

# **2022 ANNUAL REPORT**



# VITESCO TECHNOLOGIES GROUP 2022

- > Sales at €9.1 billion
- > Free cash flow at €123.2 million
- > Equity ratio of 40.3% €%

## KEY FIGURES

€ million	2022	2021	Δ as a %
Sales	9,070.0	8,348.5	8.6
EBITDA	703.3	523.9	34.2
as % of sales	7.8	6.3	
EBIT	143.3	39.5	262.8
as % of sales	1.6	0.5	
Net income	23.6	-122.0	119.3
Basic earnings per share in €	0.59	-3.05	
Diluted earnings per share in €	0.59	-3.05	
Adjusted sales <sup>1</sup>	9,070.0	8,305.2	9.2
Adjusted operating result (adjusted EBIT) <sup>2</sup>	222.9	148.5	50.1
as % of adjusted sales	2.5	1.8	
Free cash flow	123.2	113.3	8.7
Net liquidity	333.4	345.1	-3.4
Gearing ratio as a %	-10.9	-12.8	
Total equity	3,061.7	2,688.3	13.9
Equity ratio as a %	40.3	36.3	
Number of employees as at December 31 <sup>3</sup>	38,043	37,488	1.5
Dividend per share in € <sup>4</sup>	–	–	
Share price at year-end <sup>5</sup> in €	54.25	43.20	
Share price at year high <sup>5</sup> in €	59.50	66.88	
Share price at year low <sup>5</sup> in €	25.65	37.50	

1) Adjusted for changes in the scope of consolidation.

2) Adjusted for amortization of intangible assets from purchase price allocation, changes in the scope of consolidation, and special topics.

3) Excluding apprentices/trainees.

4) Subject to approval at the Annual General Meeting on May 17, 2023.

5) Vitesco Technologies stock as quoted in the Deutsche Börse AG XETRA system.

## OVERVIEW OF THE VITESCO GROUP AND KEY FIGURES FOR 2022

### Vitesco Technologies Group

Sales: €9,070.0 million; employees: 38,043			
Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing
Sales: €691.9 million Employees: 4,811	Sales: €3,930.7 million Employees: 15,224	Sales: €3,474.1 million Employees: 15,641	Sales: €1,053.4 million Employees: 2,311
<ul style="list-style-type: none"> <li>&gt; High-Voltage Electronics</li> <li>&gt; High-Voltage Drive</li> <li>&gt; Mild Hybrid Drive</li> <li>&gt; Battery</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Drivetrain</li> <li>&gt; Electronics</li> <li>&gt; Hydraulics</li> <li>&gt; Nonautomotive</li> <li>&gt; Turbocharger</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Exhaust &amp; Emission Sensors</li> <li>&gt; Transmission &amp; Engine Sensors</li> <li>&gt; Actuators</li> <li>&gt; Fluid Control Systems</li> <li>&gt; Catalysts &amp; Filters</li> <li>&gt; Aftermarket</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Contract manufacturing for the Continental Group</li> </ul>

## KEY FIGURES FOR BUSINESS UNITS

€ million	Electrification Technology			Electronic Controls			Sensing & Actuation			Contract Manufacturing		
	2022	2021	Δ as a %	2022	2021	Δ as a %	2022	2021	Δ as a %	2022	2021	Δ as a %
Sales	691.9	587.1	17.9	3,930.7	3,535.9	11.2	3,474.1	3,217.2	8.0	1,053.4	1,050.0	0.3
EBITDA	-202.3	-266.2	24.0	394.6	339.4	16.3	504.1	422.9	19.2	57.2	158.5	-63.9
as % of sales	-29.2	-45.3		10.0	9.6		14.5	13.1		5.4	15.1	
EBIT	-270.3	-233.7	-15.7	128.9	63.8	102.0	321.4	236.5	35.9	13.7	103.7	-86.8
as % of sales	-39.1	-39.8		3.3	1.8		9.3	7.4		1.3	9.9	
Adjusted sales <sup>1</sup>	691.9	587.1	17.9	3,930.7	3,511.3	11.9	3,474.1	3,198.5	8.6	1,053.4	1,050.0	0.3
Adjusted operating result (adjusted EBIT) <sup>2</sup>	-257.7	-273.0	5.6	166.2	119.1	39.5	328.0	267.2	22.8	13.8	42.7	-67.7
as % of adjusted sales	-37.2	-46.5		4.2	3.4		9.4	8.4		1.3	4.1	

1) Adjusted for changes in the scope of consolidation.

2) Adjusted for amortization of intangible assets from purchase price allocation, changes in the scope of consolidation, and special topics.

To simplify the language and enhance readability, the masculine grammatical form is used in this report. It includes all genders.



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# LETTER FROM THE CEO

Dear Shareholder,

Today, we take a look back at 2022. At the beginning of the year, nobody could have guessed that 2022 would represent such a pivotal turning point in our history. On top of the well-known extraordinary adversities of the past years, new challenges have emerged – in particular, through sharp rises in procurement, energy, and logistics costs. And yet thanks to our dedicated employees, we have brought this year to a successful conclusion. For this I would like to thank our employees on behalf of the entire Executive Board and praise the passion and pioneering spirit with which they pursue and bring to life to our mission. “Powering Clean Mobility.”

For you, our esteemed shareholders, I wish to present this annual report for 2022, our first full fiscal year as a listed Company.

We published our first sustainability report on March 29, 2022, and clearly set out our focus areas for sustainability: clean mobility, climate protection, resource efficiency, fair working conditions and diversity, and responsible procurement and partnerships. It was a particular pleasure to be able to welcome you to our first Annual General Meeting on May 5, 2022, which was held as a virtual event due to COVID-19 safeguarding measures. On May 31, 2022, we were able to announce our strategic partnership with Infineon for silicon carbide chips, and on July 12 we signed a cooperation agreement with the Renault Group for the development of power electronics for electric and hybrid drive systems. At our 2022 Capital Market Day event on October 11, we presented to you, our shareholders, our current strategy and forecast business development for the period through to 2030. We are focusing consistently on climate-friendly and future-proof drive systems. We have already invested intensively in futuristic technologies for electric vehicles in recent years. In 2026 we will generate five billion euros in sales with electrification products, while in 2030 this figure will be between ten and twelve billion euros.

For all its challenges, the 2022 fiscal year showed us that we have given ourselves the right, future-proof foundation through our strategy.

We believe firmly that we will be a market leader thanks to our excellent market position and high level of innovation. Our high order intake for electrification products provides us with certainty, after having received electrification orders worth €10.4 billion in 2022.

