

Continental's Supervisory Board Decides to Discontinue Tire Production in Aachen, Germany

- **Supervisory Board approves the Executive Board's decision to discontinue tire production at the Aachen site at the end of 2021**
- **Fiercely contested European market for passenger car tires has been stagnating since 2017**
- **Competitiveness of the European production network of Continental is herewith strengthened sustainably against the backdrop of structural overcapacities**
- **Continental aims to continue investing in Germany**

Hanover, September 30, 2020. At its meeting today, the Supervisory Board of Continental AG approved the expanded measures announced since the beginning of September 2020 as part of the "Transformation 2019-2029" program. The decisions taken today also set the course for a future-oriented and competitive positioning of the tire business, which has been confronted with steadily increasing overcapacities in Europe. In this context, the Supervisory Board approved the Executive Board's decision to discontinue production at the tire plant in Aachen, Germany, at the end of 2021. This decision will affect around 1,800 out of the about 2,000 jobs located there.

"The discontinuation of tire production in Aachen is a painful step for our affected employees. This was no easy decision for us. However, we do not see a trend reversal in the capacity utilization in the next five to ten years and anticipate unused capacity of around 15 million tires in Europe in the long term if we do not act now," said Philipp von Hirschheydt, Head of passenger and truck replacement tires business in Europe, Middle East and Africa at Continental, adding: "Only by consistently reducing structural overcapacities will we be able to succeed in remaining competitive in the long term in the highly competitive tire market."

Continental is now working with employee representatives on finding socially responsible solutions for the affected employees in Aachen. The company has also commenced initial exploratory talks with the government of the state of North Rhine-Westphalia and Aachen Council. The objective is to develop viable concepts for the re-use of the site.

The reason for the discontinuation of the tire production in Aachen is the declining capacity utilization levels at all Continental's European tire plants – in a market that will not grow in the foreseeable future. Continental is therefore adjusting existing overcapacities to the market demand and at the same time reducing the cost pressure that weighs on all European plants to cut costs.

For several years, the existing overcapacities have been leading to enormous financial burdens thus substantially reducing Continental's long-term competitiveness. With a production volume of eight million car tires per year, the tire plant in Aachen is the smallest and also the most cost-intensive site in the company's entire European production network.

Fiercely contested European market for passenger car tires has been stagnating since 2017

The automotive industry is undergoing unprecedented structural change. Since 2018, the number of cars being produced has been declining year after year. This change affects not least suppliers and, thus, Continental and its tire business. While demand is stagnating, new suppliers increase competition and price pressure on European manufacturers. The consequence is further increasing overcapacities – in a market that will not grow in the foreseeable future. These market changes – which have been accelerated by the COVID-19 pandemic – are exacerbating the situation.

Continental plans to continue investing in Germany

Over the past ten years, the business area Tires has invested more than one billion euros in Germany. In recent years, various state-of-the-art technology and research centers have been opened in Germany and existing production sites enhanced. Continental plans to continue investing in Germany.

In 2018, the company opened its “Taraxagum Lab Anklam” research laboratory in Anklam, Germany, where it conducts research into processing Russian dandelion as an alternative raw material source to the rubber tree in the tropics. Continental plans to use the raw material in mass production in the future.

In Korbach, Germany, the tire manufacturer has opened its “High Performance Technology Center” in 2016. Continental tests tire production processes and techniques for all tire plants worldwide producing high-tech tires for luxury sports cars.

At its location in Hanover-Stoecken, Germany, which is also home to the global research and development activities of the tire business of Continental, the tire manufacturer commissioned the “ContiLifeCycle plant”, which is unique worldwide, in 2013. With its integrated approach of hot retreading of truck and bus tires and a rubber recycling unit developed in-house, it is a trailblazer in the tire industry.

Continental develops pioneering technologies and services for sustainable and connected mobility of people and their goods. Founded in 1871, the technology company offers safe, efficient, intelligent, and affordable solutions for vehicles, machines, traffic and transportation. In 2019, Continental generated sales of €44.5 billion and currently employs more than 232,000 people in 59 countries and markets.

The Tires business area has 24 production and development locations worldwide. Continental is one of the leading tire manufacturers with more than 56,000 employees and posted sales of €11.7 billion in 2019 in this business area. Continental ranks among the technology leaders in tire production and offers a broad product range for passenger cars, commercial and special-purpose vehicles as well as two-wheelers. Through continuous investment in research and development, Continental makes a major contribution to safe, cost-effective and ecologically efficient mobility. The portfolio of the Tires business area includes services for the tire trade and fleet applications, as well as digital management systems for tires.

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