impairment | **-223.5** | — | -10.6 | — | **-10.6** |
| **Book value** | **805.7** | **154.7** | **17.9** | **1.3** | **173.9** |
| **As at December 31, 2019** | | | | | |
| Cost | **2,217.7** | 221.4 | 131.6 | 1.3 | **354.3** |
| Accumulated amortization | **-1,412.0** | -66.7 | -113.7 | — | **-180.4** |
| **Book value** | **805.7** | **154.7** | **17.9** | **1.3** | **173.9** |
| **Net change in 2020** | | | | | |
| Book value | **805.7** | 154.7 | 17.9 | 1.3 | **173.9** |
| Exchange-rate changes | **-20.5** | -2.2 | -0.1 | — | **-2.3** |
| Additions | **—** | 35.4 | 2.7 | 0.4 | **38.5** |
| Transfers | **—** | — | 1.2 | -1.2 | **—** |
| Disposals | **—** | — | -0.4 | — | **-0.4** |
| Amortization | **—** | -32.4 | -12.8 | — | **-45.2** |
| Impairment | **—** | — | 0.0 | — | **0.0** |
| **Book value** | **785.2** | 155.5 | 8.5 | 0.5 | **164.5** |
| **As at December 31, 2020** | | | | | |
| Cost | **2,190.7** | 248.6 | 128.1 | 0.5 | **377.2** |
| Accumulated amortization | **-1,405.5** | -93.1 | -119.6 | — | **-212.7** |
| **Book value** | **785.2** | **155.5** | **8.5** | **0.5** | **164.5** |

*(1) Excluding development for self-developed software.*

The carrying amount of goodwill relates principally to the acquisitions of Siemens VDO (2007), the automotive electronics business from Motorola (2006), Emitec (2014) and Continental Teves (1998).

The table below shows the goodwill of the respective cash-generating unit, in line with the current organizational structure in the relevant fiscal year:

| | Goodwill | | |
|---|---|---|---|
| | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
| **€ millions** | | | |
| Electronic Controls | 472.1 | 485.2 | 706.1 |
| Sensing & Actuation | 313.1 | 320.5 | 319.3 |
| **Vitesco Technologies Group** | **785.2** | **805.7** | **1,025.4** |

The additions to purchased intangible assets related for 2020 and 2019 mainly to software in the amount of €2.7 million (PY: €1.4 million; 2018: €3.9 million). In 2018, the addition was mainly related to purchased patents in the amount of €7.0 million.

The purchased intangible assets also include the carrying amounts of software amounting to €5.2 million (PY: €5.4 million; 2018: €7.8 million), which are amortized on a straight-line basis as scheduled.

Under IAS 38, *Intangible Assets*, €35.4 million (PY: €72.1 million; 2018: €55.5 million) of the total development costs incurred in 2020 qualified for recognition as an asset.

Amortization of total other intangible assets amounted to €45.2 million (PY: €48.0 million; 2018: €43.0 million). Of this, €36.2 million (PY: €38.4 million; 2018: €34.4 million) is included in the Combined Statement of Income under the cost of sales and €9.0 million (PY: €9.6 million; 2018: €8.6 million) under administrative expenses.

Please see Note 4 and Note 8 for further information on impairment of goodwill.

## 15. Property, Plant and Equipment

Additions to the Vitesco Technologies Group decreased by €302.4 million year-on-year to €480.0 million (PY: €782.4 million; 2018: €684.1 million). Capital expenditure amounted to 6.0% (PY: 8.6%; 2018: 7.5%) of sales.

This reduction is due to the response to the global economic situation as well as the consistent implementation of the strategy to reduce investment in internal combustion engines and to focus on the electrification business.

Investments were made in the expansion of production capacity mainly at the locations in Hungary, India, Germany, China and Czech Republic. Important additions were related to the construction of new plants in Debrecen, Hungary and Pune, India.

In the Electronic Controls segment, main investments were done to set up production facilities for a new generation of transmission control units. Investing activities in the area of electronics for engine control units remained on the same level in comparison to the previous years. Capital expenditure into other areas, related to internal combustion engines, was reduced significantly compared to prior years.

The Electrification Technology segment had major investments to increase production capacity in the field of high-voltage electronics as well as a new generation of electric axle drives in China. On a year-to-year comparison the investment showed a slight increase. Acquired property, plant and equipment is reviewed for impairment after six months after operational start of production.

In the Sensing & Actuation segment, the main investments were made in the Transmission & Engine Sensors and Actuators area. The area of fuel delivery systems realized a significant decrease in capital expenditures compared to prior years.

Please see Note 8 for information on impairment and reversal of impairment losses.

No government investment grants in 2020 (PY: €3.0 million; 2018: €2.3 million) were deducted directly from cost.

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

| € millions | Land, land rights and buildings | Technical equipment and machinery | Other equipment, factory and office equipment | Advances to suppliers and assets under construction | **Total** |
|---|---|---|---|---|---|
| **As at January 1, 2018** | | | | | |
| Cost | 513.6 | 3,089.4 | 473.8 | 543.6 | **4,620.4** |
| Accumulated depreciation | -196.8 | -1,915.9 | -364.2 | -3.6 | **-2,480.5** |
| **Book value** | **316.8** | **1,173.5** | **109.6** | **540.0** | **2,139.9** |
| **Net change in 2018** | | | | | |
| Book value | 316.8 | 1,173.5 | 109.6 | 540.0 | **2,139.9** |
| Exchange-rate changes | 0.1 | 8.0 | 0.4 | 3.6 | **12.1** |
| Additions | 25.2 | 240.4 | 33.9 | 380.5 | **680.0** |
| Transfers | 30.6 | 304.1 | 15.9 | -350.6 | **—** |
| Disposals | -7.2 | -22.5 | -1.4 | -18.7 | **-49.8** |
| Depreciation | -27.2 | -320.2 | -42.8 | — | **-390.2** |
| Impairment[1] | -0.4 | -16.6 | -0.7 | -0.4 | **-18.1** |
| **Book value** | **337.9** | **1,366.7** | **114.9** | **554.4** | **2,373.9** |
| **As at December 31, 2018** | | | | | |
| Cost | 558.9 | 3,560.7 | 511.5 | 558.3 | **5,189.4** |
| Accumulated depreciation | -221.0 | -2,194.0 | -396.6 | -3.9 | **-2,815.5** |
| **Book value** | **337.9** | **1,366.7** | **114.9** | **554.4** | **2,373.9** |
| **Net change in 2019** | | | | | |
| Book value | 337.9 | 1,366.7 | 114.9 | 554.4 | **2,373.9** |
| Exchange-rate changes | 5.3 | 10.0 | -1.2 | 5.1 | **19.2** |
| Additions | 23.9 | 313.2 | 29.1 | 227.1 | **593.3** |
| Transfers | 36.1 | 243.9 | 11.8 | -293.5 | **-1.7** |
| Disposals | -0.8 | -33.2 | -2.4 | -3.8 | **-40.2** |
| Depreciation | -28.1 | -347.4 | -40.6 | — | **-416.1** |
| Impairment[1] | -27.0 | -57.9 | -2.6 | — | **-87.5** |
| **Book value** | **347.3** | **1,495.3** | **109.0** | **489.3** | **2,440.9** |
| **As at December 31, 2019** | | | | | |
| Cost | 622.9 | 3,999.5 | 538.7 | 493.5 | **5,654.6** |
| Accumulated depreciation | -275.6 | -2,504.2 | -429.7 | -4.2 | **-3,213.6** |
| **Book value** | **347.3** | **1,495.3** | **109.0** | **489.3** | **2,440.9** |
| **Net change in 2020** | | | | | |
| Book value | 347.3 | 1,495.3 | 109.0 | 489.3 | **2,440.9** |
| Exchange-rate changes | -17.7 | -58.8 | -2.7 | -20.8 | **-100.0** |
| Additions | 9.4 | 161.3 | 23.1 | 231.4 | **425.2** |
| Amounts disposed of through disposal of subsidiaries | — | -1.1 | — | — | **-1.1** |
| Transfers | 48.9 | 280.2 | 17.0 | -346.1 | **—** |
| Disposals | -0.3 | -23.3 | -1.3 | -5.5 | **-30.4** |
| Depreciation | -28.4 | -349.6 | -38.4 | — | **-416.4** |
| Impairment(1) | -1.8 | -72.2 | -1.7 | — | **-75.7** |
| **Book value** | **357.4** | **1,431.8** | **105.0** | **348.3** | **2,242.5** |
| **As at December 31, 2020** | | | | | |
| Cost | 653.0 | 4,149.1 | 550.3 | 351.8 | **5,704.2** |
| Accumulated depreciation | -295.6 | -2,717.3 | -445.3 | -3.5 | **-3,461.7** |
| **Book value** | **357.4** | **1,431.8** | **105.0** | **348.3** | **2,242.5** |

*(1) Impairment also includes necessary reversal of impairment losses.*

## 16. Leases

In addition to the comments in section "Leases (from fiscal year 2019)" in Note 4 and the comments in Note 5 (New Accounting Pronouncements), the disclosure requirements that arise in relation to IFRS 16, *Leases*, are grouped together in this Note.

### Information on the transition to IFRS 16 and its first-time adoption

IFRS 16, *Leases*, was first applied as at January 1, 2019. In this context, Vitesco Technologies Group uses the modified retrospective approach. The values for comparative periods are based on the accounting principles of IAS 17, *Leases*, and are shown unadjusted. Adjustments are therefore presented in the opening carrying amounts as at January 1, 2019.

Leases that were previously classified as operating leases in accordance with IAS 17, *Leases*, are recognized pursuant to IFRS 16.C8 using the following recognition and measurement requirements and exemptions:

- As at the date of first-time adoption, Vitesco Technologies Group as lessee measures the lease liability at the present value of the lease payments not yet made. It is recognized under indebtedness. Discounting is determined using weighted-average incremental borrowing rates on January 1, 2019, as the interest rates underlying the leases often cannot be determined.
- The right-of-use asset recognized by the lessee as at the date of first-time adoption 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 expenses are recognized in the financial result.
- Vitesco Technologies Group utilizes the exemptions for short-term leases and for leases in which the underlying asset is of low value.
- Vitesco Technologies Group does not remeasure the leases existing as at the date of first-time adoption.
- When determining the lease term with regard to extension or termination options, Vitesco Technologies Group as lessee uses hindsight in connection with the measurement.
- The reported right-of-use assets are consequently depreciated on a straight-line basis over the entire useful life of the underlying asset, or until the end of the term of the lease. The estimated useful life of right-of-use assets is determined based on that of the property, plant and equipment. In addition, the underlying asset is periodically written down to take into account any impairment losses and adjusted for specific remeasurement of the lease liability.

For leases that were previously classified as finance leases in accordance with IAS 17, *Leases:*

- The right-of-use asset is recognized at the previous carrying amount resulting from the measurement of the leased asset in accordance with IAS 17, *Leases*, directly before the first-time adoption of IFRS 16, *Leases*.
- The lease liability is recognized at the previous carrying amount resulting from the measurement of the leased asset in accordance with IAS 17, *Leases*, directly before the first-time adoption of IFRS 16, *Leases*.

The first-time adoption of IFRS 16, *Leases*, resulted in the following effects on the earnings, financial and net assets position as at January 1, 2019:

- In total, right-of-use assets of €87.9 million and financial liabilities of €88.3 million were recognized from leases. Of the latter, €8.7 million are allocated to short-term indebtedness and €79.6 million to long-term indebtedness. The difference from the change in net indebtedness due to the first-time adoption of IFRS 16, *Leases*, is attributable to liabilities from finance leases in accor-dance with IAS 17, *Leases*, that were already accounted for as at December 31, 2018.
- The difference between the right-of-use assets and the financial liabilities from leases of €0.4 million results from the reclassification of assets and lease liabilities that were previously classified as finance leases under IAS 17, *Leases*, and from prepaid lease payments and lease incentives received.
- The obligations from operating leases in accordance with IAS 17, *Leases*, existing before the first-time adoption of IFRS 16, *Leases*, were discounted by a weighted-average incremental borrowing rate of 2.89% as at January 1, 2019.

- The difference between the obligations from leases in accordance with IAS 17, *Leases*, as at December 31, 2018, and the opening carrying amount in accordance with IFRS 16, *Leases*, as at January 1, 2019, amounts to €62.0 million. In addition to the effect from the discounting of operating leases in accordance with IAS 17, the amount results primarily from the use of exemptions for short-term and low-value leases and from the different treatment of extension options.

**Vitesco Technologies Group as a lessee**

*Right-of-use assets*

The right-of-use assets recognized from leases relate primarily to the leasing of buildings and land 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 €51.6 million (PY: €186.8 million) for the reporting year. These resulted mainly from additions to land and buildings in the amount of €45.7 million (PY: €171.2 million) and from additions to other equipment, factory and office equipment in the amount of €5.9 million (PY: €10.6 million).

The right-of-use assets reported as at December 31, 2020 in the amount of € 215.5 million (PY: €217.5 million) correspond to approximately 8.8% (PY: 8.2%) of all property, plant and equipment of the Vitesco Technologies Group.

The weighted-average lease term is approximately seven years (PY: four years) for right-of-use assets for land and buildings, approximately four years (PY: five years) for right-of-use assets for technical equipment and machinery, and approximately three years (PY: three years) for right-of-use assets for other equipment, factory and office equipment.

The table below shows the development of right-of-use assets in the fiscal years 2020 and 2019:

| € 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 December 31, 2018** | **—** | **—** | **—** | **—** |
| **Book value as at January 1, 2019** | **84.2** | **0.6** | **3.1** | **87.9** |
| **Net Change in 2019** | | | | |
| Book value | 84.2 | 0.6 | 3.1 | **87.9** |
| Exchange-rate changes | 1.1 | 0.1 | 0.1 | **1.3** |
| Additions | 171.2 | 5.0 | 10.6 | **186.8** |
| Transfers | — | — | -0.1 | **-0.1** |
| Disposals | -26.8 | -0.5 | -1.9 | **-29.2** |
| Depreciation | -22.7 | -2.4 | -4.1 | **-29.2** |
| Impairment | — | — | — | **—** |
| **Book value** | **207.0** | **2.8** | **7.7** | **217.5** |
| **As at December 31, 2019** | | | | |
| Cost | 229.1 | 5.0 | 11.7 | **245.8** |
| Accumulated depreciation | -22.1 | -2.2 | -4.0 | **-28.3** |
| **Book value** | **207.0** | **2.8** | **7.7** | **217.5** |
| **Net Change in 2020** | | | | |
| Book value | 207.0 | 2.8 | 7.7 | **217.5** |
| Exchange-rate changes | -4.1 | -0.1 | -0.2 | **-4.4** |
| Additions | 45.7 | 0.0 | 5.9 | **51.6** |
| Transfers | — | 0.3 | -0.3 | **—** |
| Disposals | -8.7 | — | -0.8 | **-9.5** |
| Depreciation | -32.2 | -1.3 | -5.2 | **-38.7** |
| Impairment(1) | -1.0 | — | — | **-1.0** |
| **Book value** | **206.7** | **1.7** | **7.1** | **215.5** |
| **As at December 31, 2020** | | | | |
| Cost | 256.0 | 2.6 | 13.5 | **272.1** |
| Accumulated depreciation | -49.3 | -0.9 | -6.4 | **-56.6** |
| **Book value** | **206.7** | **1.7** | **7.1** | **215.5** |

*(1) Impairment also includes necessary reversal of impairment losses.*

**Lease Liabilities**

As at the end of the reporting period, lease liabilities amounted to €220.6 million (PY: €218.9 million). Future cash outflows resulting from leases are shown in the following table:

| € millions | **2020** | 2019 |
|---|---|---|
| Less than one year | 42.8 | 35.3 |
| One to two years | 31.1 | 30.2 |
| Two to three years | 27.7 | 25.0 |
| Three to four years | 22.4 | 22.4 |
| Four to five years | 20.2 | 18.4 |
| More than five years | 95.7 | 107.3 |
| **Total undiscounted lease liabilities** | **239.9** | **238.6** |
| **Lease liabilities as at December 31** | **220.6** | **218.9** |
| Current | 39.3 | 32.1 |
| Non-Current | 181.3 | 186.8 |

*Amounts recognized in Combined Statement of Income*

The table below shows the amounts recognized in Combined Statement of Income for the fiscal years 2020 and 2019:

| € millions | 2020 | 2019 |
|---|---|---|
| Interest expenses on lease liabilities | 3.7 | 3.2 |
| Expenses relating to short-term leases | 3.9 | 6.4 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | 2.5 | 2.6 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | 866.3 | 1,044.3 |

In 2018, expenses from operating leases and rental agreements amounted to €21.0 million.

*Amounts recognized in Combined Statement of Cash Flows*

The following table shows the cash outflow for leases for the fiscal years 2020 and 2019:

| € millions | 2020 | 2019 |
|---|---|---|
| Cash outflow for leases | 916.2 | 990.3 |

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, 2020, include options that were not considered reasonably certain as at the reporting date and are not included in the measurement of lease liabilities. These options may result in potential future cash outflows over the coming fiscal years.

The leases in some cases include variable lease payments as well as extension, termination and purchase options. As a rule, Vitesco Technologies 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 Vitesco Technologies Group'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 €3.6 million (PY: €14.7 million) from such options were not included in the measurement of lease liabilities. Potential future cash outflows of €1,940.1 million (PY: €5,814.3 million) arising from variable lease payments were likewise not included in the measurement of lease liabilities as at the end of the reporting period. The future variable lease payments decreased due to the accelerated transfer of production lines for contract manufacturing compared to prior year.

The future scope of obligations arising from leases to which Vitesco Technologies Group is committed but that had not yet commenced as at the reporting date amounted to €14.7 million (PY: €12.2 million).

*Contract manufacturing*

Continental Group and Vitesco Technologies Group have agreed to enter into a contract manufacturing agreement. Where Continental Group produces products in a contract manufacturing plant on behalf of Vitesco Technologies Group, the contract manufacturing agreement contains in certain cases a lease in which Vitesco Technologies Group is a lessee of the production equipment. Due to variable lease payments from Vitesco Technologies Group to Continental Group that are made according to customer call-offs, there is no recognition of a right-of-use asset and a lease liability. The expenses relating to variable lease payments due to contract manufacturing amount to €866.2 million (PY: €1,044.3 million). Vitesco Technologies Group expects future cash outflows arising from variable lease payments due to contract manufacturing of €1,939.4 million (PY: €5,814.3 million) for the remaining lease terms.

**Vitesco Technologies Group as a lessor**

Vitesco Technologies Group acts as lessor in one business relationship. This is an operating lease, as Vitesco Technologies Group retains the material risks and rewards incidential to ownership.

*Operating lease*

Lease income from operating leases in which Vitesco Technologies Group acts as lessor amounted to €0.8 million (PY: €0.4 million) for the past fiscal year. The leased asset was an office building in Auburn Hills, Michigan, U.S.A. The lease contract was cancelled as per December 2020.

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

| € millions | **2020** | 2019 |
|---|---|---|
| Less than one year | 0.0 | 0.6 |
| One to two years | — | 0.6 |
| Two to three years | — | 0.6 |
| Three to four years | — | 0.6 |
| Four to five years | — | 0.7 |
| More than five years | — | 0.7 |
| **Total undiscounted lease payments** | **0.0** | **3.8** |

**Contract manufacturing**

Where Vitesco Technologies Group produces products in a contract manufacturing plant on behalf of Continental Group, the contract manufacturing agreement contains in certain cases a lease in which Vitesco Technologies Group is a lessor of the production equipment and bears the investment risk. Such leases are classified as operating leases. Continental Group makes variable lease payments to Vitesco Technologies Group according to customer call-offs. The income relating to variable lease payments due to contract manufacturing amounts to €888.3 million (PY: €1,020.8 million).