As part of our strategic objectives, we implemented a new organizational structure with effect from January 1, 2023. Starting from this date, Vitesco Technologies has been underpinned by two divisions: “Powertrain Solutions” and “Electrification Solutions.” With this structural adjustment, we want to intensify our strategic focus on drive system electrification further. The reorganization comes with a clear focus on, firstly, growth and, secondly, adding value, which also creates a more transparent structure, enables even better utilization of resources for persistent, accelerating change, and takes into account the Company’s Sustainability Agenda.

The year 2023 will without doubt keep posing challenges and we will respond to them with determination and a focus on solutions, through close exchange with our partners, suppliers, and customers. Mutual trust and consistent values are the bedrock of our shared success. Thank you greatly for your trust.

Yours sincerely,

Andreas Wolf  
Chief Executive Officer

# MEMBERS OF THE EXECUTIVE BOARD



(Left to right: Thomas Stierle, Klaus Hau, Ingo Holstein, Andreas Wolf, Werner Volz)

## **Andreas Wolf, Chief Executive Officer**

Born in 1960 in Nordhorn, Germany  
Business Development & Strategy, Purchasing & Supplier  
Quality Management, Engineering, Information Technology,  
Communications, Operations, Quality & Environment,  
Semiconductor Supply, Technical Compliance Management,  
Technology & Innovation, Sales  
Appointed until September 30, 2024

## **Werner Volz, Chief Financial Officer**

Born in 1958 in Steinberg (Staig), Germany  
Group Finance and Controlling,  
Group Compliance, Law, and Intellectual Property,  
Head of Contract Manufacturing  
Appointed until September 30, 2024

## **Ingo Holstein, Chief Human Resources Officer**

Born in 1966 in Hanover, Germany  
Group Human Relations, Director of Labor Relations,  
Group Sustainability  
Appointed until September 30, 2024

## **Klaus Hau, Executive Board member**

Born in 1964 in Würzburg, Germany  
Head of Sensing & Actuation  
Appointed until September 30, 2024

## **Thomas Stierle, Executive Board member**

Born in 1969 in Leipzig, Germany  
Head of Electrification Technology and Electronic Controls  
Appointed until September 30, 2024

# VITESCO TECHNOLOGIES SHARES

## FIRST FULL FISCAL YEAR FOR VITESCO TECHNOLOGIES GROUP AG SUCCESSFULLY CONCLUDED

The 2022 fiscal year will go down as a milestone in the history of the Vitesco Technologies Group (hereafter referred to as Vitesco Technologies). It marked the first full year of stock market independence since the spin-off on September 16, 2021.

The share price's development during the 2022 fiscal year was characterized by relatively high volatility, which was attributable in particular to the initial change in the shareholder structure. Several institutional investors, especially passive index funds, were forced to sell of their shares in Vitesco Technologies due to their investment specifications.

The orders for high-voltage inverters at the start of the year helped the Vitesco Technologies share price to stabilize at about the €50.00 mark, although it then saw its low for the year of €25.65 in Q1 2022, too. This was primarily attributable to the Russian troops' invasion of Ukraine in February. Moreover, the sharp rises in procurement, energy, and logistics costs affected the entire automotive sector. In addition, the interest rate policies adopted by central banks due to rising inflation caused further uncertainty in the capital markets.

After reaching a market trough, Vitesco Technologies' share recorded gains at about the time the figures for the 2021 fiscal year and the Q1 figures for the 2022 fiscal year were published, showing a lasting recovery of the price.

As the year progressed, confidence in our share was boosted with the announcement that the Schaeffler family was increasing its stake through its holding company IHO by acquiring 1.586 million shares by December 30, 2022. Thanks to the backing of this major shareholder, Vitesco Technologies' share was able to make up further ground and reach a level of around €55.00. Further impetus for the positive share price development was provided by the presentations and speeches on our Capital Market Day for the 2022 fiscal year, which was held on October 11, 2022. After closing the last day of trade for the 2022 stock market year at €54.25, the share was quoted at roughly 20% above the closing price for the 2021 stock market year.

The development of the SDAX throughout the year was a different story. After initially performing similarly to each other through to late April, Vitesco Technologies' share was eventually able to outperform the SDAX. The SDAX remained under pressure by interest rate rises and fears of a recession, resulting in negative performance. It closed the year at 11,925.70 points as at December 30, 2022. Having opened at 16,484.41 points on January 3, 2022, this corresponds to a drop of 27.7%.

## SHARE PRICE OF VITESCO TECHNOLOGIES IN 2022 COMPARED TO SELECTED INDEXES



The STOXX Europe 600 Automobiles & Parts index performed similarly to the SDAX between the start and end of 2022. The sharp fall from the opening price of 660.30 points on January 3, 2022 to less than 500 points can be traced back to the Russian invasion of Ukraine. The dominating issues of the automotive industry in 2022 – the struggles of manufacturers and suppliers to deliver goods due to the global chip shortage, increased energy and logistics prices, and the local lockdowns in China – all had their impacts on performance. With the expectation of progressively increasing chip availability and the relaxation of lockdown policies in China, the STOXX Europe 600 Automobiles & Parts was able to rebound to the 500 point mark by the end of the year.

Operational improvements and passing on of additional costs to customers led to positive earnings per share

For the 2022 fiscal year, consolidated earnings amounted to €23.6 million (previous year: -€122.0 million). In addition to operational improvements, the main reason for this positive development was the successful passing on of additional costs, particularly in the domain of materials procurement. This and the increasing optimization of the taxes paid by companies within the Group were the main reasons why the Group's earnings per share increased to €0.59 (previous year: -€3.05).

## Distribution of retained earnings for fiscal 2022

A resolution for appropriating profits will not be required at the 2023 Annual General Meeting as the annual financial statements for Vitesco Technologies Group AG recognize retained earnings of €0.00. There will not be a motion proposing a dividend for the 2022 fiscal year at the Annual General Meeting on May 17, 2023. A dividend was not paid for the 2021 fiscal year as Vitesco Technologies had also recognized retained earnings of €0.00 for the 2021 fiscal year.

## Free float at 45.1% at year-end

The Group's free float, as defined by Deutsche Börse AG, Frankfurt was at 45.1% at year-end 2022 after initially running up to 54.0% with the initial listing on September 16. The most recent change occurred through IHO Holding during the month of August after an announcement was made on July 4, 2022, that IHO Holding was going to increase its stake by up to 1.586 million shares by December 30, 2022. The conclusion of the transaction increased the total share of voting rights held by IHO companies to 49.9%. ASW Privatstiftung has held an unchanged share of 5% since December 3, 2021. Ever since it crossed the 5% threshold, ASW Privatstiftung is considered a major shareholder of Vitesco Technologies as per the Deutsche Börse AG definition. Its common-stock holding is therefore not classified as free float.

Vitesco Technologies' market capitalization was €2,171 million at the end of the 2022 stock market year. Accordingly, the free-float market cap at year-end was €979 million. An average of roughly 89,170 shares were traded on XETRA per day of trading during the 2022 fiscal year, equivalent to about 0.2% of the shares outstanding. Among the 70 SDAX stocks, Vitesco Technologies' was ranked 10th by free-float market cap at year-end 2022.

## Largest free float holdings in the UK and US

Vitesco Technologies identified the regional distribution of its free float owners at year-end by analyzing the shareholder list. Of the free float of 18.0 million shares, 12.2 million of them held in the form of shares or alternatively as American depositary receipts (ADRs) in the US were able to be matched with the 50 largest shareholders.

The stakes held by shareholders from the UK and Ireland, as calculated based on the shareholder list, accounted for 12.3% of the total share. Shareholders originating from the US were deemed to hold 9.8%, whereas the proportion of shareholders from Germany was 2.5%, followed by Norway (1.8%) and Italy (1.6%).

The 49.9% interest held by the IHO Group and the 5.0% interest of ASW Privatstiftung are not considered part of the free float.

## VITESCO TECHNOLOGIES STOCK DATA

Type of share	Registered no-par-value shares
German stock exchange (regulated market)	Frankfurt (Prime Standard)
German securities code number (WKN)	VTSC01
ISIN	DE000VTSC017
Reuters ticker symbol	VTSCn.DE
Bloomberg ticker symbol	VTSC:GR
Index membership	SDAX
Outstanding shares as at December 31, 2022	40,021,196
Free float as at December 31, 2022	45.1%

### Subscribed capital of €100.1 million

Vitesco Technologies Group AG had subscribed capital of €100,052,990.00 at the end of the 2022 fiscal year. It is divided into 40,021,196 no-par-value registered shares with a notional value of €2.50 per share. Each share has the same dividend entitlement.

In line with Article 20 of the Vitesco Technologies Group AG Articles of Incorporation, each share grants one vote at the Annual General Meeting. The current Articles of Incorporation are available on the Internet at [ir.vitesco-technologies.com](http://ir.vitesco-technologies.com) under Corporate Governance.

### Vitesco Technologies stock quotation

Vitesco Technologies' stock is listed on the Regulated Market of the Frankfurt Stock Exchange, operated by Deutsche Börse. It is also traded on other unofficial stock exchanges in Germany and in other countries around the world.

### Vitesco Technologies American depositary receipt (ADR) quotation

In addition to being listed on the Frankfurt Stock Exchange, Vitesco Technologies' share is traded in the US as part of a sponsored ADR program on the over-the-counter (OTC) market. It has not been admitted to a US stock exchange. Five American depositary receipts are equivalent to one Vitesco Technologies share.

## VITESCO TECHNOLOGIES AMERICAN DEPOSITARY RECEIPT (ADR) DATA

Ratio	1 share: 5 ADRs
CUSIP number	92853L108
ISIN	US92853L1089
Bloomberg ticker symbol	VTSCY
ADR level	Level 1
Trading	Over the counter (OTC)
Depository bank	Deutsche Bank Trust Company Americas

## Vitesco Technologies Investor Relations online

Further information about Vitesco Technologies' stock is available on the Internet at [ir.vitesco-technologies.com](http://ir.vitesco-technologies.com).

KEY FIGURES FOR VITESCO TECHNOLOGIES' SHARE<sup>1</sup>

€ (unless otherwise specified)	2022	2021
Basic earnings per share	0.59	-3.05
Diluted earnings per share	0.59	-3.05
Dividend per share	0.00 <sup>2</sup>	n.a.
Dividend payout ratio (%)	0	n.a.
Dividend yield <sup>3</sup>	0 <sup>2</sup>	n.a.
Price-earnings ratio (P/E ratio) <sup>4</sup>	91.95	n.a.
Share price at year-end	54.25	43.20
Annual average share price	46.16	48.28
Share price at year high	59.50	66.88
Share price at year low	25.65	37.50
Number of outstanding shares, average (in millions)	40.02	40.02
Number of outstanding shares as at December 31 (in millions)	40.02	40.02

1) All market prices are quotations for Vitesco Technologies' stock as provided in the Deutsche Börse AG XETRA system.

2) Subject to approval at the Annual General Meeting on May 17, 2023.

3) Dividend per share at year-end price.

4) Closing price at the end of the given fiscal year.



# CORPORATE GOVERNANCE

## REPORT OF THE SUPERVISORY BOARD

Dear Shareholder,

The Supervisory Board comprehensively discharged all duties incumbent upon it under applicable laws and the Company's Articles of Incorporation and bylaws during the reporting period. We closely oversaw, carefully monitored, and advised the Executive Board on matters relating to the management of the Company. We have satisfied ourselves of the legality, propriety, and suitability of this management. We were directly involved in a timely manner in all decisions of fundamental importance to the Company.

The Executive Board provided the Supervisory Board with regular, timely, and comprehensive updates at its meetings and in writing on all issues of relevance to the Company. In particular, these issues include business performance, planning, business strategy, significant business transactions for the Company and the Group, risks and opportunities associated with these transactions, and compliance issues. The members of the Supervisory Board were also available to the Executive Board for consultation outside the meetings. As Chairman of the Supervisory Board, I had regular contact with the Executive Board and the Chief Executive Officer in particular, and regularly discussed with them current Company issues and developments.

The Supervisory Board conferred regularly during the 2022 reporting period and held a total of six meetings in 2022. Of these meetings, four were held face to face with the option of participating virtually and two as videoconferences. For the meetings held by videoconference, the attendees connected through a secure online communication platform, could follow the presentations on screen, and contribute to the discussions at any time. At its meetings, the Supervisory Board usually also had discussions without the Executive Board being present. The meeting on May 5 involved the election of a Chairman for the Supervisory Board and members representing shareholders and, if required, chairpersons for the Conciliation Committee under MitbestG § 27(3), Chairman's Committee, Audit Committee, Nomination Committee, Related Party Transaction Committee, Technology Committee, and Ad Hoc Emissions Committee. All committees report to the full Supervisory Board on a regular basis. The corporate governance statement in the chapter of the same name describes their duties in more detail and names their members.