**17. Investments in Equity-Accounted Investees**

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| **As at January 1** | **2.3** | **2.0** | **1.1** |
| Additions | 12.6 | 0.8 | 1.2 |
| Share of income | 1.0 | -0.5 | -0.3 |
| **As at December 31** | **15.9** | **2.3** | **2.0** |

A joint venture of Vitesco Technologies Group in the Electronic Controls segment is Napino Control Systems Private Limited, Haryana, India. The company is jointly controlled by Napino Auto and Electronic Limited, Haryana, India, and Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands, which holds 30% of the voting rights. The key business purpose of the company is the manufacturing of electronic fuel injectors and its related products.

A newly acquired joint venture of Vitesco Technologies Group is PV Clean Mobility Techn. Private Ltd. PTC, Gurugram, India. The equity-accounted joint venture was acquired for a purchase price of €11.7 million. Other than this, there was no material effect on the earnings, financial and net assets position as per acquisition date July 2, 2020. The company is jointly controlled by Padmini VNA Mechatronic PVT. Ltd., Gurugram, India and Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands, which holds 50% of the voting rights. Parts of the Sensing & Actuation business were sold to the earlier established and equity-accounted investee. This transaction resulted in income of €8.8 million and no intercompany elimination was carried out. The key business purpose of the company is the manufacturing of actuators, valves, brushless direct current motors and water pumps. IFRS annual financial statements are not available for PV Clean Mobility Techn. Private Ltd. PTC for fiscal year 2020.

The figures taken from the last two available sets of IFRS annual financial statements (fiscal years 2019 and 2018) for the Napino Control Systems Private Limited joint venture are as follows. Amounts are stated at 100%. Furthermore, the pro rata net assets have been reconciled to the respective carrying amount. All shares are accounted for using the equity method.

| | Napino Control Systems Private Limited | |
|---|---|---|
| **€ millions** | 2019 | 2018 |
| Current assets | 6.7 | 2.7 |
| thereof cash and cash equivalents | 1.4 | 1.3 |
| Non-current assets | 11.3 | 6.5 |
| Total assets | 18.0 | 9.2 |
| Current liabilities | 7.3 | 2.3 |
| thereof other short-term financial liabilities | 3.9 | 2.3 |
| Non-current liabilities | 3.0 | 0.0 |
| thereof long-term financial liabilities | 2.9 | — |
| Total liabilities | 10.3 | 2.3 |
| Sales | 1.4 | 0.3 |
| Interest income | 0.0 | — |
| Interest expense | 0.2 | — |
| Depreciation and amortization | 0.6 | 0.0 |
| Earnings from continued operations | -1.4 | -0.8 |
| Income tax expense | 0.7 | |
| Earnings after tax | -1.4 | -0.8 |
| Net assets | 7.7 | 6.9 |
| Share of net assets | 2.3 | 2.1 |
| Exchange-rate changes | — | -0.1 |
| Carrying amount | 2.3 | 2.0 |

## 18. Other Investments

| **€ millions** | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Investments in non-combined affiliated companies | 0.1 | 0.1 | 0.1 |
| Other participations | 15.1 | 27.1 | 27.1 |
| **Other investments** | **15.2** | **27.2** | **27.2** |

Other investments are accounted for at fair value. Changes for other investments are recognized in other comprehensive income. The carrying amount for other participations results from additions of €15.1 million (PY: –; 2018: –), a disposal of €33.5 million (PY: –; 2018: –) and €6.4 million (PY: –; 2018: –) from changes in fair value.

As per November 16, 2020 the participation in QuantumScape Corporation, San José, U.S.A., was sold to Continental Group for strategic reasons for €33.5 million purchase price. As per December 8, 2020 Vitesco Technologies acquired 10.0% of IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, Germany, for €15.1 million.

No dividends were received from other investments in the reporting year (PY: €0.0 million; 2018: €0.0 million).

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

## 19. Deferred Taxes

Deferred tax assets and liabilities are composed of the following items:

| € millions | Dec. 31, 2020 Deferred tax assets | Deferred tax liabilities | Net | Recognized in profit or loss | Recognized in equity | Recognized in other comprehensive income | Dec. 31, 2019 Net |
|---|---|---|---|---|---|---|---|
| Other intangible assets and goodwill | 53.1 | -35.8 | 17.3 | 207.4 | — | — | -190.1 |
| Property, plant and equipment | 61.8 | -62.9 | -1.1 | -0.3 | — | 0.4 | -1.2 |
| Inventories | 19.7 | -0.1 | 19.6 | -5.8 | — | -0.8 | 26.3 |
| Other assets | 6.8 | -2.2 | 4.6 | 0.9 | — | 0.1 | 3.6 |
| Employee benefits less defined benefit assets | 37.8 | -1.2 | 36.6 | -8.5 | — | -97.7 | 142.8 |
| Provisions for other risks and obligations | 71.1 | -0.2 | 70.9 | -47.9 | — | -3.9 | 122.7 |
| Indebtedness and other financial liabilities | 15.4 | -0.2 | 15.2 | -43.2 | — | -4.0 | 62.4 |
| Other differences | 28.6 | -0.8 | 27.8 | 25.6 | — | 3.6 | -1.5 |
| Allowable tax credits | 9.8 | — | 9.8 | 10.3 | — | -0.5 | — |
| Tax losses carried forward and limitation of interest deduction | 28.5 | — | 28.5 | -12.6 | — | -0.1 | 41.2 |
| **Deferred taxes (before offsetting)** | **332.6** | **-103.4** | **229.2** | **125.9** | **—** | **-102.9** | **206.2** |
| Offsetting (IAS 12.74) | -66.6 | 66.6 | — | | | | — |
| **Net deferred taxes** | **266.0** | **-36.8** | **229.2** | | | | **206.2** |

| € millions | Dec. 31, 2019 Deferred tax assets | Deferred tax liabilities | Net | Recognized in profit or loss | Recognized in equity | Recognized in other comprehensive income | Dec. 31, 2018 Net |
|---|---|---|---|---|---|---|---|
| Other intangible assets and goodwill | 64.9 | -255.0 | -190.1 | 0.3 | — | 0.1 | -190.5 |
| Property, plant and equipment | 72.1 | -73.3 | -1.2 | 25.5 | 0.4 | 0.0 | -27.1 |
| Inventories | 26.6 | -0.3 | 26.3 | 6.7 | — | 0.1 | 19.5 |
| Other assets | 48.1 | -44.5 | 3.6 | -8.1 | 0.5 | -0.1 | 11.3 |
| Employee benefits less defined benefit assets | 142.8 | — | 142.8 | 58.2 | — | -36.5 | 121.1 |
| Provisions for other risks and obligations | 123.8 | -1.1 | 122.7 | 93.8 | — | 1.3 | 27.6 |
| Indebtedness and other financial liabilities | 70.1 | -7.7 | 62.4 | 53.2 | — | 1.0 | 8.2 |
| Other differences | 26.2 | -27.7 | -1.5 | -25.3 | — | -1.0 | 24.8 |
| Tax losses carried forward and limitation of interest deduction | 41.2 | — | 41.2 | 12.4 | — | 0.5 | 28.3 |
| **Deferred taxes (before offsetting)** | **615.8** | **-409.6** | **206.2** | **216.7** | **0.9** | **-34.6** | **23.2** |
| Offsetting (IAS 12.74) | -339.7 | 339.7 | — | | | | — |
| **Net deferred taxes** | **276.1** | **-69.9** | **206.2** | | | | **23.2** |

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.

In 2019, the development of deferred taxes was influenced by the first-time adoption of IFRS 16, *Leases,* the increase in provisions as well as the change in actuarial gains and losses from pensions and similar obligations.

The impairment of deferred tax assets in 2020 caused a decrease in deferred tax assets from employee benefits in the amount of €94.0 million and decrease in deferred tax liabilities from goodwill and other intangible assets in the amount of €207.4 million.

Deferred tax assets decreased by €10.1 million to €266.0 (PY: €276.1 million). The total amount in 2018 was €240.9 million. Deferred tax liabilities decreased by €33.1 million year-on-year to €36.8 million (PY: €69.9 million). The total amount in 2018 was €217.7 million. This development was mainly due to the matters described above and consequently a lower offset against deferred tax assets.

The corporate tax losses, in Germany and abroad, carried forward amounted to €1,083.7 million (PY: €524.0 million; 2018: €381.8 million).

As at December 31, 2020, some group companies and tax groups that reported a loss recognized total deferred tax assets of €32.9 million (PY: €19.6 million; 2018: €37.1 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.

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 | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Temporary differences | -71.8 | -50.3 | -24.7 |
| Tax losses carried forward and limitation of interest deduction | -212.6 | -55.6 | -30.8 |
| **Total unrecognized deferred tax assets** | **-284.4** | **-105.9** | **-55.5** |

The temporary differences from retained earnings of foreign companies amount to a total of €41.6 million (PY: €45.2 million; 2018: €47.7 million). Deferred tax liabilities were not taken into account, since remittance to the parent company is not planned in the short or medium term.

## 20. Other Financial Assets

| | **Dec. 31, 2020** | | Dec. 31, 2019 | | Dec. 31, 2018 | |
|---|---|---|---|---|---|---|
| € millions | **Short-term** | **Long-term** | Short-term | Long-term | Short-term | Long-term |
| Loans to third parties | — | 5.2 | — | 5.9 | — | 3.7 |
| Amounts receivable from employees | 2.9 | — | 2.9 | — | 3.1 | — |
| Amounts receivable from related parties | 33.5 | 1.8 | — | — | — | — |
| Other amounts receivable | 29.2 | — | 14.8 | — | 21.0 | — |
| **Other financial assets** | **65.6** | **7.0** | **17.7** | **5.9** | **24.1** | **3.7** |

Loans to third parties mainly related to tenants' loans for individual properties and loans to customers with various maturities.

Receivables from employees are mainly related to preliminary payments for hourly wages and for other advances.

Amounts receivable from related parties include the purchase price receivable of the disposal of a participation (please refer to Note 18).

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

Please see Note 30 for information on the default risks in relation to other financial assets.

## 21. Other Assets

| € millions | Dec. 31, 2020 Short-term | Dec. 31, 2020 Long-term | Dec. 31, 2019 Short-term | Dec. 31, 2019 Long-term | Dec. 31, 2018 Short-term | Dec. 31, 2018 Long-term |
|---|---|---|---|---|---|---|
| Tax refund claims (incl. VAT and other taxes) | 291.2 | — | 246.5 | — | 51.4 | — |
| Trade accounts receivable from the sale of customer tools | 68.4 | — | 80.2 | — | 69.2 | — |
| Prepaid expenses | 21.6 | — | 12.5 | — | 13.3 | — |
| Miscellaneous | 22.6 | 5.8 | 24.5 | 5.2 | 45.2 | 1.1 |
| **Other assets** | **403.8** | **5.8** | **363.7** | **5.2** | **179.1** | **1.1** |

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

The receivables from the sale of customer tooling related to costs that have not yet been invoiced.

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

Among other things, the Miscellaneous item includes other deferred or advanced costs.

Impairment losses are recognized for the probable default risk on other assets. There is no impairment reversal for 2020 (PY: –; 2018: €0.1 million).

## 22. Inventories

| € millions | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Raw materials and supplies | 272.2 | 288.8 | 316.4 |
| Work in progress | 134.6 | 158.9 | 139.4 |
| Finished goods and merchandise | 155.0 | 173.4 | 164.7 |
| **Inventories** | **561.8** | **621.1** | **620.5** |

Write-downs recognized on inventories increased by €21.7 million to €120.3 million (PY: €98.6 million). The total amount in 2018 was €89.6 million.

## 23. Trade Accounts Receivable

| € millions | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Trade accounts receivable | 1,999.6 | 1,480.2 | 1,561.5 |
| Allowances for doubtful accounts | -16.0 | -5.5 | -8.8 |
| **Trade accounts receivable** | **1,983.6** | **1,474.7** | **1,552.7** |

The carrying amounts of the trade accounts receivable, net of allowances for doubtful accounts, are their fair values.

Please see Note 30 for information on the default risks in relation to trade accounts receivable.

## 24. 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 €255.0 million (PY: €184.8 million; 2018: €71.1 million). Of that, €236.6 million (PY: €170.9 million; 2018: €66.3 million) was unrestricted.

For information on the interest-rate risk and the sensitivity analysis for financial assets and liabilities, please see Note 30.

## 25. Equity

### Equity attributable to Continental Group

The net assets attributable to the Continental Group were calculated by aggregating the net assets of Vitesco Technologies Group Aktiengesellschaft, Hanover, Germany, Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, Germany, Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Hanover, Germany, and the respective general partners Vitesco Technologies 1. Verwaltungs GmbH, Hanover, Germany and Vitesco Technologies 2. Verwaltungs GmbH, Hanover, Germany, and the net assets of the Vitesco Technologies Group operations that were or are being conducted by direct or indirect subsidiaries of Continental AG, Hanover, Germany. Net assets attributable to Continental Group therefore also relate to a 3.56% participation in Vitesco Technologies GmbH held by Continental Automotive SAS, Toulouse, France, which is not part of the Vitesco Technologies Group and a 35.0% participation in Vitesco Technologies Korea, Icheon-si, South Korea held by Continental AG, Hanover, Germany till September 2020 non-controlling interests. The 35.0% participation was acquired by Continental AG in September 2020 from Seoul City Gas, Seoul, South Korea and afterwards sold to Vitesco Technologies Group in December 2020.

The other changes in equity attributable to Continental Group relate to the accumulated other comprehensive income and to contributions or withdrawals by the shareholder. Also included in this item are all remeasurements of the net defined benefit liability for pension or other post-employment benefits that are recognized outside the Combined Statement of Income.

The contributions and withdrawals mainly comprise changes in the net assets of asset-deal companies, share-deal companies, changes in tax receivables, tax liabilities and deferred tax assets on loss carryforwards of companies (share-deal companies) or operations (asset-deal companies) in Vitesco Technologies Group that did not constitute separate tax subjects in the reporting periods, as well as transactions with Continental Group, and allocated holding company costs.

In 2018 Continental Group contributed €2,522.2 million to the Vitesco Technologies Group. In 2019 Continental Group contributed €3,050.0 million to the Vitesco Technologies Group. In 2019 the withdrawals of €4,327.8 million are mainly related to transactions related to the transfer of the operating business. In 2020 Continental Group contributed €250.0 million to the Vitesco Technologies Group and certain withdrawals of €18.4 million related to post carve-out transactions and share transfers.

Capital management for Vitesco Technologies Group for the respective periods is performed by Continental AG, Hanover, Germany in the reporting periods. The legal requirements regarding equity and liquidity are taken into account in light of the needs of Continental AG, Hanover, Germany.

Changes in non-controlling interests in the fiscal years 2018 through 2019 are shown in the following table:

| | Vitesco Technologies Korea | |
|---|---|---|
| | 2019 | 2018 |
| **€ millions** | | |
| Non-current assets | 111.9 | 89.8 |
| Current assets | 224.0 | 220.2 |
| Total assets | 335.9 | 310.0 |
| Non-current liabilities | 1.6 | 0.0 |
| Current liabilities | 182.5 | 180.7 |
| Total liabilities | 184.1 | 180.7 |
| Net assets | 151.8 | 129.3 |
| Net assets attributable to non-controlling interests | 56.9 | 45.1 |
| Sales | 499.3 | 486.5 |
| Net income | 55.9 | 57.4 |
| Other comprehensive income | -6.3 | -0.2 |
| Comprehensive income | 49.6 | 57.2 |
| Net income attributable to non-controlling interests | 20.0 | 20.0 |
| Other comprehensive income attributable to non-controlling interests | -1.3 | -0.1 |
| Cash flow arising from operating activities | 104.7 | 111.4 |
| Cash flow arising from investing activities | -42.4 | -36.9 |
| Cash flow arising from financing activities | -21.6 | -83.2 |
| Change in cash and cash equivalents | 40.7 | -8.6 |

In September 2020, Continental Group acquired an additional 35.0% interest in Vitesco Technologies Korea, Icheon-si, South Korea, increasing its ownership from 65.0% to 100.0%. In December 2020, Vitesco Technologies Group acquired the 35.0% interest from Continental Group. The carrying amount of Vitesco Technologies Korea net assets in the Combined Financial Statements on the date of acquisition was €112.6 million. The carrying amount of the non-controlling interests acquired amounted to €67.8 million. The consideration paid to the non-controlling interest in December 2020 from Vitesco Technologies Group to Continental Group amounted to €121.6 million. The decrease in equity attributable to owners of Vitesco Technologies Group amounted to €56.4 million. The decrease in equity attributable to Continental Group comprised a decrease in retained earnings of €54.7 million and a decrease in the remeasurement of defined benefit plans of €1.7 million.

## 26. Employee Benefits

The following table outlines the employee benefits:

| € millions | Dec. 31, 2020 | | Dec. 31, 2019 | | Dec. 31, 2018 | |
|---|---|---|---|---|---|---|
| | **Short-term** | **Long-term** | Short-term | Long-term | Short-term | Long-term |
| Pension provisions (unfunded obligations and net liabilities from obligations and related funds) | — | 794.6 | — | 647.4 | — | 470.2 |
| Provisions for other post-employment benefits | — | 32.4 | — | 27.1 | — | 26.0 |
| Provisions for similar obligations | — | 13.9 | — | 13.9 | — | 8.7 |
| Other employee benefits | — | 82.6 | — | 66.6 | — | 49.7 |
| Liabilities for workers' compensation | 4.1 | 0.1 | 4.7 | 0.1 | 4.4 | 0.1 |
| Liabilities for payroll and personnel related costs | 125.9 | — | 141.4 | — | 135.2 | — |
| Termination benefits | 8.2 | — | 8.0 | — | 8.3 | — |
| Liabilities for social security | 26.7 | — | 28.4 | — | 28.7 | — |
| Liabilities for vacation | 44.7 | — | 43.6 | — | 42.5 | — |
| **Employee benefits** | **209.6** | **923.6** | **226.1** | **755.1** | **219.1** | **554.7** |
| **Defined benefit assets (difference between pension obligations and related funds)** | **—** | **3.8** | **—** | **1.5** | **—** | **1.6** |

### 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 were 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 were optimized or changed to minimize the associated risks of longevity, inflation and salary increases.

*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 structure of the Vitesco Technologies Group carve-out with the majority of deals being asset deals, pension obligations essentially relate to active employees. The defined benefit pension plans cover 25,125 beneficiaries (PY: 27,302; 2018: 23,958), including 23,664 active employees (PY: 26,197; 2018: 23,012), 717 former employees with vested benefits (PY: 428; 2018: 311), and 744 retirees and surviving dependents (PY: 677; 2018: 635). The pension obligations are concentrated in four countries: Germany, the U.S.A., Canada and France, which account for more than 96% of total pension obligations.

The weighted average term of the defined benefit pension obligations is around 24.1 years. This term is based on the present value of the obligations.

*Germany*

In Germany, Vitesco Technologies Group provides pension benefits through the cash balance plan, prior commitments e.g. from Emitec 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.

Vitesco Technologies Group has assumed the Continental Group cash balance plan. As part of a share deal Vitesco Technologies Group assumed the legacy plan of Emitec. For Vitesco Technologies GmbH, the cash balance plan is partly covered by funds in a contractual trust arrangement (CTA). In Germany, there are no legal or regulatory minimum allocation obligations.

The CTA is legally independent from the company and manages the plan assets as trustee in accordance with the respective CTA.

During the Vitesco Technologies Group carve-out, the funds in the CTA were splitted and Vitesco Technologies Group's assets are shown separately within the CTA.

The company 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 Group (as of spin-off date Vitesco Technologies Group AG) 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 Group (as of spin-off date Vitesco Technologies Group AG) 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.

*U.S.A.*

Vitesco Technologies Group has some defined benefit plans in the U.S.A., which were closed to new entrants and frozen to accretion of further benefits in a period from April 1, 2005, to December 31, 2011.

The closed defined benefit plans are commitments on the basis of the average final salary for employees of the Continental Group's Automotive segments and cash balance commitments for former Powertrain segment's employees. 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 U.S.A.

The plan assets of the defined benefit plans are managed in a master trust. Investment supervision was delegated to a Pension Committee, a body appointed within Continental Group. The legal and regulatory framework for the plans is based on the U.S. 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, *Employee Benefits*. 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.

*Canada*

Vitesco Technologies Group maintains some defined benefit plans as a result of previous 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 U.S.A. and Canada and have no material impact on Vitesco Technologies Group. 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.

*France*

In France, all employees who retire are entitled to a lump sum in proportion to their seniority in the company. The retirement indemnities benefit formula is defined in the following collective bargaining agreements:

- "Convention collective nationale de la métallurgie – Ingénieurs et cadres pour les cadres", for exempts ("cadres").
- "Convention collective de la métallurgie OETAM de la region Parisienne et du Midi-Pyrénées pour les non cadres", for non-exempts ("non-cadres").

In case of retirement at employee initiative, indemnities are subject to social contributions.

The pension obligations for Germany, the U.S.A., Canada, France and other countries, as well as the amounts for the Vitesco Technologies Group 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:

| | **2020** | | | | | | 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Germany** | **U.S.A.** | **CAN** | **France** | **Other** | **Total** | Germany | U.S.A. | CAN | France | Other | **Total** |
| **€ millions** | | | | | | | | | | | | |
| **Defined benefit obligations as at January 1** | **696.6** | **37.5** | **82.5** | **21.7** | **46.0** | **884.3** | **521.8** | **33.1** | **72.4** | **17.6** | **38.2** | **683.1** |
| Exchange-rate differences | — | -3.3 | -5.5 | — | -2.8 | **-11.6** | — | 0.7 | 4.9 | — | 0.5 | 6.1 |
| Current service cost | 51.3 | — | — | 1.2 | 4.6 | **57.1** | 39.6 | — | 0.1 | 1.0 | 4.6 | 45.3 |
| Service cost from plan amendments | — | — | — | — | — | **—** | — | — | — | — | 0.0 | 0.0 |
| Curtailments/settlements | — | — | — | -0.2 | — | **-0.2** | — | — | — | — | — | — |
| Interest on defined benefit obligations | 8.7 | 1.1 | 2.3 | 0.1 | 1.5 | **13.7** | 10.1 | 1.4 | 2.7 | 0.3 | 1.7 | 16.2 |
| Actuarial gains/losses from changes in demographic assumptions | — | 0.2 | — | 1.1 | -1.1 | **0.2** | — | -0.1 | — | 0.1 | -0.1 | -0.1 |
| Actuarial gains/losses from changes in financial assumptions | 84.3 | 3.1 | 6.0 | -0.5 | -1.9 | **91.0** | 116.0 | 3.6 | 5.8 | 2.8 | 4.1 | 132.3 |
| Actuarial gains/losses from experience adjustments | -3.2 | -1.3 | — | — | -0.5 | **-5.0** | 6.1 | -0.1 | 0.6 | 0.7 | -0.3 | 7.0 |
| Other changes | 13.1 | — | -0.1 | 0.5 | 0.1 | **13.6** | 4.0 | — | — | 0.0 | 1.4 | 5.4 |
| Benefit payments | -1.4 | -2.2 | -3.9 | -0.7 | -2.4 | **-10.6** | -1.0 | -1.1 | -4.0 | -0.8 | -4.1 | -11.0 |
| **Defined benefit obligations as at December 31** | **849.4** | **35.1** | **81.3** | **23.2** | **43.5** | **1,032.5** | **696.6** | **37.5** | **82.5** | **21.7** | **46.0** | **884.3** |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Germany | U.S.A. | CAN | France | Other | Total |
| **€ millions** | | | | | | |
| **Defined benefit obligations as at January 1** | **460.8** | **33.7** | **77.6** | **16.3** | **35.1** | **623.5** |
| Exchange-rate differences | — | 1.6 | -2.8 | — | 0.5 | -0.7 |
| Current service cost | 34.0 | — | 0.1 | 0.7 | 3.9 | 38.7 |
| Service cost from plan amendments | — | — | — | 1.2 | 0.1 | 1.3 |
| Curtailments/settlements | — | — | — | — | — | — |
| Interest on defined benefit obligations | 9.2 | 1.2 | 2.5 | 0.3 | 1.4 | 14.6 |
| Actuarial gains/losses from changes in demographic assumptions | 3.7 | -0.1 | 0.6 | 0.1 | 0.0 | 4.3 |
| Actuarial gains/losses from changes in financial assumptions | 5.1 | -2.1 | -1.8 | -0.4 | -1.7 | -0.9 |
| Actuarial gains/losses from experience adjustments | 9.4 | -0.2 | 0.0 | -0.7 | 1.8 | 10.3 |
| Other changes | 0.5 | — | — | 1.2 | -0.1 | 1.6 |
| Benefit payments | -0.9 | -1.0 | -3.8 | -1.1 | -2.8 | -9.6 |
| **Defined benefit obligations as at December 31** | **521.8** | **33.1** | **72.4** | **17.6** | **38.2** | **683.1** |

The reconciliation of the changes in the fund assets from the beginning to the end of the year is as follows:

| | 2020 | | | | | | 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Germany** | **U.S.A.** | **CAN** | **France** | **Other** | **Total** | Germany | U.S.A. | CAN | France | Other | **Total** |
| **€ millions** | | | | | | | | | | | | |
| **Fair value of fund assets as at January 1** | **99.5** | **36.6** | **73.2** | **—** | **30.0** | **239.3** | **93.9** | **31.4** | **62.5** | **—** | **27.2** | **215.0** |
| Exchange-rate differences | — | -3.3 | -4.9 | — | -1.8 | **-10.0** | — | 0.6 | 4.3 | — | 0.3 | 5.2 |
| Interest income from pension funds | 3.6 | 1.2 | 2.1 | — | 1.0 | **7.9** | 1.6 | 1.3 | 2.3 | — | 1.3 | 6.5 |
| Actuarial gains/losses from fund assets | 2.6 | 3.1 | 5.2 | — | 1.7 | **12.6** | 4.4 | 4.5 | 7.2 | — | -0.8 | 15.3 |
| Employer contributions | — | 0.4 | 0.8 | — | 0.9 | **2.1** | — | — | 1.0 | — | 4.5 | 5.5 |
| Other changes | — | -0.2 | -0.2 | — | — | **-0.4** | -0.3 | -0.1 | -0.1 | — | 1.3 | 0.8 |
| Benefit payments | — | -2.2 | -3.9 | — | -2.1 | **-8.2** | -0.1 | -1.1 | -4.0 | — | -3.8 | -9.0 |
| **Fair value of fund assets as at December 31** | **105.7** | **35.6** | **72.3** | **—** | **29.7** | **243.3** | **99.5** | **36.6** | **73.2** | **—** | **30.0** | **239.3** |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Germany | U.S.A. | CAN | France | Other | Total |
| **€ millions** | | | | | | |
| **Fair value of fund assets as at January 1** | **94.5** | **28.4** | **63.5** | **—** | **25.2** | **211.6** |
| Exchange-rate differences | — | 1.4 | -2.3 | — | 0.4 | -0.5 |
| Interest income from pension funds | 1.9 | 1.1 | 2.1 | — | 1.1 | 6.2 |
| Actuarial gains/losses from fund assets | -3.5 | -1.9 | 2.5 | — | -0.2 | -3.1 |
| Employer contributions | 1.0 | 3.5 | 0.7 | — | 3.5 | 8.7 |
| Other changes | — | -0.1 | -0.2 | — | -0.1 | -0.4 |
| Benefit payments | — | -1.0 | -3.8 | — | -2.7 | -7.5 |
| **Fair value of fund assets as at December 31** | **93.9** | **31.4** | **62.5** | **—** | **27.2** | **215.0** |

The carrying amount of pension provisions fell by €144.9 million as compared to the previous year (PY: The carrying amount of pension provisions fell by €177.3 million as compared to the previous year). This was mainly due to the change in actuarial assumptions.

€1,034.1 million (PY: €881.9 million; 2018: €657.3 million) of the defined benefit obligations as at December 31, 2020, related to plans that are fully or partially funded, and €30.7 million (PY: €29.5 million; 2018: €25.8 million) related to plans that are unfunded.

In 2020, the €148.3 million (PY: €201.2 million) increase in the defined benefit obligation as compared to December 31, 2019, resulted in particular from actuarial losses.

The plan assets in Germany include the CTA assets amounting to €95.5 million (PY: €91.7 million; 2018: €85.8 million) and insurance annuity contracts amounting to €10.3 million (PY: €7.8 million; 2018: €8.1 million).

In the year under review, fund assets increased by €3.9 million to €243.2 million (PY: €239.3 million; 2018: €215.0 million).

Actuarial gains and losses on fund assets in Germany resulted from actuarial gains of €2.6 million (PY: gains of €4.4 million; 2018: losses of €3.5 million) from the CTA.

The following table shows the reconciliation of the funded status to the amounts contained in the Combined Statement of Financial Position:

| | Dec. 31, 2020 | | | | | | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Germany** | **U.S.A.** | **CAN** | **France** | **Other** | **Total** | Germany | U.S.A. | CAN | France | Other | Total |
| **€ millions** | | | | | | | | | | | | |
| Funded status[1] | -743.7 | 0.5 | -9.0 | -23.2 | -13.8 | -789.2 | -597.1 | -0.9 | -9.3 | -21.7 | -16.0 | -645.0 |
| Asset ceiling | — | — | -1.4 | — | 0.0 | -1.4 | — | — | -0.9 | — | — | -0.9 |
| **Carrying amount** | **-743.7** | **0.5** | **-10.4** | **-23.2** | **-13.8** | **-790.6** | **-597.1** | **-0.9** | **-10.2** | **-21.7** | **-16.0** | **-645.9** |

| | Dec. 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Germany | U.S.A. | CAN | France | Other | Total |
| **€ millions** | | | | | | |
| Funded status[1] | -427.9 | -1.7 | -9.9 | -17.6 | -11.0 | -468.1 |
| Asset ceiling | — | — | -0.5 | — | — | -0.5 |
| **Carrying amount** | **-427.9** | **-1.7** | **-10.4** | **-17.6** | **-11.0** | **-468.6** |

*(1) Difference between fund assets and defined benefit obligations.*

The carrying amount comprises the following items of the Combined Statement of Financial Position:

| | **Dec. 31, 2020** | | | | | | Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Germany** | **U.S.A.** | **CAN** | **France** | **Other** | **Total** | Germany | U.S.A. | CAN | France | Other | Total |
| **€ millions** | | | | | | | | | | | | |
| Defined benefit assets | — | 0.4 | 1.5 | — | 1.9 | 3.8 | — | — | 1.5 | — | — | 1.5 |
| Pension provisions | -743.7 | 0.1 | -11.9 | -23.2 | -15.7 | -794.4 | -597.1 | -0.9 | -11.7 | -21.7 | -16.0 | -647.4 |
| **Carrying amount** | **-743.7** | **0.5** | **-10.4** | **-23.2** | **-13.8** | **-790.6** | **-597.1** | **-0.9** | **-10.2** | **-21.7** | **-16.0** | **-645.9** |

| | Dec. 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Germany | U.S.A. | CAN | France | Other | Total |
| **€ millions** | | | | | | |
| Defined benefit assets | — | — | 1.4 | — | 0.2 | 1.6 |
| Pension provisions | -427.9 | -1.7 | -11.8 | -17.6 | -11.2 | -470.2 |
| **Carrying amount** | **-427.9** | **-1.7** | **-10.4** | **-17.6** | **-11.0** | **-468.6** |

The assumptions used to measure the pension obligations – in particular, the discount factors for determining the interest on expected pension obligations and the expected return on fund assets, as well as the long-term salary growth rates and the long-term pension trend – are specified for each country.

In the principal pension plans, the following weighted-average valuation factors as at December 31 of the year have been used:

| | **2020** | | | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Germany** | **U.S.A.** | **CAN** | **France** | **Other** | Germany | U.S.A. | CAN | France | Other |
| % | | | | | | | | | | |
| Discount rate | 0.85 | 2.40 | 2.40 | 0.80 | 3.40 | 1.25 | 3.30 | 3.00 | 0.65 | 3.70 |
| Long-term salary growth rate | 3.00 | — | — | 1.78 | 2.80 | 3.00 | — | — | 1.79 | 3.66 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Germany | U.S.A. | CAN | France | Other |
| % | | | | | |
| Discount rate | 1.95 | 4.35 | 3.60 | 1.80 | 4.61 |
| Long-term salary growth rate | 3.00 | — | — | 3.00 | 3.97 |

Another parameter for measuring the pension obligation is the long-term pension trend. The following weighted average long-term pension trend was used as at December 31, 2020, for the key countries: Germany 1.75% (PY: 1.75%; 2018: 1.75%), Canada 1.60% (PY: 1.60%; 2018: 1.60%) and France 1.78% (PY: 1.79%; 2018: 1.75%). For the U.S.A., the long-term pension trend does not constitute a significant measurement parameter.

Net pension cost can be summarized as follows:

| | **2020** | | | | | | 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Germany** | **U.S.A.** | **CAN** | **France** | **Other** | **Total** | Germany | U.S.A. | CAN | France | Other | Total |
| **€ millions** | | | | | | | | | | | | |
| Current service cost | 51.3 | — | — | 1.2 | 4.6 | **57.1** | 39.6 | — | 0.1 | 1.0 | 4.6 | 45.3 |
| Service cost from plan amendments | — | — | — | — | — | **—** | — | — | — | — | 0.0 | 0.0 |
| Curtailments/settlements | — | — | — | -0.2 | — | **-0.2** | — | — | — | — | — | — |
| Interest on defined benefit obligations | 8.7 | 1.1 | 2.3 | 0.1 | 1.5 | **13.7** | 10.1 | 1.4 | 2.7 | 0.3 | 1.7 | 16.2 |
| Expected return on the pension funds | -3.6 | -1.2 | -2.1 | — | -1.0 | **-7.9** | -1.6 | -1.3 | -2.3 | — | -1.3 | -6.5 |
| Effect of change of asset ceiling | — | — | — | — | — | — | — | — | 0.0 | — | — | — |
| Other pension income and expenses | — | 0.2 | 0.2 | — | — | 0.4 | — | 0.2 | 0.1 | — | 0.0 | 0.3 |
| **Net pension cost** | **56.4** | **0.1** | **0.4** | **1.1** | **5.1** | **63.1** | **48.1** | **0.3** | **0.6** | **1.3** | **5.0** | **55.3** |

| € millions | Germany 2018 | U.S.A. 2018 | CAN 2018 | France 2018 | Other 2018 | Total 2018 |
|---|---|---|---|---|---|---|
| Current service cost | 34.0 | — | 0.1 | 0.7 | 3.9 | 38.7 |
| Service cost from plan amendments | — | — | — | 1.2 | 0.1 | 1.3 |
| Curtailments/settlements | — | — | — | — | — | — |
| Interest on defined benefit obligations | 9.2 | 1.2 | 2.5 | 0.3 | 1.4 | 14.6 |
| Expected return on the pension funds | -1.9 | -1.1 | -2.1 | — | -1.1 | -6.2 |
| Effect of change of asset ceiling | — | — | — | — | — | — |
| Other pension income and expenses | — | 0.1 | 0.2 | — | — | 0.3 |
| **Net pension cost** | **41.3** | **0.2** | **0.7** | **2.2** | **4.3** | **48.7** |

There were no special effects in the development of net pension cost in the reporting year.

The table below shows the reconciliation of changes in actuarial gains and losses at the start and end of the reporting year:

| € millions | **2020** | | | | | | 2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Germany** | **U.S.A.** | **CAN** | **France** | **Other** | **Total** | Germany | U.S.A. | CAN | France | Other | Total |
| **Actuarial gains/losses as at January 1** | **-310.1** | **—** | **0.1** | **-6.1** | **-13.5** | **-329.6** | **-193.4** | **-4.3** | **-11.5** | **-1.7** | **-8.8** | **-219.7** |
| Exchange-rate differences | — | -0.1 | 0.0 | — | 0.7 | **0.6** | — | -0.1 | -0.8 | — | 0.0 | -0.9 |
| Actuarial gains/losses from defined benefit obligations | -81.1 | -2.1 | -6.0 | -0.6 | 3.5 | **-86.3** | -122.1 | -3.4 | -6.4 | -3.6 | -3.7 | -139.2 |
| Actuarial gains/losses from fund assets | 2.6 | 3.1 | 5.2 | — | 1.7 | **12.6** | 4.4 | 4.5 | 7.2 | — | -0.8 | 15.3 |
| Actuarial gains/losses from asset ceiling | — | — | -0.5 | — | 0.0 | **-0.5** | — | — | -0.2 | — | — | -0.2 |
| **Actuarial gains/losses as at December 31** | **-388.6** | **0.9** | **-1.2** | **-6.7** | **-7.6** | **-403.2** | **-311.1** | **-3.3** | **-11.7** | **-5.3** | **-13.3** | **-344.7** |

| € millions | Germany 2018 | U.S.A. 2018 | CAN 2018 | France 2018 | Other 2018 | Total 2018 |
|---|---|---|---|---|---|---|
| **Actuarial gains/losses as at January 1** | **-171.7** | **-5.2** | **-15.5** | **-2.7** | **-8.5** | **-203.6** |
| Exchange-rate differences | — | -0.2 | 0.4 | — | 0.0 | 0.2 |
| Actuarial gains/losses from defined benefit obligations | -18.2 | 2.4 | 1.2 | 1.0 | -0.1 | -13.7 |
| Actuarial gains/losses from fund assets | -3.5 | -1.9 | 2.5 | — | -0.2 | -3.1 |
| Actuarial gains/losses from asset ceiling | — | — | -0.5 | — | — | -0.5 |
| **Actuarial gains/losses as at December 31** | **-193.4** | **-4.9** | **-11.9** | **-1.7** | **-8.8** | **-220.7** |

Actuarial gains and losses arise from increases or decreases in the present value of the defined benefit obligation and other post-employment benefits due to changes in the actuarial assumptions made. The decrease in the discount rate in all countries (except France) in the 2020 reporting period as compared to 2019 resulted in actuarial losses in these countries.