All members of the Supervisory Board participated in all meetings during the 2022 fiscal year, except for Ms. Kirsten Vörkel who was prevented from attending the meetings on September 6 and December 9, 2022. An overview of the attendance at the committee meetings can be found in the section describing the key issues for the individual committees. A detailed record of each Supervisory Board member's meeting attendance is published under "Corporate Governance" in the "Investors" section of the Company's website with the invitation to the Annual General Meeting.

### Key topics covered by the Supervisory Board

The Executive Board informed the Supervisory Board in detail of the development of sales, earnings, and employment within the Group and individual business units and of the financial situation of the Company. The Executive Board provided detailed explanations if actual business performance varied from the defined plans and targets. It held in-depth discussions with the Supervisory Board regarding the reasons for these variances and the measures initiated. Moreover, the Executive Board provided regular information about the situation in the Group's key commodity and sales markets, particularly in



regard to the constrained supply of chips and the war in Ukraine, and about the development of the Vitesco Technologies Group AG share price. The Supervisory Board was also kept regularly informed of the current status of the district attorneys' investigations in Frankfurt am Main and Hanover in connection with allegations of using illegal defeat devices.

The first Supervisory Board meeting for the 2022 fiscal year was held on March 22, 2022. The issues addressed included the determination of achievement of the variable remuneration targets and definition of the remuneration system for Executive Board members.

Additionally, the Supervisory Board discussed and approved the annual financial statements of Vitesco Technologies Group AG as at December 31, 2021, and the consolidated financial statements as at December 31, 2021, each as compiled by the Executive Board and audited by KPMG AG Wirtschaftsprüfungsgesellschaft ("KPMG AG"), as well as the combined management report of Vitesco Technologies Group AG and the Group, including the corporate governance statement.

Furthermore, the Supervisory Board finalized the Supervisory Board's report for the Annual General Meeting, passed a resolution approving the remuneration report, and corroborated the auditor's findings regarding the dependent company report without raising objections. The Supervisory Board also approved the agenda for the Annual General Meeting and the manner for holding it, and voted to disseminate the proposed resolutions that had been drafted for it.

Additionally, the Supervisory Board proposed at the Annual General Meeting to elect KPMG AG as the auditor of the annual and consolidated financial statements for the 2022 fiscal year and as auditor for the auditor's review of the half-year financial report as at June 30, 2022, and to appoint KPMG AG as auditor for any auditor's review of interim financial reports in the 2022 fiscal year that may need to be carried out.

Lastly, the Supervisory Board agreed to the plans of the Vitesco Technologies Group to concentrate its four business units – Electronic Controls, Electrification Technology, Sensing & Actuation, and Contract Manufacturing – into two newly organized units: the future Powertrain Solutions and Electrification Solutions divisions.

At its first meeting on May 5, 2022, following the Annual General Meeting, Prof. Siegfried Wolf was reelected as Chairman of the Supervisory Board. The Supervisory Board also elected the shareholder representatives that had been reelected at the Annual General Meeting as members of its respective committees. Committee chairpersons were designated where necessary, too.

Due to the particularly heavy time burden placed on members of the Ad Hoc Emissions Committee, the Supervisory Board decided to grant to the members remuneration in accordance with Article 15(2) of the Articles of Incorporation. A further key topic at the Supervisory Board meeting was the presentation of a concept for the Nuremberg site's future. The aim behind it is to improve competitiveness, to enable the industrialization and ramp-up of new product generations at the Nuremberg site, and ensure a stable level of sales for the years 2025 to 2030. The Nuremberg site is intended to become a center of expertise for electrification and electric vehicles as well as a global partner within the Vitesco Technologies Group, sharing its experience and process expertise with other sites.

The concept for the future of the Nuremberg site was in turn the subject of discussion for the Supervisory Board at its ad hoc meetings on August 5 and September 6, 2022. At the meeting on August 5, 2022, the Supervisory Board also voted to take out new D&O insurance for the Executive Board. On September 6, 2022, the Supervisory Board approved the concept for the future of the Nuremberg production site, including the reduction of staffing numbers.

The Supervisory Board held its strategy meeting on September 29 and 30, 2022. The strategic fields of action of the future divisions and the current status of transformation and Direction 2030 were presented at this meeting. Moreover, the current status of the sale of the catalyst and exhaust filter business was presented and discussed on September 30, 2022.

Afterward, the Supervisory Board approved further sales negotiations and authorized the Executive Board to sell the entire catalyst and exhaust filter business. Finally, the Supervisory Board voted to perform a self-assessment based on a questionnaire following the passage of one full year in the Supervisory Board's work.

At its meeting on December 9, 2022, the Supervisory Board focused in particular on the 2023 annual plan, the long-term planning for 2024 to 2027, and capital expenditure and investment planned for 2023. With regard to the Executive Board's remuneration, there were also resolutions defining the short-term incentive (STI) for 2023 and the long-term incentive (LTI) for 2023-26. With regard to the latest specifications of the German Corporate Governance Code, the Supervisory Board has added sustainability-related questions that are relevant for the Company to its profile of skills and expertise. Furthermore, the Supervisory Board conducted a self-assessment of the effectiveness of its discharging of its duties and of the discharging of its committees' duties following the first full year of the board's work. At its meeting on December 9, 2022, the Supervisory Board tasked a working group consisting of one shareholder representative and one workforce representative to analyze and develop proposals for improving the work done by the Supervisory Board. The Supervisory Board ultimately approved the new plan for distributing the Executive Board's business that took effect on January 1, 2023.

The members of the Supervisory Board have personal responsibility for the professional development and further training required for their duties, for example on changes to the legal environment and on new, Company-specific issues, and receive support from the Company for this. The members of the Supervisory Board are kept regularly informed of organizational changes at Vitesco Technologies Group AG. Professional development was conducted for workforce members during the 2022 reporting period. This professional development included training on the Audit Committee's duties and Company-specific training on controlling and accounting.



Prof. Siegfried Wolf

### Key issues for Supervisory Board committees

A total of 26 committee meetings were held during the 2022 fiscal year. Of these meetings, 9 were held face to face with the option of participating virtually and 17 as videoconferences.

#### Chairman's Committee

The Chairman's Committee met a total of five times during the 2022 fiscal year and all its members attended all these meetings. Within the framework of competencies allocated to it by the Supervisory Board bylaws, the committee prepared resolutions for the full board and gave recommendations, for example on the remuneration of the Executive Board members, on the approval of D&O insurance, and on remuneration for members of the Ad Hoc Emissions Committee.

#### Audit Committee

The Audit Committee met six times over the last year, with all its members attending the Audit Committee's meetings. The Executive Board reported to the Audit Committee continuously and in detail on the development of sales, earnings, and employment within the Group and individual business units and on the financial situation of the Company. The Executive Board was assisted by the Head of General Accounting and Head of Central Controlling & Reporting, who were able to provide the Audit Committee with information directly at its meetings. In addition, the Chairwoman of the Audit Committee maintained regular contact with the Chief Financial Officer and the auditor outside the meetings.