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 one-half 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 | **Dec. 31, 2020** | | | | | Dec. 31, 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Germany** | **U.S.A.** | **CAN** | **France** | **Other** | Germany | U.S.A. | CAN | France | Other |
| **0.5% increase** | | | | | | | | | | |
| Effects on service and interest cost | -5.2 | -0.1 | 0.3 | 0.0 | -0.1 | -5.1 | -0.1 | 0.2 | 0.0 | -0.1 |
| Effects on benefit obligations | -103.6 | -1.9 | -4.9 | -1.4 | -1.9 | -83.6 | -1.9 | -4.9 | -1.4 | -2.3 |
| **0.5% decrease** | | | | | | | | | | |
| Effects on service and interest cost | 6.0 | 0.1 | -0.3 | 0.0 | 0.1 | 5.9 | 0.1 | -0.3 | 0.0 | 0.2 |
| Effects on benefit obligations | 123.7 | 2.1 | 5.5 | 1.5 | 2.1 | 99.6 | 2.1 | 5.5 | 1.5 | 2.5 |

| € millions | Dec. 31, 2018 Germany | U.S.A. | CAN | France | Other |
|---|---|---|---|---|---|
| **0.5% increase** | | | | | |
| Effects on service and interest cost | -4.1 | 0.0 | 0.2 | 0.0 | -0.1 |
| Effects on benefit obligations | -60.8 | -1.6 | -4.2 | -1.0 | -1.9 |
| **0.5% decrease** | | | | | |
| Effects on service and interest cost | 4.6 | 0.0 | -0.2 | 0.0 | 0.1 |
| Effects on benefit obligations | 72.0 | 1.7 | 4.6 | 1.1 | 2.0 |

A one-half 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:

| | **Dec. 31, 2020** | | | | Dec. 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany** | **U.S.A.(1)** | **CAN(1)** | **France** | Germany | U.S.A.(1) | CAN(1) | France |
| **0.5% increase** | | | | | | | | |
| Effects on benefit obligations | 1.3 | — | — | 1.5 | 1.2 | — | — | 1.5 |
| **0.5% decrease** | | | | | | | | |
| Effects on benefit obligations | -4.0 | — | — | -1.4 | -3.7 | — | — | -1.3 |

| € millions | Dec. 31, 2018 Germany | U.S.A.(1) | CAN(1) | France |
|---|---|---|---|---|
| **0.5% increase** | | | | |
| Effects on benefit obligations | 2.1 | — | — | 1.1 |
| **0.5% decrease** | | | | |
| Effects on benefit obligations | -2.1 | — | — | -1.0 |

*(1) Any change in the long-term salary growth rate would have no effect on the value of the benefit obligations.*

A one-half 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:

| | **Dec. 31, 2020** | | | | Dec. 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Germany** | **U.S.A.(1)** | **CAN** | **France(1)** | Germany | U.S.A.(1) | CAN | France(1) |
| **0.5% increase** | | | | | | | | |
| Effects on benefit obligations | 21.7 | — | 4.2 | — | 18.6 | — | 4.2 | — |
| **0.5% decrease** | | | | | | | | |
| Effects on benefit obligations | -19.4 | — | -3.8 | — | -16.7 | — | -3.8 | — |

| € millions | Dec. 31, 2018 Germany | U.S.A.(1) | CAN | France(1) |
|---|---|---|---|---|
| **0.5% increase** | | | | |
| Effects on benefit obligations | 14.7 | — | 3.8 | — |
| **0.5% decrease** | | | | |
| Effects on benefit obligations | -13.2 | — | -3.4 | — |

*(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 €34.6 million (PY: €27.0 million; 2018: €18.4 million) increase in the value of the benefit obligations, and that figure would be broken down as follows: Germany €30.9 million (PY: €23.6 million; 2018: €15.7 million), U.S.A. €1.0 million (PY: €0.9 million; 2018: €0.7 million), Canada €2.7 million (PY: €2.5 million; 2018: €2.0 million).

In Germany, increased payments in the form of pensions rather than capital were assumed in the actuarial valuation, which has the effect of increasing the benefit obligations. For the calculation of pension obligations for domestic plans, life expectancy is based on the 2018 G mortality tables by Prof. Klaus Heubeck. For foreign pension plans, comparable criteria are used for the respective country.

*Pension funds*

The structure of the group's plan assets is reviewed by the investment committees in the Continental Group on an ongoing basis taking into account the forecast pension obligations. In doing so, the investment committees regularly review the investment decisions taken, the underlying expected returns of the individual asset classes reflecting empirical values and the selection of the external fund managers.

The portfolio structures of the pension funds at the measurement date for the fiscal years 2020, 2019 and 2018 are as follows:

| % | **2020** | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| **Asset class** | **Germany** | **U.S.A.** | **CAN** | **Other** | Germany | U.S.A. | CAN | Other |
| Equity instruments | 10 | 7 | 42 | 10 | 7 | 15 | 42 | 10 |
| Debt securities | 51 | 92 | 39 | 89 | 44 | 84 | 57 | 89 |
| Real estate | 7 | — | — | — | 15 | — | — | — |
| Absolute return(1) | 14 | — | — | — | 12 | — | — | — |
| Cash, cash equivalents and other(2) | 1 | 1 | 1 | — | 9 | 1 | 1 | — |
| Annuities(2) | 17 | — | 18 | 1 | 13 | — | — | 1 |
| **Total** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** |

| % | 2018 | | | |
|---|---|---|---|---|
| **Asset class** | Germany | U.S.A. | CAN | Other |
| Equity instruments | 2 | 15 | 47 | 11 |
| Debt securities | 44 | 84 | 52 | 88 |
| Real estate | 23 | — | — | — |
| Absolute return(1) | 15 | — | — | — |
| Cash, cash equivalents and other(2) | 2 | 1 | 1 | 1 |
| Annuities(2) | 14 | — | — | — |
| **Total** | **100** | **100** | **100** | **100** |

*(1) This refers to investment products that aim to achieve a positive return regardless of market fluctuations.*

*(2) Annuities are insurance contracts that guarantee pension payments.*

The following table shows the cash contributions made by the company to the pension funds for 2020, 2019 and 2018 as well as the expected contributions for 2021:

| € millions | 2021 (expected) | **2020** | 2019 | 2018 |
|---|---|---|---|---|
| Germany | — | — | — | 1.0 |
| U.S.A | — | 0.4 | — | 3.5 |
| CAN | 0.5 | 0.8 | 1.0 | 0.7 |
| France | — | — | — | — |
| Other | 3.5 | 0.9 | 4.5 | 3.5 |
| **Total** | **4.0** | **2.1** | **5.5** | **8.7** |

The following overview contains the pension benefit payments made in the reporting year and the previous years, as well as the undiscounted, expected pension benefit payments for the next ten years:

| € millions | Germany | U.S.A. | CAN | France | Other | **Total** |
|---|---|---|---|---|---|---|
| **Benefits paid** | | | | | | |
| 2018 | 0.9 | 1.0 | 3.8 | 1.1 | 2.8 | **9.6** |
| 2019 | 1.0 | 1.1 | 4.0 | 0.8 | 4.1 | **11.0** |
| 2020 | 1.4 | 2.2 | 3.9 | 0.7 | 2.4 | **10.6** |
| **Benefit payments as expected** | | | | | | |
| 2021 | 6.0 | 1.9 | 4.0 | 0.6 | 2.9 | **15.4** |
| 2022 | 6.5 | 2.0 | 4.0 | 0.5 | 3.1 | **16.1** |
| 2023 | 9.2 | 2.0 | 4.0 | 1.3 | 3.5 | **20.0** |
| 2024 | 10.4 | 2.0 | 4.0 | 1.1 | 3.5 | **21.0** |
| 2025 | 12.2 | 2.1 | 4.0 | 1.2 | 3.7 | **23.2** |
| **Total of years 2026 to 2030** | **87.4** | **9.9** | **20.2** | **6.9** | **23.5** | **147.9** |

The pension payments from 2018 onwards 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 two preceding reporting periods, the amounts of the defined benefit obligations, fund assets, funded status, as well as the experience adjustments to plan liabilities and to plan assets are as follows:

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| Defined benefit obligations | 1,032.5 | 884.3 | 683.1 |
| Fund assets | 243.3 | 239.3 | 215.0 |
| Funded status | -789.2 | -645.0 | -468.1 |
| Experience adjustments to plan liabilities | -86.3 | -139.2 | -13.8 |
| Experience adjustments to plan assets | 12.6 | 15.3 | -3.1 |

*Other post-employment benefits*

Certain subsidiaries, in the U.S.A. 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. No separate fund assets have been set up for these obligations.

The weighted average term of the defined benefit pension obligation is 13 years. This term is based on the present value of the obligation.

The reconciliation of the changes in the defined benefit obligations and the financing status from the beginning to the end of the year is as follows:

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| **Defined benefit obligations as at January 1** | **27.1** | **26.0** | **27.4** |
| Exchange-rate differences | -2.5 | 1.4 | -0.4 |
| Current service cost | 0.2 | 0.2 | 0.2 |
| Interest on healthcare and life insurance benefit obligations | 1.0 | 0.9 | 0.9 |
| Actuarial gains/losses from changes in demographic assumptions | -0.1 | 0.1 | 0.2 |
| Actuarial gains/losses from changes in financial assumptions | 3.0 | -0.6 | -1.0 |
| Actuarial gains/losses from experience adjustments | -0.8 | 0.3 | -0.2 |
| Net changes in the scope of combination | 5.5 | — | — |
| Benefit payments | -1.1 | -1.2 | -1.1 |
| **Defined benefit obligations/net amount recognized as at December 31** | **32.3** | **27.1** | **26.0** |

The assumptions used for the discount rate and cost increases to calculate the healthcare and life insurance benefits vary according to conditions in the U.S.A. and Canada. The following weighted average valuation factors as at December 31 of the year have been used:

| % | **2020** | 2019 | 2018 |
|---|---|---|---|
| Discount rate | 2.74 | 3.09 | 3.79 |
| Rate of increase in healthcare and life insurance benefits in the following year | 2.42 | 2.79 | 3.13 |
| Long-term rate of increase in healthcare and life insurance benefits | 2.27 | 2.76 | 2.93 |

The net cost of healthcare and life insurance benefit obligations can be broken down as follows:

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| Current service cost | 0.2 | 0.2 | 0.2 |
| Interest on healthcare and life insurance benefit obligations | 1.0 | 0.9 | 0.9 |
| **Net loss/income** | **1.2** | **1.1** | **1.1** |

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 one-half percentage increase or decrease in the cost trend for healthcare and life insurance obligations:

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| **0.5% increase** | | | |
| Effects on service and interest cost | 0.1 | 0.1 | 0.0 |
| Effects on benefit obligations | -2.0 | -1.7 | 1.3 |
| **0.5% decrease** | | | |
| Effects on service and interest cost | -0.1 | -0.1 | 0.0 |
| Effects on benefit obligations | 2.2 | 1.9 | -1.2 |

A one-half percentage point increase or decrease in the discount rate specified above for calculating the net cost of healthcare and life insurance benefit obligations would have had the following effect on net cost:

| € millions | 2020 | 2019 | 2018 |
|---|---|---|---|
| **0.5% increase** | | | |
| Effects on service and interest cost | 0.0 | 0.0 | 0.1 |
| Effects on benefit obligations | 1.1 | 1.1 | -1.6 |
| **0.5% decrease** | | | |
| Effects on service and interest cost | -0.0 | 0.0 | -0.1 |
| Effects on benefit obligations | -1.0 | -1.0 | 1.7 |

The following table shows the payments made for other post-employment benefits in the reporting year and the previous years, as well as the undiscounted, expected benefit payments for the next ten years:

| € millions | |
|---|---|
| **Benefits paid** | |
| 2018 | 1.1 |
| 2019 | 1.2 |
| 2020 | 1.1 |
| **Benefit payments as expected** | |
| 2021 | 1.6 |
| 2022 | 1.6 |
| 2023 | 1.6 |
| 2024 | 1.6 |
| 2025 | 1.6 |
| **Total of years 2026 to 2030** | **8.1** |

The amounts for the defined benefit obligations, funded status and experience adjustments to plan liabilities for the current and prior reporting period are as follows:

| € millions | 2020 | 2019 | 2018 |
|---|---|---|---|
| Defined benefit obligations | 32.4 | 27.1 | 26.0 |
| Funded status | -32.4 | -27.1 | -26.0 |
| Experience adjustments to plan liabilities | 2.1 | -0.2 | -1.0 |

*Provisions for obligations similar to pensions*

Some companies of the 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 €0.0 million (PY: €0.0 million; 2018: €0.0 million).

*Defined contribution pension plans*

Vitesco Technologies Group offers its employees pension plans in the form of defined contribution plans, particularly in the U.S.A., South Korea and China. Not including social security contributions, expenses from defined contribution pension plans amounted to €13.5 million (PY: €14.1 million; 2018: €10.9 million) in the fiscal year 2020.

*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 0.00% (PY: 0.00%; 2018: 1.05%). Provisions for anniversary and other long-service benefits were calculated using a discount rate of 0.5% (PY: 1.2%; 2018: 1.9%). In accordance with the option under IAS 19, *Employee Benefits,* the interest component is reported in the financial result.

*Long-term incentive plans (LTI plans)*

Liabilities for payroll and personnel-related costs also include long-term incentive (LTI) plans as well as the amounts of variable remuneration converted into virtual shares of Continental AG for members of the Executive Board (performance bonus, deferral).

All LTI plans up to 2013 are classified and assessed as "other long-term employee benefits" under IAS 19, *Employee Benefits*. The LTI plans for the years starting from 2014 and the deferral are classified as cash-settled share-based remuneration; hence they are recognized at fair value in accordance with IFRS 2, *Share-based Payment*.

Expense from the accrual provisions from LTI plans, amounting to €5.6 million (PY: €1.3 million; 2018: 4.0 million) was recognized in the respective function costs.

- 2014 to 2019 LTI plan: Since 2014, senior executives of the Continental Group and members of the Executive Board have been granted a new bonus, the basic structure of which has been altered. This bonus is intended to allow for participation in the long-term, sustainable increase in the group's value and profitability. The LTI bonus still depends on job grade and degree of target achievement and is issued in annual tranches.
- The term of the 2014/17 tranche, which was resolved on March 12, 2014, by the Supervisory Board for the members of the Executive Board and on June 23, 2014, by the Executive Board for senior executives, begins retroactively as at January 1, 2014, and is four years. After the expiry of the 2014/17 LTI tranche in December 2017, the bonus was paid out in July 2018.
- The term of the 2015/18 tranche, which was resolved on March 18, 2015, by the Supervisory Board for the members of the Executive Board and on June 4, 2015, by the Executive Board for senior executives, begins retroactively as at January 1, 2015, and is four years. After the expiry of the 2015/18 LTI tranche in December 2018, the bonus was paid out in July 2019.
- The term of the 2016/19 tranche, which was resolved on March 18, 2016, by the Supervisory Board for the members of the Executive Board and on April 21, 2016, by the Executive Board for senior executives, begins retroactively as at January 1, 2016, and is four years.
- The term of the 2017/20 tranche, which was resolved on January 27, 2017, by the Supervisory Board for the members of the Executive Board and on June 2, 2017, by the Executive Board for senior executives, begins retroactively as at January 1, 2017, and is four years.
- The term of the 2018/21 tranche, which was resolved on March 13, 2018, by the Supervisory Board for the members of the Executive Board and on May 28, 2018, by the Executive Board for senior executives, begins retroactively as at January 1, 2018, and is four years.
- The term of the 2019/22 tranche, which was resolved on March 14, 2019, by the Supervisory Board for the members of the Executive Board and on May 24, 2019, by the Executive Board for senior executives, begins retroactively as at January 1, 2019, and is four years.

For each beneficiary of a LTI tranche, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives) of Continental AG specifies 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 level. 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 distribution amount.

Transformation Incentive Plan 2019 (TIP): In the fiscal year 2019, senior executives of the Continental Group can participate in the long-term and sustainable increase of the enterprise value, through a TIP-Bonus payable in addition to the fixed remuneration and the annual variable remuneration. The term of the TIP-Bonus, which was resolved on September 2, 2019 by the Executive Board for senior executives, is from October 1, 2019 until December 31, 2021.

- For each beneficiary of the TIP-Bonus, the Executive Board of Continental AG specifies the amount of a target bonus (TIP-Bonus) in euro. The TIP-Bonus is calculated from a certain number of virtual shares (basic stock), which may be increased by two bonus packages, multiplied by the final share price. The share price used in calculating the ultimate TIP-Bonus, is the arithmetic mean of the closing prices of the Continental AG shares in Xetra trading on the Frankfurt Stock Exchange (or its successor system) on the trading days in the last month until the Annual Shareholders' Meeting following the end of the term. The total maximum achievable TIP-Bonus is 200% of the target bonus and is paid to the respective beneficiary as a gross one-off payment at the end of the second full calendar month after the Annual Shareholders' Meeting following the end of the term. The degree of achievement of the two target criteria is decisive for the payment and amount of the TIP-Bonus. The first target criterion are the answers given within the "OUR BASICS Live" survey within the fiscal year 2021, with respect to the Sustainable Engagement Index. At least 70% (equally weighted average) of the answers must be positive so that the beneficiary will receive additional virtual shares in the amount of 50% of the basic stock (First bonus package). The second target criterion is the total shareholder return (TSR) on Continental AG shares as at the end of the term in relation to the beginning of the TIP-Bonus compared to the STOXX Europe 600 Automobiles & Parts Gross Return index. The share price relevant for determining the TSR is the arithmetic mean of the closing prices in Xetra trading on the Frankfurt Stock Exchange (or its 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). In addition, all dividends paid during the term of the TIP-Bonus are taken into account for the TSR. The beneficiary will obtain additional virtual shares of 50% of the basic stock target bonus, when the Continental AG TSR is equal or better than the STOXX Europe 600 Automobiles & Parts Index (Second bonus package).
- 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 AG shares and the STOXX Europe 600 Automobile & Parts Gross Return Index. The Monte Carlo simulation takes into account the average value accumulation of share prices in the respective reference period, the TSR dividends, performance of the STOXX Europe 600 Automobile & Parts Gross Return Index and the restriction for the distribution amount.

*New Continental long-term incentive plan (CLIP 2020)*

- With the resolution of the Annual Shareholders' Meeting of Continental AG on July 14, 2020, the new system of remuneration for members of the Executive Board was approved.
- According to this system, the variable performance-related remuneration components also include long-term remuneration components in the form of a long-term incentive plan. In 2020, a new Continental long-term incentive plan (CLIP 2020) for senior executives and executives was granted. This will be referred to as LTI 2020 in the following.
- The LTI incentive is calculated based on a certain number of virtual shares of Continental AG (base portfolio), which are multiplied by a performance index. The performance index corresponds to the product from the relative total shareholder return (TSR) on Continental

shares and a sustainability score. The relative TSR is calculated from the relative performance of the Continental TSR in comparison with the TSR on the STOXX Europe 600 Automobiles & Parts (SXAGR). The Continental TSR corresponds to the sum of the average Continental share price in the last month of the term (final share price) and all dividends distributed during the term relative to the average share price in the first month of the term (initial share price). The SXAGR TSR is determined using the same method.

- Performance criteria and goals of the sustainability score are targets for the $CO_2$ emissions, recycling rates 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 LTI incentive can total at max. 200% of the defined initial share price (executives and senior executives) or issued price (Executive Board). The issue price is the average price of the two months before the start of the term.
- The term of the LTI 2020 begins retroactively as at January 1, 2020, and is four years for the tranche granted to the Executive Board and three years for the tranche granted to executives and senior executives.
- The fair value of the LTI as at December 31, 2020 was €10.8 million for LTI 2020 Executives and €0.2 million for LTI 2020 Executive Board. The liabilities for personnel expenses for the LTI incentive resulted in expenses in the same amount in the reporting period.

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

- Constant zero rates as at the measurement date of December 31, 2020:
  2017 LTI plan: -0.73% as at the expected payment date;
  2018 LTI plan: -0.73% as at the due date and -0.74% as at the expected payment date;
  2019 LTI plan: -0.75% as at the due date and -0.76% as at the expected payment date.
  TIP-Bonus 2019/2021: -0.73% as at the due date and -0.74% for the end of payment period.
  LTI 2020 Executives: -0.75% as at the due date and -0.76% for the end of the payment period.
  LTI 2020 Executive Board: -0.76% as at the due date and
  -0.77% for the end of the payment period.
- Constant zero rates as at the measurement date of December 31, 2019:
  2016 LTI plan: -0.70% as at the expected payment date;
  2017 LTI plan: -0.68% as at the due date and -0.65% as at the expected payment date;
  2018 LTI plan: -0.63% as at the due date and -0.60% as at the expected payment date;
  2019 LTI plan: -0.58% as at the due date and -0.55% as at the expected payment date.
  TIP-Bonus 2019/2021: -0.63% as at the due date, -0.61% as at the expected payment date and -0.61% for the end of payment period.
- Constant zero rates as at the measurement date of December 31, 2018:
  2015 LTI plan: -0.81% as at the due date and -0.71% as at the expected payment date;
  2016 LTI plan: -0.70% as at the due date and -0.68% as at the expected payment date;
  2017 LTI plan: -0.65% as at the due date and -0.59% as at the expected payment date;
  2018 LTI plan: -0.55% as at the due date and -0.48% as at the expected payment date.
- Constant zero rates as at the measurement date of December 31, 2017:
  2014 LTI plan: -0.86% as at the due date and -0.79% as at the expected payment date;
  2015 LTI plan: -0.74% as at the due date and -0.69% as at the expected payment date;
  2016 LTI plan: -0.65% as at the due date and -0.57% as at the expected payment date;
  2017 LTI plan: -0.51% as at the due date and -0.41% 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 the years 2017 to 2022; the Continental AG dividend amounted to €3.00 per share in 2020 (PY: €4.75; 2018: €4.50).
- In 2020 historic 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 LTI plan is 53.65% and for the 2019 LTI plan 43.12%.

- In 2019 historic 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 LTI plan is 29.60%, for the 2019 LTI plan 25.99% and for the 2020 LTI plan 25.99%.
- In 2018 historic 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 2015 LTI plan is 30.56%, for the 2016 LTI plan 30.03%, for the 2017 LTI plan 24.30% and for the 2018 LTI plan 25.90%.
- In 2020 the fair values of the tranches developed as follows:
  2017 LTI plan: €0.0 million, the vesting level is 100%;
  2018 LTI plan: €0.0 million, the vesting level is 75%;
  2019 LTI plan: €0.0 million, the vesting level is 50%;
  TIP-Bonus 2019: €4.0 million, the vesting level is 55.6%;
  LTI 2020 Executives: €10.8 million, the vesting level is 33%;
  LTI 2020 Executive Board: €0.6 million, the vesting level is 25%.
- In 2019 the fair values of the tranches developed as follows:
  2016 LTI plan: €0.0 million, the vesting level is 100%;
  2017 LTI plan: €0.0 million, the vesting level is 75%;
  2018 LTI plan: €0.0 million, the vesting level is 50%;
  2019 LTI plan: €0.0 million, the vesting level is 25%;
  TIP-Bonus 2019: €3.6 million, the vesting level is 11.11%.
- In 2018 the fair values of the tranches developed as follows:
  2015 LTI plan: €3.5 million, the vesting level is 100%;
  2016 LTI plan: €1.5 million, the vesting level is 75%;
  2017 LTI plan: €1.2 million, the vesting level is 50%;
  2018 LTI plan: €0.4 million, the vesting level is 25%.

The increase in liabilities for payroll and personnel-related costs for LTI resulted in expenses of €1.8 million (PY: expenses of €0.4 million) for the TIP-Bonus 2019, of €3.6 million for the LTI-Bonus Executives and of €0.2 million for the LTI-Bonus Executive Board. For the LTI plans 2016 to 2019, in total no expenses or income have been recorded in the reporting year.

*Performance bonus (deferral):*

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 distribution amount.

- Expenses from the accrual of provisions from virtual shares, amounting to €0.2 million (PY: €0.0 million; 2018: €1.2 million), were recognized in the respective function costs.

The following parameters were used as at the measurement date of December 31, 2020, 2019 and 2018:

- Constant zero rates as at the measurement date of December 31, 2020, 2019 and 2018:
  2014 tranche: In 2017 -0.82% as at the due date and as at the expected payment date;
  2015 tranche: In 2018 -0.73% as at the due date and as at the expected payment date (2017: -0.72%);
  2016 tranche: In 2019 -0.71% as at the due date and as at the expected payment date (2018: -0.69%);
  2017 tranche: -0.74% as at the due date and as at the expected payment date (PY: -0.66%);
  2018 tranche: -0.74% as at the due date and as at the expected payment date (PY -0.61%);
  2019 tranche: -0.76% as at the due date and as at the expected payment date.
- Interest rate based on the yield curve for government bonds.
- Dividend payments as the arithmetic mean based on publicly available estimates for 2019, 2020, 2021 and 2022;
  the Continental AG dividend amounted to €3.00 per share in 2020 and €4.75 per share in 2019, and Continental AG distributed a dividend of €4.50 per share in 2018 and in 2017 it was €4.25 per share.

- Historic volatilities on the basis of daily XETRA closing rates for Continental shares based on the respective remaining term for virtual shares. In 2020 the volatility for the 2017 tranche is 37.04%, for the 2018 tranche 48.36% and for the 2019 tranche 41.89%. In 2019 the volatility for the 2016 tranche is 24.75%, for the 2017 tranche 30.05% and for the 2018 tranche 27.96%. In 2018 the volatility for the 2015 tranche is 33.10%, for the 2016 tranche 27.20% and for the 2017 tranche 23.84%.

As at December 31, 2020, a commitment of €2.5 million (PY: €0.0 million; 2018: €1.4 million) is attributable to Executive Board members active at the end of the reporting period, equivalent to 1,698 virtual shares (PY: 0 virtual shares; 2018: 10,312 virtual shares).

### Short-term employee benefits

*Liabilities for payroll and personnel related costs*

The Continental value sharing bonus is a program that allows Continental employees to share in net income. The amount of profits shared is calculated on the basis of key internal figures. A provision of €0.0 million (PY: €15.9 million; 2018: €22.0 million) was recognized in liabilities for staff costs for the period under review.

### 27. Provisions for Other Risks and Obligations

| | **Dec. 31, 2020** | | Dec. 31, 2019 | | Dec. 31, 2018 | |
|---|---|---|---|---|---|---|
| | **Short-term** | **Long-term** | Short-term | Long-term | Short-term | Long-term |
| **€ millions** | | | | | | |
| Restructuring provisions | 61.8 | 299.5 | 49.0 | 262.9 | 12.0 | 2.6 |
| Litigation and environmental risks | 8.6 | 2.6 | 4.7 | 0.8 | 0.8 | 0.3 |
| Warranties | 293.2 | 27.5 | 365.5 | — | 208.8 | — |
| Other provisions | 76.4 | 10.3 | 35.1 | 9.4 | 22.7 | 1.7 |
| **Provisions for other risks and obligations** | **440.0** | **339.9** | **454.3** | **273.1** | **244.3** | **4.6** |

The provisions for other risks for 2020 developed as follows:

| | **Restructuring provisions** | **Litigation and environmental risks** | **Warranties** | **Other provisions** |
|---|---|---|---|---|
| **€ millions** | | | | |
| **As at January 1, 2020** | **311.9** | **5.5** | **365.5** | **44.5** |
| Additions | 102.1 | 10.6 | 215.0 | 70.9 |
| Utilizations | -27.2 | -0.6 | -191.2 | -20.9 |
| Net changes in the scope of combination | — | — | — | — |
| Reversals | -21.1 | -4.1 | -54.3 | -6.9 |
| Interest | — | — | — | — |
| Exchange-rate changes | -4.4 | -0.2 | -14.3 | -0.9 |
| **As at December 31, 2020** | **361.3** | **11.2** | **320.7** | **86.7** |

The provisions for other risks for 2019 developed as follows:

| | **Restructuring provisions** | **Litigation and environmental risks** | **Warranties** | **Other provisions** |
|---|---|---|---|---|
| **€ millions** | | | | |
| **As at January 1, 2019** | **14.6** | **1.1** | **208.8** | **24.4** |
| Additions | 306.8 | 3.9 | 309.1 | 43.7 |
| Utilizations | -9.5 | 0.4 | -72.2 | -20.1 |
| Net changes in the scope of combination | — | — | — | — |
| Reversals | — | -0.1 | -81.2 | -4.3 |
| Interest | — | — | — | — |
| Exchange-rate changes | -0.0 | 0.2 | 1.0 | 0.8 |
| **As at December 31, 2019** | **311.9** | **5.5** | **365.5** | **44.5** |

The provisions for other risks for 2018 developed as follows:

| € millions | Restructuring provisions | Litigation and environmental risks | Warranties | Other provisions |
|---|---|---|---|---|
| **As at January 1, 2018** | **11.9** | **1.3** | **101.5** | **24.6** |
| Additions | 9.6 | 1.2 | 238.5 | 25.8 |
| Utilizations | -6.9 | -1.3 | -97.9 | -17.2 |
| Net changes in the scope of combination | — | — | — | — |
| Reversals | — | -0.1 | -34.3 | -8.9 |
| Interest | 0.0 | — | — | 0.0 |
| Exchange-rate changes | 0.0 | 0.0 | 1.0 | 0.1 |
| **As at December 31, 2018** | **14.6** | **1.1** | **208.8** | **24.4** |

The utilization of restructuring provisions relates primarily to the implementation of the restructuring measures resolved in previous years in the segment Sensing & Actuation, as well as the implementation of the restructuring measure resolved this year in the segment Electronic Controls.

The addition to restructuring provisions resulted from the restructuring measures in the segments Electronic Controls and Sensing & Actuation.

The changes in provisions for warranties include utilizations of €191.2 million (PY: €72.2 million; 2018: €97.9 million) and reversals of €54.3 million (PY: €81.2 million; 2018: €34.3 million), which are partially offset by additions of €215.0 million (PY: €309.1 million; 2018: €238.5 million), especially for specific individual cases.

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.

## 28. Income Tax Liabilities

Income tax liabilities developed as follows:

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| **As at January 1** | **114.6** | **21.2** | **18.0** |
| Additions | 85.4 | 157.0 | 86.9 |
| Utilizations and advance payments for the current fiscal year | -86.0 | -64.2 | -49.1 |
| Reversals | -19.9 | 0.0 | -34.6 |
| Exchange-rate changes | -7.3 | 0.6 | — |
| **As at December 31** | **86.8** | **114.6** | **21.2** |

When reconciling the income tax liabilities with the income taxes paid in the Combined Statement of Cash Flows, the cash changes in income tax receivables must be included in addition to the utilizations and current advance payments shown here.

## 29. Indebtedness and Additional Notes on the Combined Statement of Cash Flows

| | **Dec. 31, 2020** | | | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| € millions | **Total** | **Short-term** | **Long-term** | Total | Short-term | Long-term | Total | Short-term | Long-term |
| Bank loans and overdrafts | 30.7 | 30.7 | — | 28.4 | 28.4 | — | 13.1 | 10.3 | 2.8 |
| Derivative instruments | 1.4 | 1.4 | — | 0.0 | 0.0 | — | 0.4 | 0.4 | — |
| Lease liabilities[(1)] | 220.6 | 39.3 | 181.3 | 218.9 | 32.1 | 186.8 | 0.5 | 0.1 | 0.4 |
| Other indebtedness | 617.5 | 617.5 | — | 761.7 | 761.7 | — | 858.0 | 858.0 | — |
| **Indebtedness** | **870.2** | **688.9** | **181.3** | **1,009.0** | **822.2** | **186.8** | **872.0** | **868.8** | **3.2** |

*(1) In 2018 Finance lease liabilities.*

### Financing from related parties

Vitesco Technologies Group is largely financed by Continental Group, through equity, loans and central financing, and invests excess liquidity with Continental AG or its subsidiaries. This includes integration into Continental Group's cash pooling and cash management system. The available financing from related parties was, as in the previous years, predominantly floating-rate short-term borrowings. Financing from related parties reported as other indebtedness amounted to €617.5 million (PY: €761.7 million; 2018: €858.0 million) as at December 31, 2020.

### Credit lines and available financing from banks

Bank loans and overdrafts amounted to €30.7 million (PY: €28.4 million; 2018: €13.1 million) as at December 31, 2020. On December 31, 2020, there were credit lines and available financing from banks in the amount of €246.1 million (PY: €148.0 million; 2018: €132.5 million). A nominal amount of €215.4 million of this had not been utilized as at the end of the reporting period (PY: €91.8 million; 2018: €74.2 million). Vitesco Technologies Group is largely financed by Continental Group, this also includes common global credit lines which can be utilized by Vitesco Technologies Group and Continental Group. In the year under review, Vitesco Technologies Group utilized also its available bank lines to meet short-term credit requirements.

### Additional notes on the Combined Statement of Cash Flows

The following table showing the (net) change in short-term and long-term indebtedness provides additional information on the Combined Statement of Cash Flows. Short-term and long-term indebtedness in this table only represents transactions with third parties and does not include financial transactions with Continental Group. The latter are shown in the Combined Statement of Cash Flows as Financial transactions with Continental Group:

| | Cash | | Non-cash | | | | | |
|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Dec. 31, 2020** | | **Exchange-rate changes** | **Reclassi-fications** | **Changes in fair value** | **Changes in the scope of combination** | **Other** | Dec. 31, 2019 |
| Change in derivative instruments and interest-bearing investments | 19.8 | -5.7 | -2.6 | — | 1.5 | — | — | 26.6 |
| Change in short-term indebtedness | -56.5 | 16.1 | 1.9 | -16.1 | -1.4 | — | -13.0 | -44.0 |
| Change in long-term indebtedness | -91.8 | — | 3.0 | 16.1 | — | — | -33.1 | -77.8 |

| | Cash | | Non-cash | | | | | |
|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Dec. 31, 2019** | | **Exchange-rate changes** | **Reclassi-fications** | **Changes in fair value** | **Changes in the scope of combination** | **Other** | Dec. 31, 2018 |
| Change in derivative instruments and interest-bearing investments | 26.6 | -20.2 | 0.2 | — | 3.0 | — | — | 43.6 |
| Change in short-term indebtedness | -44.0 | -2.7 | -0.7 | -15.3 | — | — | -14.5 | -10.8 |
| Change in long-term indebtedness | -77.8 | — | -1.3 | 15.3 | — | — | -88.6 | -3.2 |

| | Cash | | Non-cash | | | | | |
|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Dec. 31, 2018** | | **Exchange-rate changes** | **Reclassi-fications** | **Changes in fair value** | **Changes in the scope of combination** | **Other** | Dec. 31, 2017 |
| Change in derivative instruments and interest-bearing investments | 43.6 | 19.4 | 0.1 | — | 0.2 | — | — | 23.9 |
| Change in short-term indebtedness | -10.8 | 6.0 | -0.3 | -5.6 | -0.4 | — | — | -10.5 |
| Change in long-term indebtedness | -3.2 | — | -0.2 | 5.6 | — | — | — | -8.6 |

## 30. 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 measurement categories are shown according to IFRS 9, *Financial Instruments*, and the levels of the fair value hierarchy relevant for calculating fair values according to IFRS 13, *Fair Value Measurement:*

| € millions | Measurement category in acc. with IFRS 9 | **Carrying amount as at Dec. 31, 2020** | **Fair value as at Dec. 31, 2020** | thereof Level 2 | thereof Level 3 |
|---|---|---|---|---|---|
| Other investments | FVOCIwoR | 15.2 | 15.2 | — | 15.2 |
| Derivative instruments and interest-bearing investments | | | | | |
| Derivative instruments not accounted for as effective hedging instruments | FVPL | 4.5 | 4.5 | 4.5 | — |
| Debt instruments | FVPL | 11.2 | 11.2 | 11.2 | — |
| Debt instruments | At cost | 1,029.5 | 1,029.5 | — | — |
| Trade accounts receivable | | | | | |
| Trade accounts receivable | At cost | 1,911.5 | 1,911.5 | — | — |
| Bank drafts | FVOCIwR | 72.1 | 72.1 | 72.1 | — |
| Other financial assets | At cost | 72.6 | 72.6 | — | — |
| Cash and cash equivalents | At cost | 255.0 | 255.0 | — | — |
| **Financial assets** | | **3,371.6** | **3,371.6** | **87.8** | **15.2** |
| Indebtedness without lease liabilities | | | | | |
| Derivative instruments not accounted for as effective hedging instruments | FVPL | 1.4 | 1.4 | 1.4 | — |
| Other indebtedness | At cost | 648.2 | 648.2 | — | — |
| Trade accounts payable | At cost | 2,215.5 | 2,215.5 | — | — |
| Other financial liabilities | At cost | 106.0 | 106.0 | — | — |
| **Financial liabilities without lease liabilities** | | **2,971.1** | **2,971.1** | **1.4** | **—** |
| Aggregated according to measurement categories as defined in IFRS 9: | | | | | |
| Financial assets (FVOCIwR) | | 72.1 | | | |
| Financial assets (FVOCIwoR) | | 15.2 | | | |
| Financial assets (FVPL) | | 15.7 | | | |
| Financial assets (At cost) | | 3,268.6 | | | |
| Financial liabilities (FVPL) | | 1.4 | | | |
| Financial liabilities (At cost) | | 2,969.7 | | | |

**Abbreviations**

- At cost: measured at amortized cost
- FVOCIwR: fair value through other comprehensive income with reclassification
- FVOCIwoR: fair value through other comprehensive income without reclassification
- FVPL: fair value through profit or loss