Other key issues were the preparation of the Supervisory Board's decisions in relation to the 2021 separate and consolidated financial statements, the non-financial statements, and the remuneration report, the last of which was published as part of the annual report for the first time in 2021 and approved by the shareholders of Vitesco Technologies Group AG at its first public Annual General Meeting.

Moreover, the Audit Committee discussed the work performed by the Compliance department and Internal Audit as well as the reporting about material risks. This includes in particular the matters described in more detail in the risk and opportunity report and in the notes to the consolidated financial statements. The Head of Compliance & Antitrust and Head of Internal Audit were also available to provide information directly to the Audit Committee and its Chairwoman in coordination with the Executive Board. Likewise, the Head of Tax and Head of Technical Compliance held presentations for the Audit Committee. In accordance with the specifications of the new German Corporate Governance Code, the topics surrounding sustainability also formed part of the reporting within the Audit Committee.

The Chairwoman of the Audit Committee shared key information as part of her regular reporting to the full Supervisory Board. In addition, the Executive Board reported to the Audit Committee on the material risks identified through the risk management system and the corresponding measures decided on. The Audit Committee has satisfied itself of the effectiveness of the internal control system, the risk management system, and the internal audit system.

Other topics to be emphasized include the intention to sell the catalyst and exhaust filter business and the reissue of an €800 million syndicated bank loan, which the Audit Committee approved.

On November 21, 2022, the Chairwoman of the Audit Committee awarded KPMG AG, the auditor chosen at the Annual General Meeting, the mandate to audit the annual and consolidated financial statements for 2022 as well as the dependent company report.

At its meeting on November 10, 2022, the Audit Committee discussed, among other things, the current business development as at the end of the preceding quarter and the outlook for the overall year with the Executive Board. In the

same meeting, the Audit Committee also spoke about the “key audit matters” with the auditor and approved the contracting of KPMG AG for the substantive testing of the remuneration report for the 2022 fiscal year.

#### Conciliation Committee

The Conciliation Committee did not need to meet during the fiscal year.

#### Nomination Committee

The Nomination Committee met once during the 2022 reporting period. All its members attended this meeting, where the shareholder representatives to be proposed for the Supervisory Board were selected for the forthcoming election at the 2022 Annual General Meeting. The candidates were evaluated based on the Supervisory Board’s profile of skills and expertise.

#### Related Party Transaction Committee

The Related Party Transaction Committee did not need to meet during the fiscal year.

#### Technology Committee

The Technology Committee met twice during the 2022 fiscal year. The committee focused on the electrification market and Vitesco Technologies’ strategic alignment in this field. In addition, it examined the existing product portfolio in connection with the market developments expected in the automotive sector. Further topics for the Technology Committee included the strategies for digital transformation and products; cybersecurity, and the IP strategy.

All committee members attended the Technology Committee’s meetings.

#### Ad Hoc Emissions Committee

The newly formed Ad Hoc Emissions Committee met a total of twelve times. All members, except for Ms. Hartmetz and Ms. Vörkel, attended all the committee’s meetings. Ms. Hartmetz was prevented from attending one meeting, while Ms. Vörkel was prevented from attending six. The general counsel and external legal counsel gave regular and comprehensive information to the committee on the current status of the district attorneys’ investigations in Frankfurt am Main and Hanover in connection with allegations of using illegal defeat devices.

#### Supervisory Board Member Attendance at Meetings of Supervisory Board and Committees

The following is an overview of the Supervisory Board members’ attendance at meetings:

Name	Supervisory Board meetings			Committee meetings		
	Attendance	Meetings	% Attendance	Attendance	Meetings	% Attendance
Prof. Siegfried Wolf	6	6	100	18	18	100
Prof. Hans-Jörg Bullinger	6	6	100	2	2	100
Manfred Eibeck	6	6	100	5	5	100
Susanne Heckelsberger	6	6	100	19	19	100
Joachim Hirsch	6	6	100	14	14	100
Prof. Sabina Jeschke	6	6	100	2	2	100
Klaus Rosenfeld	6	6	100	7	7	100
Georg F. W. Schaeffler	6	6	100	14	14	100
Carsten Bruns	6	6	100	2	2	100
Lothar Galli	6	6	100	6	6	100
Yvonne Hartmetz	6	6	100	19	20	95
Michael Köppl	6	6	100	8	8	100
Erwin Löffler	6	6	100	5	5	100
Ralf Schamel	6	6	100	19	19	100
Kirsten Vörkel	4	6	66.7	11	17	64.7
Anne Zeumer	6	6	100	0	0	./.

## Corporate governance

At its meeting in December 2022, the Supervisory Board agreed to a statement in accordance with AktG § 161 on the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex). The statement is based on the new version of the code published on April 28, 2022. In accordance with the new recommendations under the code, the Supervisory Board has broadened the Supervisory Board's profile of skills and expertise to include sustainability-related factors that are material for the Company. There were no conflicts of interest for members of the Supervisory Board during the reporting period. In its opinion, the Supervisory Board also had at all times in the reporting period an appropriate number of independent members, especially on the shareholder side, as per the definition in the code. Further information about this and about corporate governance in general can be found in the Corporate Governance Statement chapter.

## Annual and consolidated financial statements; Group's combined non-financial statement for 2022

KPMG AG audited the annual financial statements as at December 31, 2022, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*, HGB); the 2022 consolidated financial statements, and the combined management report for the Company and the Group, including the accounts, the accounting-related internal control system, and the system for early risk recognition. The 2022 consolidated financial statements of Vitesco Technologies Group AG were prepared in accordance with the International Financial Reporting Standards (IFRS). The auditor issued unqualified opinions. In terms of the system for early risk recognition, the auditor found that the Executive Board had taken the necessary measures under AktG § 91(2) and that the Company's system for early risk recognition is suitable for identifying developments at an early stage that pose a risk to the Company as a going concern. In addition, KPMG AG audited the Executive Board's report on relations with affiliated companies pursuant to AktG § 312 (dependent company report). KPMG AG issued the following unqualified opinion on this report in accordance with AktG § 313(3):

- > The actual information included in the report is correct.
- > With respect to the transactions listed in the report, payments by the Company were not unduly high and detrimental effects had been compensated for.
- > There are no circumstances justifying a significantly different assessment than that made by the Executive Board in regard to the measures listed in the report.