**Levels of the fair value hierarchy according to IFRS 13**

- Level 1: quoted prices on the active market for identical instruments
- Level 2: quoted prices on the active market for a similar instrument or a measurement method for which all major input factors are based on observable market data
- Level 3: measurement method for which the major input factors are not based on observable market data

| € millions | Measurement category in acc. with IFRS 9 | Carrying amount as at Dec. 31, 2019 | Fair value as at Dec. 31, 2019 | thereof Level 2 | thereof Level 3 |
|---|---|---|---|---|---|
| Other investments | FVOCIwoR | 27.2 | 27.2 | — | 27.2 |
| Derivative instruments and interest-bearing investments | | | | | |
| Derivative instruments not accounted for as effective hedging instruments | FVPL | 3.7 | 3.7 | 3.7 | — |
| Debt instruments | FVPL | 10.8 | 10.8 | 10.8 | — |
| Debt instruments | At cost | 1,756.7 | 1,756.7 | — | — |
| Trade accounts receivable | | | | | |
| Trade accounts receivable | At cost | 1,451.7 | 1,451.7 | — | — |
| Bank drafts | FVOCIwR | 23.0 | 23.0 | 23.0 | — |
| Other financial assets | At cost | 23.6 | 23.6 | — | — |
| Cash and cash equivalents | At cost | 184.8 | 184.8 | — | — |
| **Financial assets** | | **3,481.5** | **3,481.5** | **37.5** | **27.2** |
| Indebtedness without lease liabilities(1) | | | | | |
| Derivative instruments not accounted for as effective hedging instruments | FVPL | 0.0 | 0.0 | 0.0 | — |
| Other indebtedness | At cost | 790.1 | 790.1 | — | — |
| Trade accounts payable | At cost | 1,963.5 | 1,963.5 | — | — |
| Other financial liabilities | At cost | 194.5 | 194.5 | — | — |
| **Financial liabilities without lease liabilities(1)** | | **2,948.1** | **2,948.1** | **0.0** | **—** |
| Aggregated according to measurement categories as defined in IFRS 9: | | | | | |
| Financial assets (FVOCIwR) | | 23.0 | | | |
| Financial assets (FVOCIwoR) | | 27.2 | | | |
| Financial assets (FVPL) | | 14.5 | | | |
| Financial assets (At cost) | | 3,416.7 | | | |
| Financial liabilities (FVPL) | | 0.0 | | | |
| Financial liabilities (At cost) | | 2,948.1 | | | |

(1) *Due to the first-time adoption of IFRS 16, disclosure of the fair value of lease liabilities in accordance with IFRS 7 is no longer required.*

**Abbreviations**

- At cost: measured at amortized cost
- FVOCIwR: fair value through other comprehensive income with reclassification
- FVOCIwoR: fair value through other comprehensive income without reclassification
- FVPL: fair value through profit or loss

**Levels of the fair value hierarchy according to IFRS 13**

- Level 1: quoted prices on the active market for identical instruments
- Level 2: quoted prices on the active market for a similar instrument or a measurement method for which all major input factors are based on observable market data
- Level 3: measurement method for which the major input factors are not based on observable market data

| € millions | Measurement category in acc. with IFRS 9 | Carrying amount as at Dec. 31, 2018 | Fair value as at Dec. 31, 2018 | thereof Level 2 | thereof Level 3 |
|---|---|---|---|---|---|
| Other investments | FVOCIwoR | 27.2 | 27.2 | — | 27.2 |
| Derivative instruments and interest-bearing investments | | | | | |
| Derivative instruments not accounted for as effective hedging instruments | FVPL | 0.4 | 0.4 | 0.4 | — |
| Debt instruments | FVPL | 9.8 | 9.8 | 9.8 | — |
| Debt instruments | At cost | 2,738.4 | 2,738.4 | — | — |
| Trade accounts receivable | | | | | |
| Trade accounts receivable | At cost | 1,501.3 | 1,501.3 | — | — |
| Bank drafts | FVOCIwR | 51.4 | 51.4 | 51.4 | — |
| Other financial assets | At cost | 27.8 | 27.8 | — | — |
| Cash and cash equivalents | At cost | 71.1 | 71.1 | — | — |
| **Financial assets** | | **4,427.4** | **4,427.4** | **61.6** | **27.2** |
| Indebtedness | | | | | |
| Derivative instruments not accounted for as effective hedging instruments | FVPL | 0.4 | 0.4 | 0.4 | — |
| Finance lease liabilities | n. a. | 0.5 | 0.5 | 0.5 | — |
| Other indebtedness | At cost | 871.1 | 871.1 | 8.5 | — |
| Trade accounts payable | At cost | 1,679.8 | 1,679.8 | — | — |
| Other financial liabilities | At cost | 59.4 | 59.4 | — | — |
| **Financial liabilities** | | **2,611.2** | **2,611.2** | **9.4** | **—** |
| Aggregated according to measurement categories as defined in IFRS 9: | | | | | |
| Financial assets (FVOCIwR) | | 51.4 | | | |
| Financial assets (FVOCIwoR) | | 27.2 | | | |
| Financial assets (FVPL) | | 10.2 | | | |
| Financial assets (At cost) | | 4,338.6 | | | |
| Financial liabilities (FVPL) | | 0.4 | | | |
| Financial liabilities (At cost) | | 2,610.3 | | | |

**Abbreviations**

- At cost: measured at amortized cost
- FVOCIwR: fair value through other comprehensive income with reclassification
- FVOCIwoR: fair value through other comprehensive income without reclassification
- FVPL: fair value through profit or loss
- n. a.: not applicable, not assigned to any measurement category

**Levels of the fair value hierarchy according to IFRS 13**

- Level 1: quoted prices on the active market for identical instruments
- Level 2: quoted prices on the active market for a similar instrument or a measurement method for which all major input factors are based on observable market data
- Level 3: measurement method for which the major input factors are not based on observable market data

For other investments for which there are no quoted prices on the active market for identical instruments (level 1) or for a similar instrument, or for which there is no applicable measurement method in which all major input factors are based on observable market data (level 2), the fair value is calculated with 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 are 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 there is insufficient recent information available to measure fair value. Other investments are centrally monitored with regards to any changes to the key non-observable input factors and continuously checked for changes in value. As at the reporting date, changes in the value of the financial investments are disclosed in the other investments (please refer to Note 18). For this reason, there is no need to present the changes in carrying amounts separately, or for a sensitivity analysis.

In 2018, finance lease liabilities were not assigned to a measurement category as they were accounted for under IAS 17, *Leases*.

The accounting policies applied are described in the Notes to the Combined Financial Statements, please see sections “Financial Instruments” in Note 4.

Trade accounts receivable and payable, other receivables with a financing character, other financial assets and liabilities, 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, other financial liabilities and in 2018 of finance lease 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 Vitesco Technologies Group recognizes possible reclassifications between the different levels of the fair value hierarchy as at the end of the reporting period in which a change occurred. In 2020, as in the previous years, there were no transfers between the different levels of the fair value hierarchy.

The following income and expenses from financial instruments were recognized in the Combined Statement of Income:

| | Net gains and losses from interest | | | Other net gains or losses | | | Total net gains or losses | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | **2020** | 2019 | 2018 | **2020** | 2019 | 2018 |
| **€ millions** | | | | | | | | | |
| Financial assets (At cost) | 15.7 | 30.4 | 7.4 | 3.8 | -1.8 | 4.2 | 19.5 | 28.6 | 11.6 |
| Financial assets and liabilities (FVPL) | 0.2 | 0.8 | — | 4.9 | -1.5 | 1.2 | 5.1 | -0.7 | 1.2 |
| Financial assets (FVOCI) | — | -0.2 | -0.5 | — | — | — | — | -0.2 | -0.5 |
| Financial liabilities (At cost) | -15.6 | -27.6 | -10.2 | -16.0 | -12.4 | -34.8 | -31.6 | -40.0 | -45.0 |

Interest income and expense from financial instruments is reported in the financial result (Note 11).

Dividend income from financial assets measured at fair value with changes in value under other comprehensive income is explained under “Income from Investments” (Note 10).

### Collateral

As at December 31, 2020, a total of €4.0 million (PY: €13.4 million; 2018: €0.4 million) of financial assets had been pledged as collateral. In the year under review, as in the previous years, collateral mainly consisted of other financial assets pledged for construction projects in Hungary.

### Risk management of financial instruments

Due to its international business activities and the resulting financing requirements, Vitesco Technologies 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. Due to its integration in risk management and treasury activities of Continental AG, the policies, manuals and standards of Continental Group are also applicable for Vitesco Technologies Group.

In addition, hedging instruments are used in the Vitesco Technologies 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.

## 1. Default risk

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 Vitesco Technologies 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 group held no collateral as at December 31, 2020, as in prior years. There are therefore 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 group-wide standards. The methods for calculating valuation allowances are described in section "Financial Instruments" in Note 4 of the Notes to the Combined Financial Statements.

*Trade accounts receivable and contract assets*

If the creditworthiness of receivables is impaired, corresponding expenses are recognized in an allowance account.

Lifetime expected credit losses are largely calculated using estimates and assessments based on the creditworthiness of the respective customer, current economic developments and the analysis of historical losses on receivables. The creditworthiness of a customer is assessed on the basis of its payment history and its ability to make payments. It is regularly reviewed whether there is a need to take account of any risks in connection with different customer groups, sectors or countries. No such allocation of default risk was required in 2020 as was the case in the prior year.

Vitesco Technologies Group 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. This includes macroeconomic information such as country risks and economic developments. Trade accounts receivable and contract assets whose creditworthiness is already impaired are not taken into account when calculating lifetime expected credit losses. There were no significant effects on expected credit losses from the modification of cash flows.

The table below shows the gross carrying amounts as at December 31, 2020, and December 31, 2019, for trade accounts receivable and contract assets whose creditworthiness was not impaired(1):

| € millions | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| not overdue | 1,861.3 | 1,389.2 | 1,430.7 |
| 0-29 days | 121.0 | 55.0 | 76.6 |
| 30-59 days | 18.7 | 12.7 | 16.2 |
| 60-89 days | 5.9 | 6.9 | 6.3 |
| 90-119 days | 2.2 | 3.7 | 3.5 |
| 120 days and more | 18.7 | 25.4 | 15.8 |
| **As at December 31** | **2,027.8** | **1,492.9** | **1,549.1** |

*(1) The difference of €17,2 million (PY: €6.9 million; 2018: €26.6 million) from the tables in Notes 6 and 23 results from trade accounts receivable and contract assets whose creditworthiness was impaired.*

In the year under review, lifetime expected credit losses and valuation allowances for trade accounts receivable and contract assets whose creditworthiness was impaired developed as follows:

| € millions | **2020** | 2019 | 2018 |
|---|---|---|---|
| As at January 1 in acc. with IAS 39 | n. a. | n. a. | 3.4 |
| Adjustment due to the first-time adoption of IFRS 9 | n. a. | n. a. | 0.6 |
| **As at January 1 in acc. with IFRS 9** | **5.5** | **8.8** | **4.0** |
| Additions | 15.5 | 1.6 | 7.4 |
| Utilizations | -2.1 | 0.0 | 0.0 |
| Reversals | -2.6 | -4.5 | -2.6 |
| Exchange-rate changes | -0.3 | -0.4 | 0.0 |
| **As at December 31** | **16.0** | **5.5** | **8.8** |

As at December 31, 2020, valuation allowances for trade accounts receivable whose creditworthiness was impaired amounted to €13.5 million (PY: €4.3 million; 2018: €7.4 million).

*Other financial assets*

No valuation allowances in the amount of the gross carrying amount were recognized for other financial assets whose creditworthiness was impaired (PY: €1.0 million; 2018: €1.0 million).

Other 12-month and lifetime expected credit losses on other financial assets are not of significance.

None of the impaired other financial assets written down is subject to enforcement measures (PY: €1.0 million; 2018: €1.0 million).

*Cash and cash equivalents, derivative instruments and interest-bearing investments*

Loans, other financial receivables, cash pooling agreements and derivative instruments exist between Vitesco Technologies Group and Continental AG or its subsidiaries not belonging to Vitesco Technologies Group. The default risk of those receivables is considered very low due to the investment-grade rating of Continental AG.

Apart from this, in order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, Vitesco Technologies Group generally uses banks which have been classified as core banks on the basis of defined criteria by Continental Group. These banks 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 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). In addition, investment limits for each bank and trading limits for derivative instruments have been set. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. The expected credit losses from cash and cash equivalents and other interest-bearing investments measured at amortized cost are not significant as in the previous years.

**2. Currency management**

The international nature of the business activities of Vitesco Technologies Group results in deliveries and payments in various currencies. Currency-exchange fluctuations involve the risk of losses because assets denominated in currencies with a falling exchange rate lose value, while liabilities denominated in currencies with a rising exchange rate become more expensive. For hedging, it is allowed to use only derivative instruments that have been defined in corporate-wide policies and can be reported and measured in the risk management system. It is generally not permitted to use financial instruments that do not meet these criteria.

*Operational foreign-currency risk*

In operational currency management, actual and expected foreign-currency cash flows are combined as operational foreign-exchange exposures in the form of net cash flows for each transaction currency on a rolling 12-month basis. These cash flows arise mainly from receipts and payments from external and intra-corporate transactions by the group's subsidiaries worldwide. A natural hedge approach for reducing currency risks has been pursued, 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. As in the previous years, there were no derivative instruments for hedging against operational foreign-currency risks as at December 31, 2020.

As at December 31, 2020, net exposure from financial instruments that are denominated in a currency other than the functional currency of the respective subsidiary and that are not allocated to net indebtedness existed in the major currencies of the euro in the amount of €-32.7 million (PY: €-251.4 million; 2018: €-48.0 million) and the U.S. dollar in the amount of €-25.9 million (PY: €-184.7 million; 2018: €-162.3 million). The euro exposure relates to the following local currencies: €33.6 million Chinese renminbi, €-28.0 million Thai baht and €-17.5 million Mexican peso (PY: €-92.1 million Czech koruna, €-60.7 million Chinese renminbi and €-34.7 million Thai baht; 2018: €-77.2 million Chinese renminbi, €40.4 million Czech koruna and €-17.9 million U.S. dollar). The U.S. dollar exposure relates to the following local currencies: €-53.2 million Chinese renminbi, €45.5 million euro and €-22.8 million South Korean won (PY: €-112.3.1 million South Korean won, €-97.6 million Chinese renminbi and €69.7 million euro; 2018: €-80.2 million South Korean won, €-59.6 million Czech koruna and €-53.1 million Chinese renminbi). The above given amounts are net assets, if the value is positive and net liabilities, if negative.

*Financial foreign-currency risks*

In addition to operational foreign-currency risk, currency risks also result from the group's external and internal net indebtedness that is denominated in a currency other than the functional currency of the respective subsidiary. The quantity of these instruments is regularly summarized in the form of a financial foreign-currency exposure for each transaction currency. As at December 31, 2020, the net exposure in the major currencies amounted to €-406.6 million (PY: €-294.4 million; 2018: €-730.9 million) for the euro and €92.3 million (PY: €113.6 million; 2018: €1.8 million) for the U.S. dollar. The euro exposure relates to the following local currencies: €-439.2 million Czech koruna, €-114.0 million Romanian leu and €110.1 million South Korean won (PY: €-293.2 million Czech koruna, €-119.6 million Chinese renminbi and €80.1 million South Korean won; 2018: €-514.0 million Czech koruna, €-276.6 million Romanian leu and €-24.0 million Brazilian real). The U.S. dollar exposure relates to the following local currencies: €90.1 million, €-28.3 million Mexican peso and €21.2 million Chinese renminbi (PY: €98.4 million, €-74.9 million Mexican peso and €73.9 million Canadian dollar; 2018: €1.8 million Chinese renminbi, €0.3 million South Korean won and €-0.2 million Canadian dollar). The above given amounts are net assets, if the value is positive and net liabilities, if negative. These currency risks are generally hedged against through the use of derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. The group's net foreign investments are, as a rule, not hedged against exchange-rate fluctuations.

*Hedging against financial foreign-currency risks without using hedge accounting*

As at December 31, 2020, there are derivative instruments for hedging against financial foreign-currency risks from intra-corporate receivables and liabilities as well as from receivables and liabilities with companies of the Continental Group not belonging to Vitesco Technologies Group. Hedge accounting is not used for these instruments. As at December 31, 2020, they are reported in the Combined Statement of Financial Position under the item "Short-term derivative instruments and interest-bearing investments" in the amount of €4.5 million (PY: €3.7 million; 2018: €0.4 million), and under the item "Short-term financial liabilities" in the amount of €1.4 million (PY: €0.0 million; 2018: €0.4 million), and are assigned to the measurement category FVPL. Their nominal volume amounts to €228.1 million as at December 31, 2020 (PY: €228.3 million; 2018: €96.9 million).

*Translation-related foreign-currency risks*

A large number of the subsidiaries are located outside the euro currency zone. As the reporting currency of Vitesco Technologies Group in the Combined 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 Combined 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. 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. To determine the transaction-related net foreign-currency risk, financial instruments with transaction currencies that differ from the functional currencies are identified and a 10% appreciation or depreciation of the respective functional currency of the subsidiaries in relation to the identified different transaction currencies is assumed. 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 U.S. dollar, as major transaction currencies, on the difference from currency translation and from financial instruments in equity and on net income.

| | **2020** | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| **€ millions** | **Total equity** | **Net income** | Total equity | Net income | Total equity | Net income |
| **Local currency +10%** | | | | | | |
| **Total** | **—** | **65.9** | **—** | **85.8** | **—** | **110.1** |
| thereof EUR | — | 55.0 | — | 60.2 | — | 82.7 |
| thereof USD | — | 2.4 | — | 17.0 | — | 16.1 |
| **Local currency -10%** | | | | | | |
| **Total** | **—** | **-65.9** | **—** | **-85.8** | **—** | **-110.1** |
| thereof EUR | — | -55.0 | — | -60.2 | — | -82.7 |
| thereof USD | — | -2.4 | — | -17.0 | — | -16.1 |

### 3. Interest-rate management

Variable interest agreements 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 valuated 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 group's interest-bearing net indebtedness is the subject of these activities. Interest-rate hedges serve exclusively to manage identified interest-rate risks. As in the previous years, there were no derivative financial instruments for hedging against interest-rate risks as at December 31, 2020.

The 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 derivative instruments of Vitesco Technologies Group, is as follows:

| € millions | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| **Fixed-interest instruments** | | | |
| Financial assets | 0.0 | 46.4 | 15.4 |
| Financial liabilities | 220.6 | 232.0 | 8.9 |
| **Floating-rate instruments** | | | |
| Financial assets | 1,295.9 | 1,905.8 | 2,803.9 |
| Financial liabilities | 648.6 | 777.0 | 862.7 |

In accordance with IFRS 7, *Financial Instruments: Disclosures*, effects of financial instruments on income and equity resulting from interest-rate changes must be presented using a sensitivity analysis.

*Fair value sensitivity analysis*

Basically, the main effects resulted from the changes in the U.S. dollar and euro interest rates. There were no changes in the financial result or in equity in 2020 or in the previous years from U.S. dollar and euro interest rates.

*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 years, that only contractually agreed interest-rate floors as well as interest rates based on manuals and standards from Continental Group would limit a decrease in the relevant interest rates. As in the previous years, this analysis is based on the assumption that all other variables, and in particular exchange rates, remain unchanged.

| | **Interest-rate increase +100 basis points** | | | **Interest-rate decline -100 basis points** | | |
|---|---|---|---|---|---|---|
| € millions | **2020** | 2019 | 2018 | **2020** | 2019 | 2018 |
| **Total** | **6.8** | **9.1** | **13.7** | **-6.3** | **-5.6** | **-2.3** |
| thereof EUR | 2.5 | 3.4 | 11.4 | -2.7 | — | — |
| thereof CNY | 3.2 | 2.5 | 1.0 | -3.2 | -2.5 | -1.0 |
| thereof USD | 1.7 | 1.9 | 0.1 | -0.7 | -1.9 | -0.1 |
| thereof THB | 0.6 | 0.9 | 0.4 | -0.6 | -0.9 | -0.4 |
| thereof KRW | -0.4 | 0.7 | 0.3 | 0.4 | -0.7 | -0.3 |
| thereof CZK | -0.5 | — | — | 0.2 | — | — |
| thereof MXN | -1.6 | -0.7 | — | 1.6 | 0.7 | — |

## 4. Liquidity risks

Cost-effective, adequate financing is necessary for the subsidiaries' operating business. Vitesco Technologies Group is largely financed by Continental Group, through equity, loans and central financing, and invests excess liquidity with Continental AG or its subsidiaries. This includes integration into Continental Group's cash pooling and cash management system. A liquidity forecast is therefore prepared by central cash management of Continental AG on a regular basis.

In addition, Vitesco Technologies Group can draw upon fixed credit lines from banks. For detailed information on the existing utilized and unutilized committed credit lines, please refer to Note 29.

The financial liabilities of €2,971.1 million excluding lease liabilities (PY: €2,948.1 million; 2018: €2,611.2 million; both including finance lease liabilities) result in the following undiscounted cash outflows in the next five years and thereafter (in the table for fiscal year 2020 and 2019: Lease liabilities are excluded; for this please refer to the analysis in Note 16):

| **Dec. 31, 2020/€ millions** | 2021 | 2022 | 2023 | 2024 | 2025 | thereafter | **Total** |
|---|---|---|---|---|---|---|---|
| Other indebtedness incl. interest payments | 648.3 | — | — | — | — | — | **648.3** |
| Derivative instruments | 1.4 | — | — | — | — | — | **1.4** |
| Trade accounts payable | 2,215.5 | — | — | — | — | — | **2,215.5** |
| Other financial liabilities | 106.0 | — | — | — | — | — | **106.0** |

| **Dec. 31, 2019/€ millions** | 2020 | 2021 | 2022 | 2023 | 2024 | thereafter | **Total** |
|---|---|---|---|---|---|---|---|
| Other indebtedness incl. interest payments | 791.7 | — | — | — | — | — | **791.7** |
| Derivative instruments | 0.0 | — | — | — | — | — | **0.0** |
| Trade accounts payable | 1,963.5 | — | — | — | — | — | **1,963.5** |
| Other financial liabilities | 194.5 | — | — | — | — | — | **194.5** |

| **Dec. 31, 2018/€ millions** | 2019 | 2020 | 2021 | 2022 | 2023 | thereafter | **Total** |
|---|---|---|---|---|---|---|---|
| Other indebtedness incl. interest payments | 869.2 | 2.8 | — | — | — | — | **872.0** |
| Derivative instruments | 0.4 | — | — | — | — | — | **0.4** |
| Finance lease liabilities | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | — | **0.5** |
| Trade accounts payable | 1,679.8 | — | — | — | — | — | **1,679.8** |
| Other financial liabilities | 59.4 | — | — | — | — | — | **59.4** |

In the analysis, foreign-currency amounts were translated into euros using the closing rate as at the end of the reporting period. For floating-rate non-derivative financial instruments, the future interest payment flows were forecast using the most recently contractually fixed interest rates.

Forward interest rates were used to determine floating-rate payments for derivative instruments. The analysis only includes cash outflows from financial liabilities. The net payments are reported for derivative instruments that are liabilities as at the end of the reporting period. Cash inflows from financial assets were not included.

The cash outflows in the maturity analysis are not expected to occur at significantly different reference dates or in significantly different amounts.

*Global netting agreements and similar agreements*

Vitesco Technologies Group companies conclude business in the form of derivative instruments with Continental AG that are not based on frame contracts or global netting agreements.

At one South Korean subsidiary, there are local framework agreements on the basis of which this company has concluded derivative instruments. These agreements do not meet the criteria for offsetting in the Combined Statement of Financial Position.

The following table shows the carrying amounts of the reported stand-alone derivative instruments, their offsetting in the Combined Statement of Financial Position, and any potential arising from the specified agreements subject to the occurrence of certain future events:

| | **Dec. 31, 2020** | | | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| **€ millions** | **Carrying amounts[(1)]** | **Respective financial instruments not netted** | **Net amount** | Carrying amounts[(1)] | Respective financial instruments not netted | Net amount | Carrying amounts[(1)] | Respective financial instruments not netted | Net amount |
| Financial assets | 4.5 | — | 4.5 | 3.7 | — | 3.7 | 0.4 | — | 0.4 |
| Financial liabilities | 1.4 | — | 1.4 | 0.0 | — | 0.0 | 0.4 | — | 0.4 |

(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 years.*

## 31. Other Financial Liabilities

| | Dec. 31, 2020 | | Dec. 31, 2019 | | Dec. 31, 2018 | |
|---|---|---|---|---|---|---|
| | **Short-term** | **Long-term** | Short-term | Long-term | Short-term | Long-term |
| **€ millions** | | | | | | |
| Liabilities for selling expenses | 103.8 | — | 86.1 | — | 58.7 | — |
| Purchase prices payable on company acquisitions | — | — | 105.9 | — | — | — |
| Interest payable | 2.2 | — | 2.4 | — | 0.7 | — |
| Miscellaneous financial liabilities | — | — | — | — | 0.0 | — |
| **Other financial liabilities** | **106.0** | **—** | **194.5** | **—** | **59.4** | **—** |

In 2019 purchase prices payable on company acquisitions mainly comprise the acquisitions of new business operations due to the carve-out of Continental Group's powertrain business.

The Vitesco Technologies Group is largely financed by Continental Group, through equity, loans and central financing, and invests excess liquidity with Continental AG or its subsidiaries. This includes an integration into Continental Group's cash pooling and cash management system. This financing structure leads to the effect that the interest payable mainly results from transactions with related parties.

Liabilities for selling expenses relate in particular to obligations from bonus agreements with customers and deferred price reductions granted.

## 32. Trade Accounts Payable

Trade accounts payable amounted to €2,215.5 million (PY: €1,963.5 million; 2018: €1,679.8 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 30.

## 33. Other Liabilities

| | Dec. 31, 2020 | | Dec. 31, 2019 | | Dec. 31, 2018 | |
|---|---|---|---|---|---|---|
| | **Short-term** | **Long-term** | Short-term | Long-term | Short-term | Long-term |
| **€ millions** | | | | | | |
| Liabilities for VAT and other taxes | 40.8 | — | 63.6 | — | 26.8 | — |
| Deferred income | 6.5 | 0.2 | 4.7 | 0.5 | 4.8 | — |
| Miscellaneous liabilities | 30.0 | 9.1 | 23.0 | 1.8 | 19.2 | 1.2 |
| **Other liabilities** | **77.3** | **9.3** | **91.3** | **2.3** | **50.8** | **1.2** |

Deferred income primarily includes deferrals for government grants.

## Other Disclosures

### 34. Litigation and Compensation Claims

In the third quarter of 2020, the public prosecutor's office in Hanover searched locations of Vitesco Technologies and certain subsidiaries as part of investigations in connection with the use of illegal defeat devices in VW diesel engines. Vitesco Technologies is cooperating fully with the authorities. Also, in view of this full cooperation, no further disclosures can be made with regard to the ongoing investigations, so as not to adversely affect the company's interest.

Vitesco Technologies Group AG, Hanover, Germany, and its subsidiaries are involved in lawsuits or regulatory investigations and proceedings worldwide. Such lawsuits or regulatory investigations and proceedings could also be initiated or claims asserted in other ways in the future.

In particular, Vitesco Technologies Group is constantly subject to claims in which the group is accused of the alleged violations against warranty obligations, infringement of its duty of care or defects of material or workmanship. Claims from alleged breaches of customer contracts resulting from product recalls initiated by customers or government proceedings are also asserted.

Furthermore, claims for material and non-material damages are being asserted. The outcome of individual proceedings cannot be predicted with certainty. No assurance can be given that Vitesco Technologies Group 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.

### 35. Contingent Liabilities and Other Financial Obligations

| **€ millions** | **Dec. 31, 2020** | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Liabilities on guarantees | — | 0.2 | — |
| Liabilities on warranties | 4.3 | 10.7 | 5.1 |
| Risks from taxation and customs | 0.8 | 2.4 | 3.2 |
| Other contingent liabilities | 0.1 | 1.0 | 0.1 |
| **Contingent liabilities and other financial obligations** | **5.2** | **14.3** | **8.4** |

As in the previous years, the contingent liabilities relate to guarantees for the liabilities of affiliated companies and third parties not included in combination and to contractual warranties. To the best of our knowledge, the underlying obligations will be fulfilled in all cases. Utilization is not anticipated.

Vitesco Technologies 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 Vitesco Technologies Group is legally liable.

### 36. Transactions with Related Parties

#### Remuneration of the Management and the Supervisory Board

The remuneration of the 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 Management (in 2018 Executive Board) and the Supervisory Board.

The remuneration of the active members of the Management (in 2018 Executive Board) in the respective years was as follows:

| **€ thousands** | **2020** | 2019 | 2018 |
|---|---|---|---|
| Short-term benefits | 1,260 | 1,392 | 1,785 |
| Service cost relating to post-employment benefits | 677 | 709 | 928 |
| Termination benefits | — | — | 317 |
| Share-based payment | 165 | 59 | -3,907 |
| **Total** | **2,102** | **2,160** | **-877** |

The total remuneration granted to the Management of Vitesco Technologies Group, in 2020 amounted to €2.3 million (PY: €3.0 million; 2018: €3.3 million). That total remuneration also includes, in addition to short-term benefits of €1.3 million (PY: €1.4 million; 2018: €1.8 million), a newly granted long-term incentive plan totaling €0.9 million (PY: €1.3 million; 2018: €1.2 million) and the long-term component of variable remuneration totaling €0.2 million (PY: €0.1 million; 2018: €0.4 million). The long-term component will be converted into virtual shares of the Continental AG in 2020. In 2020, no long-term components for 2019 were converted into virtual shares (PY: no virtual shares; 2018: 4,405 virtual shares). Also, in 2020 no payments have been made to former members of the Management and their surviving dependents (PY: €0.0 million; 2018: €1.4 million). Moreover, in 2020 no provisions for pension obligations for former members of the Management and surviving dependents have been recognized (PY: €0.0 million; 2018: €21.5 million).

Remuneration paid to the members of Continental AG's Supervisory Board, including meeting fees, totaled €0.8 million in the past fiscal year (PY: €0.5 million; 2018: €0.9 million). As in prior years, no advances or loans were granted to members of Management or Supervisory Board in 2020.

Transactions with related parties other than subsidiaries are shown in the following table:

| | Income | | | Expenses | | | Accounts receivable | | | Accounts payable | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | **2020** | 2019 | 2018 | **2020** | 2019 | 2018 | **2020** | 2019 | 2018 |
| **€ millions** | | | | | | | | | | | | |
| **Continental Group** | | | | | | | | | | | | |
| Ordinary business activities | 1,359.4 | 1,759.5 | 1,243.3 | 2,829.7** | 1,986.8** | 1,401.2 | 836.6 | 708.2 | 157.1 | 942.0 | 621.1 | 152.5 |
| Leasing | 0.8 | 0.4 | — | 1.3 | 5.4 | — | — | — | — | 104.4 | 125.5 | — |
| Financing | 18.1 | 32.6 | 10.5 | 17.4 | 39.7 | 10.0 | 776.1* | 1,747.0 | 2,705.2 | 1,134.4* | 816.1 | 858.6 |
| Other | 1.7 | 0.6 | 10.7 | 2.9 | 1.6 | 0.2 | — | — | — | — | — | — |
| **Schaeffler Group** | | | | | | | | | | | | |
| Ordinary business activities | 16.0 | 5.1 | 17.5 | — | — | — | 10.3 | 0.8 | 10.9 | 2.9 | 1.9 | 2.6 |
| **Total** | **1,396.0** | **1,798.2** | **1,282.0** | **2,851.3**** | **2,033.5**** | **1,411.4** | **1,623.0*** | **2,456.0** | **2,873.2** | **2,183.7*** | **1,564.6** | **1,013.7** |

* *Actual accounts receivable from financing with Continental Group in 2020 amounted to €1,026.2 million and total accounts receivable in 2020 to €1,873.1 million. Actual accounts payable from financing with Continental Group in 2020 amounted to €619.5 million and total accounts payable amounts to €1,669.0 million. Please also see section 15.4 of the Prospectus.*

** *Expenses from ordinary business activities in 2020 amounted to €1,117.9 million and total expense in 2020 to €1,139.5 million. Expenses from ordinary business activities in 2019 amounted to €1,419.5 million and total expense in 2019 to €1,466.2 million. Please also see section 15.4 of the Prospectus.*

### Leasing

Vitesco Technologies Group has entered into related party transactions for leasing services and goods that are affected by IFRS 16, *Leases*, for the asset categories of land, buildings and machines. In most of these few lease agreements between Vitesco Technologies Group and Continental Group, Vitesco Technologies Group acts as a lessee. The related expenses for leasing include payments for unrecognized leases for short-term leases as well as interest expenses.

### Ordinary business activities Continental Group

The ordinary business activities with companies of the Continental Group are mainly attributable to the sale of goods and services in connection with contract manufacturing agreements between Continental Group and Vitesco Technologies Group and were conducted on an arm's length basis. In 2020 and 2019, sales and cost of sales in connection with contract manufacturing, which are shown within the ordinary business activities, classify as variable lease payments according to IFRS 16, *Leases*. For a detailed description of contract manufacturing, please refer to Note 16.

### Ordinary business activities Schaeffler Group

The ultimate parent company of Schaeffler Group is INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany. In the reporting periods, Continental AG was a dependent company of INA-Holding Schaeffler GmbH & Co. KG as defined under Section 312 AktG.

The income from ordinary business activities with Schaeffler Group companies is attributable solely to sale of products and services. The transactions were conducted on an arm's length basis.

Accounts receivable and payable from ordinary business transactions with Schaeffler Group companies are solely related to the sale and purchase of products and services.

**Financing**

Vitesco Technologies Group is largely financed by Continental Group, through equity, loans and central financing, and invests excess liquidity with Continental AG or its subsidiaries. This includes integration into Continental Group's cash pooling and cash management system. The available financing from related parties was, as in the previous years, predominantly floating-rate short-term borrowings that also resulted in material effects in interest expense. Financial receivables resulted mainly from short-term loans and cash-pool credit balances that also resulted in material effects in interest income.

**Other**

The income from other transactions with Continental Group in 2018 mainly results from the sale of intangible assets in the course of the acquisition of the investment in the associate OSRAM CONTINENTAL GmbH, Munich, Germany, with an amount of €10.7 million.

In the course of the carve-out, Vitesco Technologies Group took over those customer contracts from Continental Group that concern the business of Vitesco Technologies Group. Even after the carve-out, customers have placed orders with Continental Group that concern the business of Vitesco Technologies Group. These orders are also to be transferred to Vitesco Technologies. The respective contract transfers require customer consent. Some customers make this approval dependent on Continental AG being responsible for the fulfillment of the contractual obligations from the contracts that are transferred to Vitesco Technologies Group.

Continental AG undertakes to answer these customers for claims that the customer may be entitled to from any breach of contractual obligations by Vitesco Technologies Group. This obligation to pay is limited in time till 2024 and relates only to secondary performance claims of the respective customer of Vitesco Technologies Group (in particular compensation for damages). Primary performance claims, such as the fulfillment of the contractual performance, are not owed according to this obligation. If claims are made against Continental AG from this obligation, Vitesco Technologies Group AG will release Continental AG in accordance with the group separation agreement.

### 37. Report on Subsequent Events

As at March 1, 2021 there were no events or developments, other than described below, that could have materially affected the measurement and presentation of individual asset and liability items as at December 31, 2020.

Vitesco Technologies Group sold the Automotive business of Vitesco Technologies Korea, Icheon-si, South Korea, mainly consisting of customer contracts and acquired certain tangible and intangible assets from Automotive Korea relating to the Vitesco Technologies business. The selling price amounts to a mid range two-digit million price.

With signing as per March 1, 2021 Vitesco Technologies Group sold its entity Vitesco Technologies Faulquemont SAS, Faulquemont, France, and other assets to a chinese automotive supplier for a purchase price of approximately €12 million. Vitesco Technologies Faulquemont SAS supplies three main types of SCR moduls for commercial and off-highway vehicles. Closing of the transactions is planned for August 2021.

Vitesco Technologies Group AG, Hanover, March 1, 2021

Dr. Christian zur Nedden Dr. Ulrike Schramm

### 38. Glossary of Financial Terms

The following glossary of financial terms applies to the F-Pages of the Combined Financial Statements.

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

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

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

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

**Continental Value Contribution (CVC).** The absolute amount of additional value created. The delta CVC represents the change in absolute value creation compared to the prior year. 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.

**EBIT.** Earnings before interest and tax. In Vitesco Technologies Group'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 Vitesco Technologies Group'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.

**Finance lease.** Under a finance lease, the lessor transfers the investment risk to the lessee. This means that the lessor bears only the credit risk and any agreed services. The lessee is the beneficial owner of the leased asset. Finance leases are characterized by a fixed basic term during which the lease may not be terminated by the lessee.

**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.

**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.

**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 Combined 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 Combined 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.

**Operating lease.** A form of lease that is largely similar to rental. Leased assets are recognized in the lessor's Combined Statement of Financial Position and capitalized.

**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 Combined Statement of Financial Position – resulting from differences between the preliminary and final fair values at the date of initial consolidation – are also recognized as PPA.

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

**Research and development expenses (net).** Research and development expenses (net) are defined as expenses for research and development less reimbursements and subsidies that we received in this context. Return on capital employed (ROCE). The ratio of EBIT to average operating assets for the fiscal year. ROCE corresponds to the rate of return on the capital employed and is used to assess the company's profitability and efficiency.

**Right-of-use assets.** An asset that represents a lessee's right to use an underlying asset for the lease term.

**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.

## Independent Auditor's Report

To Vitesco Technologies Group Aktiengesellschaft, Hanover

### Opinion

We have audited the accompanying Combined Financial Statements for the "Vitesco Business" of Vitesco Technologies Group Aktiengesellschaft, Hanover (until January 3, 2020: Vitesco Technologies EINS Aktiengesellschaft, Hanover), as described in Notes 2 and 3 of the Notes to the Combined Financial Statements, which comprise the Combined Statement of Financial Position as of December 31, 2018, December 31, 2019 and December 31, 2020, the Combined Statement of Income, the Combined Statement of Comprehensive Income, the Combined Statement of Cash Flows and the Combined Statement of Changes in Equity for the years then ended, and Notes to the Combined Financial Statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Combined Financial Statements give a true and fair view of the combined financial position of the Vitesco Business as of December 31, 2018, December 31, 2019 and December 31, 2020 and of its combined financial performance and its combined cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Combined Financial Statements" section of our report. We are independent of the Vitesco Business in accordance with the International Ethics Standards Board for Accountants' "Code of Ethics for Professional Accountants (IESBA Code)" together with the ethical requirements that are relevant to our audit of the Combined Financial Statements in Germany, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

We draw attention to Notes 2 and 3 of the Notes to the Combined Financial Statements, which describe their basis of preparation, including the approach to and the purpose for preparing them, and the fact that the Vitesco Business has not operated as a separate group of entities. Consequently, the Combined Financial Statements may not necessarily be indicative of the financial performance that would have been achieved if the Vitesco Business had operated as an independent group of entities, nor may they be indicative of the results of operations of the Vitesco Business for any future period.

Our opinion is not modified in respect of this matter.