The Audit Committee discussed the documents relating to the annual financial statements, including the dependent company report, and the auditor's reports with the Executive Board and the auditor on March 9, 2023. Furthermore, the full Supervisory Board discussed them at length at its meeting to approve the annual financial statements on March 21, 2023. The discussions also concerned the combined non-financial statement for the Vitesco Technologies Group and Vitesco Technologies Group AG according to HGB § 289b/§ 315b. The required documents were distributed to all members of the Audit Committee and the Supervisory Board in good time before these meetings so that the members had sufficient opportunity to review them. The auditor was present at these discussions. The auditor reported on the main results of the audits and was available to provide additional information to the Audit Committee and the Supervisory Board. Based on its own review of the annual financial statements, the consolidated financial statements, the combined management report of Vitesco Technologies Group AG and of the Group, as well as the dependent company report including the final declaration of the Executive Board, and based on the report and the recommendation of the Audit Committee, the Supervisory Board concurred with the results of the auditor's audit. There were no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements and therefore adopted the annual financial statements. KPMG AG issued an unqualified opinion for the Group's combined non-financial statement. Based on the Supervisory Board's own review, the Audit Committee's report with its preliminary examination and recommendation, and KPMG AG's audit and unqualified opinion on the Group's combined non-financial statement, the Supervisory Board finds that the Group's combined non-financial statement is correct and appropriate and was prepared in accordance with HGB §§ 315b and 315c in conjunction with §§ 289c through 289e.

A resolution for appropriating profits will not be required at the 2023 Annual General Meeting as the annual financial statements for Vitesco Technologies Group AG recognize retained earnings of €0.00. For this reason, there will not be a motion proposing a dividend for the 2022 fiscal year at the Annual General Meeting on May 17, 2023.

#### Personnel changes on the Supervisory Board and Executive Board

There were no changes in personnel on either the Supervisory or Executive Boards during the 2022 reporting period. All previous shareholder representatives were reelected at the Annual General Meeting on May 5, 2022.

More details about the members of the Supervisory Board and Supervisory Board committees who held positions during the reporting period can be found in the chapters Members of the Executive Board and Their Positions and Members of the Supervisory Board and Their Positions.

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

Regensburg, March 21, 2023

For the Supervisory Board

Yours sincerely,

Prof. Siegfried Wolf

## CORPORATE GOVERNANCE STATEMENT PURSUANT TO HGB § 289F

### THE ACTIONS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD ARE BASED ON RESPONSIBLE CORPORATE GOVERNANCE

The basis of the actions of the Vitesco Technologies Group AG Executive and Supervisory Boards is responsible corporate governance that seeks to create value sustainably and meet the interests of all stakeholder groups connected to the Company. The following report presents the corporate governance at Vitesco Technologies.

### AktG § 161 Statement and Deviations from the German Corporate Governance Code

The Executive and Supervisory Boards made the following annual statement pursuant to AktG § 161 in December 2022:

“In accordance with AktG § 161, the Executive and Supervisory Boards of Vitesco Technologies Group AG must state each year that the recommendations of the German Corporate Governance Code Commission, as published in the official section of the Federal Gazette by the Federal Ministry of Justice and Consumer Protection, have been and are being met, or which recommendations were or are not practiced and why they were/are not.

The Executive Board and Supervisory Board of Vitesco Technologies Group AG hereby state in accordance with AktG § 161 that all recommendations of the German Corporate Governance Code, as amended on April 28, 2022 (“GCGC”), have been and are being met, save for the following deviation:

- GCGC recommendation C.2: According to GCGC recommendation C.2, an age limit shall be specified for members of the Supervisory Board and disclosed in the corporate governance statement. The Supervisory Board currently does not define an age limit. The Supervisory Board does not believe that the ability to supervise and advise the Executive Board in its management of business is tied schematically to a given age limit. The age mix on the Company’s Supervisory Board is balanced. Vitesco Technologies Group AG therefore relies on a high degree of expertise from experienced and well-established Supervisory Board members in line with its diversity policy for the Supervisory Board.

Since submitting its last statement of compliance on December 20, 2021, Vitesco Technologies Group AG followed all recommendations of the Regierungskommission Deutscher Corporate Governance Kodex, as amended on December 16, 2019, and published in the official section of the Federal Gazette by the German Federal Ministry of Justice and Consumer Protection, with the exception of the aforementioned recommendation C.2.

The Company departed from recommendation C.4 until January 1, 2022. Prof. KR Wolf had previously exceeded the recommended maximum number of Supervisory Board positions until this point in time. Prof. KR Wolf resigned from another Supervisory Board position with effect from January 1, 2022. The Company did not deviate from recommendation C.4 of the code since then.

The previous departure from recommendation C.5 due to Mr. Rosenfeld's number of Supervisory Board positions ended on February 18, 2022. Mr. Rosenfeld resigned from a Supervisory Board position with effect from this date. The Company did not deviate from recommendation C.5 of the code since then.

Regensburg, December 2022

Prof. Siegfried Wolf

Andreas Wolf

Supervisory Board Chairman

Chief Executive Officer"

The statement pursuant to AktG § 161 is published in the "Investors" section of the Company's website at [ir.vitesco-technologies.com](http://ir.vitesco-technologies.com). Older corporate governance statements can also be found there for a period of at least five years.

## Key corporate governance practices

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

- > **Passionate, partnering, and pioneering** are the corporate values of Vitesco Technologies Group AG. Our mission, vision, corporate values, and actions based on them are the foundation of our corporate culture. The Vitesco Technologies mission and vision are published on the Company's website in the "Company" section ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)), while our corporate values are in the "Careers" section ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)).
- > The Corporate Human Rights Policy can be found in the "Sustainability" section of the Company's website ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)).
- > Code of Conduct and Business Partner Code of Conduct. The Group publishes these codes of conduct in the "Company" section on its website ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)). They define the conduct that is expected of the Group's employees and business partners in relation to ethical and legal matters. More information about compliance can be found in the Compliance chapter and online in the "Company" section of the Company's website ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)).

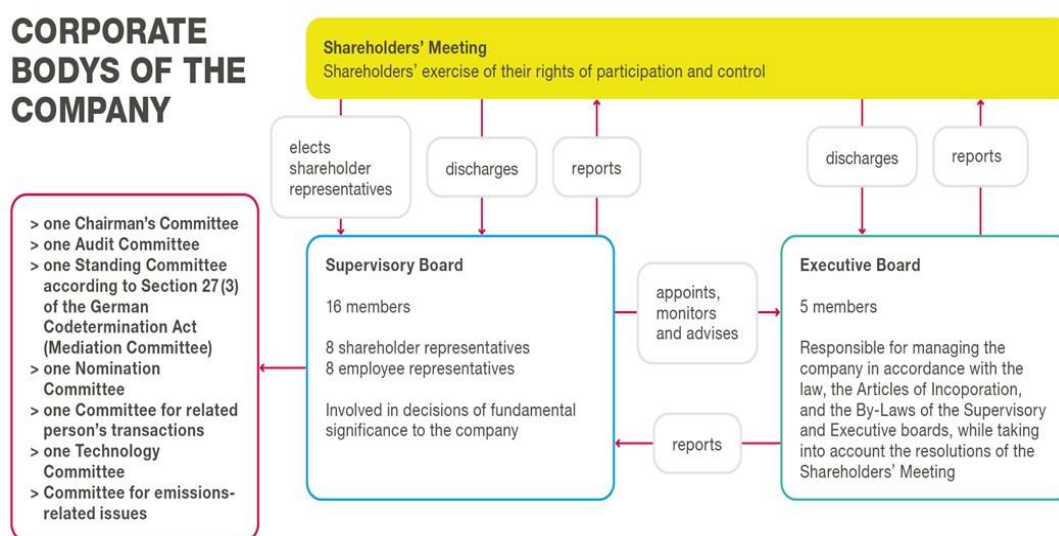
## Governing bodies of the Company

In accordance with statute law and its Articles of Incorporation, the governing bodies of Vitesco Technologies Group AG are its Executive Board, its Supervisory Board, and its shareholders acting at its Annual General Meeting. As a German stock corporation, Vitesco Technologies Group AG has a dual-management system characterized by a strict personnel division between the Executive Board as the management body and the Supervisory Board as the monitoring body. The graphical overview on the next page describes how the Executive Board, Supervisory Board, and shareholders at the Annual General Meeting interact.

The Executive Board and how it works



The Executive Board has sole responsibility for managing the Company in the interests of the Company, free from instructions given by third parties and in accordance with the law, the Articles of Incorporation, and the Executive Board's bylaws, while taking into account resolutions from Annual General Meetings.



Only under exceptional circumstances do members of the Executive Board have their position renewed prior to one year before the planned end date of their position and simultaneously have their current position dissolved. Further details about the members of the Executive Board can be found in the chapter Members of the Executive Board and Their Positions and online in the "Company" section of the Company's website ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)).

The Executive Board has bylaws that, in particular, regulate key matters pertaining to the Company and its subsidiaries where a decision by the full Executive Board is required, the duties of the Executive Board chairman, and the process by which the Executive Board passes resolutions. The Executive Board's bylaws are published in the "Investors" section of the Company's website ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)). The Supervisory Board's bylaws, which are based on the Articles of Incorporation, provide that the Supervisory Board must approve any significant actions taken by management.

All members of the Executive Board share joint responsibility for the management of the Company. Regardless of this principle of joint responsibility, each Executive Board member is personally responsible for the areas entrusted to him or her. The Chief Executive Officer is responsible for the Company's overall management and business policy. Andreas Wolf has been the Chief Executive Officer of Vitesco Technologies Group AG since March 9, 2021. In this role, he ensures the coordination and consistency of management by the Executive Board and represents the Company in dealings with the public. The Executive Board jointly develops the Company's strategy, coordinates it with the Supervisory Board, and ensures its implementation.

The Executive Board currently has five members. Following the spin-off, a member is usually only appointed for three years if it is his or her first time being appointed. Individuals aged 67 or higher are not normally appointed as members of the Executive Board.

## The Supervisory Board and how it works

The Supervisory Board appoints the members of the Executive Board and collaborates with the Executive Board to develop a long-term succession plan. The Supervisory Board discusses this at least once a year without the Executive Board. It makes sure that the knowledge, skills, and experience of all Executive Board members are varied and balanced, and applies the diversity concept that has been adopted. In order to become acquainted with potential successor candidates, the Supervisory Board, in consultation with the Executive Board, offers them the opportunity to deliver presentations to the Supervisory Board.

The Supervisory Board supervises and advises the Executive Board in its management of the Company. The Supervisory Board is directly involved in decisions of material importance to the Company. As specified by statute law, the Articles of Incorporation, and the Supervisory Board's bylaws, certain corporate management matters require the approval of the Supervisory Board. The Chairman of the Supervisory Board coordinates its work and represents its concerns in dealings with third parties. He maintains regular contact with the Executive Board between meetings, and in particular with the Chief Executive Officer, to discuss issues relating to the Company's strategy, business development, risk management, and compliance.

## Composition of the Supervisory Board

The Supervisory Board comprises 16 members in accordance with Germany's Codetermination Act and the Company's Articles of Incorporation. Half the members of the Supervisory Board are elected individually by the shareholders at the Annual General Meeting (making them shareholder representatives), while the other half are elected by the employees of Vitesco Technologies Group AG and its German subsidiaries (making them workforce representatives). Both the shareholder representatives and the workforce representatives are bound equally to act in the interests of the Company. The Supervisory Board's Chairman must be a shareholder representative. He can cast a second vote in the event of any tie.

The shareholder representatives were reappointed at the Annual General Meeting on May 5, 2022. The Supervisory Board members who represent the shareholders have been appointed to positions lasting until the end of the 2027 Annual General Meeting. The workforce representatives have been appointed by the relevant court for the longest period possible by law. The Chairman of the Supervisory Board is Prof. Siegfried Wolf, who, in accordance with the German Corporate Governance Code, is independent of the Company and its Executive Board. The Supervisory Board does not include any members who previously belonged to the Executive Board of Vitesco Technologies Group AG, who exercise an executive function or advisory role at a major competitor of Vitesco Technologies, or who have a personal relationship with such a competitor.

The Supervisory Board has drawn up its own bylaws. Within the framework provided by law and the Articles of Incorporation, they include, among other things, more detailed provisions about Supervisory Board meetings, confidentiality obligations, handling conflicts of interest, and the Executive Board's reporting obligations as well as a list of transactions and actions that require the approval of the Supervisory Board. The Supervisory Board's bylaws are available online in the "Investors" section of the Company's website ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)). The Supervisory Board holds discussions on a regular basis, including without the presence of the Executive Board. Before each regular meeting of the Supervisory Board, the shareholder and workforce representatives each meet separately with members of the Executive Board to discuss the upcoming meeting.

It is set in the Supervisory Board's bylaws that it must regularly evaluate how effectively the Supervisory Board overall and its committees have fulfilled their duties. At its meeting on September 30, 2022, the Supervisory Board voted to perform a self-assessment based on detailed questionnaires. At its meeting on December 9, 2022, the Supervisory Board tasked a

working group consisting of one shareholder representative and one workforce representative to analyze and develop proposals for improving the work done by the Supervisory Board.