### Responsibilities of Management of Vitesco Technologies Group Aktiengesellschaft for the Combined Financial Statements

Management of Vitesco Technologies Group Aktiengesellschaft is responsible for the preparation and fair presentation of the Combined Financial Statements in accordance with IFRS, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Financial Statements, management is responsible for assessing the Vitesco Business' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Vitesco Business or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the Combined Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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 Combined Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Vitesco Business' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of Vitesco Technologies Group Aktiengesellschaft management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Vitesco Business' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Combined Financial Statements or, if such disclosures are inadequate, to modify our opinion. 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 Vitesco Business to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Combined Financial Statements, including the disclosures, and whether the Combined Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Vitesco Business to express an opinion on the Combined Financial Statements. We are responsible for the direction, supervision and performance of the audit of Combined Financial Statements. We remain solely responsible for our audit opinion.

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.

Hanover, March 4, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Huber-Straßer | Modder |
| *Wirtschaftsprüferin* | *Wirtschaftsprüfer* |
| *[German Public Auditor]* | *[German Public Auditor]* |

**Audited Unconsolidated Financial Statements of Vitesco Technologies Group Aktiengesellschaft as of and for the fiscal year ended December 31, 2020, prepared in accordance with the German Commercial Code (Handelsgesetzbuch)**

**Vitesco Technologies Group Aktiengesellschaft**
**(until January 2, 2020: Vitesco Technologies EINS Aktiengesellschaft),**
**Hanover**

## Balance Sheet as at December 31, 2020

| Assets | 31.12.2020 EUR | 31.12.2019 EUR |
|---|---|---|
| **Current assets** | | |
| **Cash on hand, bank balances** | **48,233.50** | **50,000.00** |
| | **48,233.50** | **50,000.00** |

| Liabilities | 31.12.2020 EUR | 31.12.2019 EUR |
|---|---|---|
| **A. Total equity** | | |
| **I. Subscribed capital** | 50,000.00 | 50,000.00 |
| **II. Loss carried forward** | -4,039.00 | 0.00 |
| **III. Net loss for the year** | -7,727.50 | -4,039.00 |
| | **38,233.50** | **45,961.00** |
| **B. Other provisions** | **10,000.00** | **2,400.00** |
| **C. Liabilities to affiliated companies** | **0.00** | **1,639.00** |
| | **48,233.50** | **50,000.00** |

**Vitesco Technologies Group Aktiengesellschaft**
**(until January 2, 2020: Vitesco Technologies EINS Aktiengesellschaft),**
**Hanover**

**Statement of income for the period from January 1 to December 31, 2020**

| | 2020 | Short fiscal year December 11, 2019 to December 31, 2019 |
|---|---|---|
| | EUR | EUR |
| 1. General administrative expenses | 10,000.00 | 0.00 |
| 2. Other operating income | 2,400.00 | 0.00 |
| 3. Other operating expenses | 127.50 | 4,039.00 |
| **4. Earnings after taxes = Net loss for the year** | **-7,727.50** | **-4,039.00** |

**Vitesco Technologies Group Aktiengesellschaft, Hanover**
(until January 2, 2020: Vitesco Technologies EINS Aktiengesellschaft)

## Notes to the Annual Financial Statements for fiscal 2020

### 1. General Information

Vitesco Technologies Group Aktiengesellschaft was initially founded as Vitesco Technologies EINS Aktiengesellschaft as set out in the Articles of Incorporation of November 15, 2019. It was entered in the commercial register on December 11, 2019. The change of name to Vitesco Technologies Group Aktiengesellschaft was resolved at the Annual Shareholders' Meeting on December 17, 2019. The change was entered in the commercial register on January 3, 2020. Vitesco Technologies Group Aktiengesellschaft, whose registered office is in Hanover, is entered in the commercial register of the Hanover Local Court (Amtsgericht) under HRB 219172.

The first fiscal year was a short fiscal year and covered the period from December 11 to December 31, 2019. The fiscal year was then altered to coincide with the calendar year. Fiscal 2020 covered the period from January 1 to December 31, 2020. The comparability of the figures of the reporting year with those of the previous year is not affected as a result because the Company has few business activities overall.

The balance sheet and the statement of income correspond in their presentation and structure to the statutory provisions of the German Commercial Code (Handelsgesetzbuch – HGB) for small stock corporations. The statement of income is prepared using the cost of sales method.

The company makes partial use of the size-dependent exemptions with regard to disclosures in the notes pursuant to Section 288 HGB as well as the exemption with regard to deferred taxes pursuant to Section 274a (4) HGB.

### 2. Disclosure of Accounting Policies

Bank balances are recognized at nominal value.

All identifiable risks at the time of drawing up the balance sheet as well as liabilities that are uncertain in terms of the actual amount and/or the specific reason are taken into account in the provisions at the amounts deemed necessary according to sound business judgment. They are recognized at the amount necessary to settle the obligation. All provisions have a term of less than one year.

The liabilities shown in the previous year are recognized at their settlement amount and showed a remaining term of up to one year in the previous year.

### 3. Notes to the Balance Sheet

Bank balances amount to €48,233.50.

Other provisions include the auditor's fees for auditing the annual financial statements for 2020.

### 4. Notes to the Statement of Income

The administrative expenses are the costs for auditing the annual financial statements for 2020.

Other operating income comprises income from the reversal of other provisions for formation costs from 2019.

Other operating expenses include bank fees.

### 5. Other Information

The average number of employees during fiscal 2020 was:

| | |
|---|---|
| Trade employees | 0 |
| Salaried employees | 0 |
| | 0 |

The Executive Board of Vitesco Technologies Group Aktiengesellschaft comprised the following members:

Dr. Ulrike Schramm, tax consultant

Dr. Christian zur Nedden, lawyer

The Supervisory Board of Vitesco Technologies Group Aktiengesellschaft comprised the following members in 2020:

Ms. Cornelia Stiewing, employee
Head of Corporate Controlling Continental AG, Hanover

Mr. Johannes Suttmeyer, lawyer
Head of Law Corporate Matters, M&A, EMEA, APAC Continental AG, Hanover

Mr. Holger Siebenthaler, employee
Head of Corporate Accounting Continental AG, Hanover

The parent company is Continental AG, Hanover, which holds 100% of the company's shares. The share capital is divided into 20,000 no-par-value shares. The shares are registered shares.

The company is included in the consolidated financial statements of Continental AG, Hanover. The consolidated financial statements are published in the electronic German Federal Gazette (Bundesanzeiger).

There were no contingent liabilities pursuant to Section 251 HGB.

There were no other financial obligations.

## 6. Report on Relations with Affiliated Companies

The Executive Board issues the following declaration in accordance with Section 312 (3) of the German Stock Corporation Act (Aktiengesetz – AktG):

"We declare that the company received an appropriate consideration for each transaction and measure listed in this report on relations with affiliated companies from January 1 to December 31, 2020, under the circumstances known to us at the time the transactions were made or the measures taken or refrained from. To the extent the company suffered any detriment thereby, the company was granted the right to an appropriate compensation before the end of fiscal 2020. The company did not suffer any detriment because of taking or refraining from measures."

Hanover, February 26, 2021

Dr. Ulrike Schramm Dr. Christian zur Nedden

The following auditor's report, prepared in accordance with Section 322 of the German Commercial Code (Handelsgesetzbuch – HGB), refers to the complete unconsolidated annual financial statements, comprising balance sheet, statement of income and notes to the annual financial statements of Vitesco Technologies Group Aktiengesellschaft, Hanover, for the fiscal year from January 1 to December 31, 2020. The above-mentioned auditor's report and the financial statements are both translations of the respective original German-language documents.

## Independent Auditor's Report

To Vitesco Technologies Group Aktiengesellschaft, Hanover

### Opinion

We have audited the annual financial statements of Vitesco Technologies Group Aktiengesellschaft (until January 2, 2020: Vitesco Technologies EINS Aktiengesellschaft), Hanover – which comprise the balance sheet as at December 31, 2020, the statement of income for the fiscal year from January 1 to December 31, 2020 and the notes to the annual financial statements, including the presentation of accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to stock corporations and, in compliance with German principles of proper accounting, give a true and fair view of the assets, liabilities and financial position of the company as at December 31, 2020, and of its financial performance for the fiscal year from January 1 to December 31, 2020.

Pursuant to Section 322 (3) sentence 1 of the German Commercial Code (Handelsgesetzbuch – HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

### Basis for the opinion

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our auditor's report. We are independent of the company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements.

### Responsibilities of the Executive Board and the Supervisory Board for the annual financial statements

The Executive Board is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to stock corporations and for ensuring that the annual financial statements, in compliance with German principles of proper accounting, give a true and fair view of the assets, liabilities, financial position and financial performance of the company. In addition, the Executive Board is responsible for internal controls that, in compliance with German principles of proper accounting, it deems necessary, to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. It is also responsible for disclosing, as applicable, matters related to the going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there are factual or legal circumstances that prevent this.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements.

**Auditor's responsibilities for the audit of the annual financial statements**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the annual financial statements.

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of this system.
- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 annual financial statements or, if such disclosures are inadequate, to modify our opinion. 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 company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German principles of proper accounting.

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.

Hanover, March 1, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Modder<br>Wirtschaftsprüfer | Achterkamp<br>Wirtschaftsprüfer |

# 20. RECENT DEVELOPMENTS AND OUTLOOK

## 20.1 Recent developments

The shortages in the supply of semiconductors since 2020 have caused major disruptions to Vitesco Technologies' business activities. Since it started, the shortages have significantly reduced the number of vehicles Vitesco Technologies' customers can produce as well as the volume of finished products that Vitesco Technologies' can supply, negatively impacting Vitesco Technologies' revenue development, which is also expected to affect revenues in 2021 by a significant amount. Undersupply related to the shortages have also resulted in elevated costs, such as from inefficiencies in Vitesco Technologies' production activities, including additional logistic costs of a mid-double digit million euro amount in the first six months of 2021. Impacts on procurement activities have and will continue to be felt, including increasing prices for semiconductors or related components as well as more disadvantageous business framework conditions with semiconductor suppliers in the areas of payment terms, delivery terms and consignment contracts. With the shortages expected to continue for the remainder of 2021 as well as into 2022, such material adverse effects on profitability and cash flows are also expected to continue.

Despite all efforts to stabilize the supply of semiconductors, unfortunately, Vitesco Technologies has not been able to avoid requesting customers to adapt their production or adjust their product mix in specific cases. Vitesco Technologies is continuing to communicate with customers and suppliers with complete transparency in order to find mutually acceptable solutions to address the critical situation caused by the ongoing semiconductor shortage.

At present, Vitesco Technologies assumes that the semiconductor supply shortage will normalize within the mid-term time frame as it is expected that supply constraints in the semiconductor industry are resolved, production volumes at customers and at Vitesco Technologies recover and the currently elevated costs related to logistics and procurement return to normal levels.

With signing as per March 1, 2021, Vitesco Technologies sold its subsidiary Vitesco Technologies Faulquemont SAS, Faulquemont, France, and other assets to a Chinese automotive supplier. Vitesco Technologies Faulquemont SAS supplies three main types of SCR modules for commercial and off-highway vehicles which are considered by Vitesco Technologies as part of its Non-Core ICE Technologies. The sale of Vitesco Technologies Faulquemont SAS has been closed on August 31, 2021.

## 20.2 Outlook

From 2020 to 2025, global light vehicle production is expected to increase at a CAGR of 5.1% and amount to 95.5 million light vehicles (source: Roland Berger, Powertrain market). Vitesco Technologies' total addressable Electrification Solutions market reached €12.2 billion in 2020 and is expected to reach €48.3 billion in 2025 and €64.6 billion in 2030, growing at a CAGR of 32% between 2020 and 2025 and of 6% between 2025 and 2030. Regionally, Europe represents the largest addressable market with an estimated market size of €3.9 billion in 2020 and is expected to grow at a CAGR of 34% between 2020 and 2025 to reach €16.5 billion in 2025. The size of the addressable Electrification Solutions market in China was estimated at €3.4 billion in 2020 and is expected to grow at a CAGR of 39% between 2020 and 2025 to reach €17.8 billion in 2025 becoming the largest market by 2025. The size of the addressable market in North America was estimated at €2.3 billion in 2020 and is expected to grow at a CAGR of 24% between 2020 and 2025 to reach €6.7 billion in 2025, and in Asia excluding China was estimated at €2.6 billion in 2020 and is expected to grow at a CAGR of 21% between 2020 and 2025 to reach €6.7 billion in 2025. In the rest of the world the size of the addressable Electrification Solutions market was estimated at less than €0.1 billion in 2020 and is expected to grow at a CAGR of 58% between 2020 and 2025 to reach €0.5 billion in 2025. All estimates based on Roland Berger, Powertrain market.

Vitesco Technologies' addressable Combustion Solutions market is expected to recover until 2025 and then be followed by a period of downturn. The market is thereby estimated at €13.9 billion in 2020 and is expected to reach €16.1 billion in 2025 and €15.6 billion in 2030, growing at a CAGR of 3% between 2020 and 2025 and declining by a CAGR of 0.6% between 2025 and 2030. China represents the largest segment of the market, its size is estimated at €4.3 billion in 2020, the country is expected to grow at a CAGR of 3% between 2020 and 2025 to reach €4.9 billion. Europe is expected to reach €4.0 billion in 2035 growing at a CAGR of 1% between 2020 and 2025, with development affected by a regulatory focus on electrification. North America is expected to reach

€3.1 billion in 2025 growing at a CAGR of 3% between 2020 and 2025 from €2.6 billion in 2020. Asia, excluding China, is currently estimated at €2.8 billion and is expected to grow at a CAGR of 4% between 2020 and 2025 to reach €3.5 billion in 2025. In the rest of the world the market is expected to reach €0.8 billion in 2025 growing at a CAGR of 11% between 2020 and 2025 from €0.5 billion in 2020. Based on Roland Berger, Powertrain market, ~40% of all newly produced light vehicles will feature an electric propulsion system by 2025 globally and ~60% by 2030. However, ~90% of all new light vehicles will still feature an ICE (incl. stop/start and mild hybrids <48V) by 2025 globally, so hybrid vehicles will represent an important part of the market. All estimates based on Roland Berger, Powertrain market.

Vitesco Technologies' addressable CPV opportunity in 2025 for electrified powertrain types is expected to be significantly higher than that for ICE powertrain type in 2018 (source: Roland Berger, Powertrain market). According to Company estimates (based on expert studies prepared in cooperation with Vitesco Technologies; reflects the CPV opportunity for the portfolio offering in 2018), compared to the CPV opportunity for ICE in 2018, the addressable CPV opportunities for Vitesco Technologies (reflecting the CPV opportunity for the current portfolio offering) in 2025 are higher by around 2x, 3x and 5x, for MHEV, PHEV and BEV types, respectively. BEVs represent the largest CPV opportunity for the current portfolio offering of Vitesco Technologies in 2025 at approximately €2,400, followed by PHEVs at approximately €1,540 and MHEVs at approximately €820.

Against this background, Vitesco Technologies is targeting, in the medium term (i.e. within a horizon of three to five years), sales growth rates at a CAGR in the range of approximately 3.0% to 5.0% on a group level compared to sales in the fiscal year 2020. This sales growth target is expected to be driven by strong sales of Core Technologies with ET being expected to contribute a significant sales growth, targeting to reach more than €2 billion sales in the mid-term, and EC as well as S&A also providing for increased sales. Vitesco Technologies aims to generate more than 30 percent of its Core Technologies revenues with electrification products in the mid-term. Vitesco Technologies further expects that in 2030 the majority of its total revenues will be generated with electrification products. The above-mentioned sales growth is expected despite the phase-out or exit of Vitesco Technologies' Non-Core ICE Technologies, with around 1/3 of the Non-Core ICE Technologies planned to be phased out mid-term, as well as the phase-out of its Contract Manufacturing with the Continental Group which should be substantially completed in 2025, whereby in each case the phase-out timeline may vary depending on strategic decisions and customer demand.

Furthermore, it is Vitesco Technologies' goal to expand its adjusted EBIT margin (before consolidation, amortization of intangibles from PPA and special effects) in the medium term to approximately 7.0% to 9.0%. It is expected that the adjusted EBIT margin target will mainly be driven by Vitesco Technologies' Underlying Business, being the Core Technologies of the business units EC and S&A and the aim for the business unit ET turning profitable in the medium term with a breakeven for adjusted EBIT targeted in 2024. Furthermore, Vitesco Technologies is phasing out the Contract Manufacturing with the Continental Group, which is expected to be substantially completed by 2025. As profitability of sales in Contract Manufacturing is largely off-set on Group level due to the products that Vitesco Technologies purchases from the Continental Group in connection therewith, the phase out of the Contract Manufacturing with the Continental Group should also contribute to the adjusted EBIT margin. The same should hold true for the phasing out or exit of the Non-Core Technologies.

In addition, Vitesco Technologies aims for a capex ratio (capital expenditures excluding right of use assets in percentage of sales) of approximately 6.0% in the medium term as capex for Non-Core ICE Technologies is expected to decline further compared to the fiscal year 2020. As regards cash flows, Vitesco Technologies follows the mid-term target to achieve a free cash flow (calculated as operating cash flow plus investing cash flow) of more than €400 million in the medium term.

Building on its solid balance sheet, Vitesco Technologies' net debt to adjusted EBITDA goal is set at a ratio of net debt to adjusted EBITDA of below 1.0x in the medium term (not considering M&A transactions).[44]

[44] Net debt as per end of the fiscal year 2020 amounts to €-405.7 million, which includes long- and short-term indebtedness of €870.2 million (including financing with Continental Group), receivables from financing with Continental Group of €1,020.9 million (without positive fair value derivatives) and cash and cash equivalents of €255.0 million.

The Company's future dividend policy is to distribute between 15% and 30% of consolidated net income attributable to common shareholders in accordance with IFRS in a given fiscal year as dividends assuming that the payment of such dividends is consistent with long-term and sustainable business development. For these purposes, the percentage calculation may take into account certain exceptional non-cash effects within income. The Company's ability to pay dividends in the future will depend on the amount of distributable profits and is subject to the fulfilment of certain covenants/undertakings in its existing or future debt financings. It is currently not foreseen that a dividend may be paid for the fiscal years 2021 and 2022 and it is uncertain from what point in time a dividend payment will be proposed. For further information, please see "*5.2 Dividend Policy*".

All of the foregoing medium term financial ambitions and targets are based on the assumptions of constant exchange rate and market recovery post COVID-19 Pandemic effects on the global economic environment. The Roland Berger analysis (source: Roland Berger, Powertrain market) referred to in this section is based on IHS Markit data in October 2020. IHS Markit estimates of global light vehicle production for the period 2020-2025 as of July 2021 are mostly in line with previous the estimates in October 2020. Most notable mid-term improvement (up to 2025) include an increased outlook especially for Greater China, South Asia and North America, with only a slightly better outlook for Europe. The forecast for 2021 reflects the hit of the market by the semiconductor chip shortage, especially in Europe (decrease of 4.8%) and in North America (decrease of 8.0%), with improvements expected in 2022. The long-term perspective is slightly more optimistic across Europe, Greater China and North America. Given recent events and volatility in the markets, including due to the semiconductor shortage, Vitesco Technologies cannot exclude that the light vehicle production in 2021 and 2022 will materially differ from the forecasts of July 2021 (for more information on expectations of global light vehicle production and development of Vitesco Technologies' addressable markets please also see "*8 Markets and Competition*"). Moreover, over the last months the forecasted powertrain mix has accelerated towards higher battery electric and lower 48V electric vehicle shares versus the forecasted values used in the Roland Berger analysis (source: Roland Berger, Powertrain market). Mid-term these shifts are expected to be relatively moderate and could potentially become more substantial long-term.