### Profile of skills and expertise for the Supervisory Board

The Supervisory Board of Vitesco Technologies Group AG specifies concrete targets for its composition and has developed a profile of skills and expertise for the entire board in accordance with recommendation C.1 of the German Corporate Governance Code. It broadened this profile to address the sustainability-related questions that are relevant to the Company in line with the new requirements of the German Corporate Governance Code as amended on April 28, 2022. These questions include climate protection, clean mobility, resource efficiency and circularity, responsible sourcing and circularity, and fair work and diversity.

The Supervisory Board must be composed in such a way that its members possess the knowledge, skills, and professional experience necessary for properly discharging the duties of a corporation with international operations. This does not mean that each individual Supervisory Board member must have all the necessary knowledge and experience. Rather, at least one Supervisory Board member must be viewed as having skills and expertise for each material aspect of the Supervisory Board's work, with the result that the Supervisory Board members overall, including the workforce representatives and taking into account the special circumstances of their codetermination rights, provide the necessary knowledge and experience.

The Supervisory Board of Vitesco Technologies Group AG is intended to consist of individuals who, as a whole, provide a variety of fields of expertise that can be used to ensure comprehensive and effective advising and supervision of the Executive Board in relation to the overall business activities of Vitesco Technologies Group AG.

In the assessment of the Supervisory Board, material fields of expertise include:

- > Leadership or supervision experience at companies with international operations
- > An understanding of the Company's key areas of activity and the markets associated with them
- > An awareness of the Company's strategy and strategic development in the future, including when considering any market requirements that may change
- > Knowledge of codetermination rights
- > Knowledge of finance, accounting, auditing, billing, compliance, or risk management
- > Distinct experience in the fields of technological research and development, industrial manufacturing, or service
- > Distinct experience in the fields of sales, service, or marketing for drive technologies and products associated with them
- > Knowledge of corporate social responsibility (CSR)
- > Climate protection
- > Clean mobility
- > Resource efficiency and circularity
- > Responsible sourcing and partnerships
- > Fair work and diversity
- > Knowledge of digital transformation and Industry 4.0
- > Key knowledge of stock-market and stock-corporation laws and of financial markets

Furthermore, the requirements of AktG § 100(5) make it necessary that at least one member of the Supervisory Board and of the Audit Committee has expertise in accounting and at least one additional member of the Supervisory Board and of the Audit Committee has expertise in auditing annual financial statements (together "financial experts"). The Supervisory Board members as a whole must be familiar with the drive solution industry, the transformation away from internal combustion technology toward electric mobility, and the products associated with this transformation.

The Supervisory Board has specified the following targets for appointments to the overall board:

## > Diversity

In relation to its composition, the Supervisory Board will take care to include both genders appropriately, incorporate varying types of professional and international experience, and ensure that there are members with many years of relevant experience (diversity). These criteria reflect the diversity policy that applies to the Supervisory Board, which is described below. Vitesco Technologies Group AG is a listed stock corporation subject to the provisions of Germany's Codetermination Act, so at least 30% of its Supervisory Board will consist of women and at least another 30% men, in accordance with the specifications of AktG § 96(2). The Supervisory Board is intended to have an appropriate number of members on the shareholder side whom it deems to be independent in accordance with the German Corporate Governance Code. The Nomination Committee was mandated by the Supervisory Board to assess the independence of the shareholder representatives in accordance with the German Corporate Governance Code and to determine compliance with the targets for the proportion of independent shareholders. As determined by the Nomination Committee, the Supervisory Board has an appropriate number of members on the shareholder side who are independent in accordance with the German Corporate Governance Code.

## > International expertise

Given the international operations of the Vitesco Technologies Group, the Supervisory Board will take care that it has a sufficient number of members with many years of international experience.

## > Independence and potential conflicts of interest

The Supervisory Board will have members who are independent within the meaning of recommendation C.6 of the German Corporate Governance Code in a number that it deems appropriate. The Nomination Committee was given the task of assessing the independence of the shareholder representatives in accordance with the German Corporate Governance Code and to determine compliance with the targets for the proportion of independent shareholder representatives. More than one-half of the shareholder representatives are intended to be independent of the Company and its Executive Board. Additionally, at least two shareholder representatives are intended to be independent of the controlling shareholder if the Supervisory Board has more than six members.

The shareholder representatives currently on the Supervisory Board are, without exception, all independent of Vitesco Technologies Group AG and its Executive Board. The shareholder representatives independent of the controlling shareholder, the IHO Group, are:

- Prof. Hans-Jörg Bullinger
- Manfred Eibeck
- Susanne Heckelsberger
- Joachim Hirsch
- Prof. Sabina Jeschke
- Prof. Siegfried Wolf

## > Time demands for fulfilling duties

Each Supervisory Board member takes care to ensure that he or she has sufficient time to perform his or her duties. Accordingly, the Supervisory Board finds it important that its current members, as well as Supervisory Board candidates, have sufficient available time for preparing and following up on regular Supervisory Board meetings, participating in these meetings, and for studying regular reports. There are heavier time demands for work done on committees, especially if chairing them. The time demands on Supervisory Board members and candidates from other positions on supervisory boards or monitoring committees, active employment, or other duties must be considered in the light of the above.

## > Regular review/evaluation

The Nomination Committee nominates suitable individuals whom the Supervisory Board can in turn propose for election as shareholder representatives at the Annual General Meeting. The committee will take note of these individuals' diversity. The representatives that the workforce elects to the Supervisory Board are also intended to fulfill the key criteria for this profile of skills and expertise. Furthermore, an evaluation is conducted at regular intervals to check the extent to which the Supervisory Board members and the composition of the Supervisory Board still align with the stated objectives and the extent to which the Supervisory Board in its current composition is equipped overall to properly fulfill its duties.

## > In its nominations for elections to the Supervisory Board, the Supervisory Board as a rule will not nominate candidates who have already been on the board for more than twelve years at the time.

- > The Supervisory Board has not stipulated an age limit as recommended in recommendation C.2 of the German Corporate Governance Code. It does not consider such a general criterion to be suitable for deciding whether a candidate is eligible to be a member of the Supervisory Board.

According to AktG § 96(2), the Supervisory Board of Vitesco Technologies Group AG is also subject to the requirement that at least 30% of its members be women and at least 30% be men. The Company reports on this further on in the section entitled Reporting Pursuant to HGB § 289f(2)(4) through (2)(6). In its nominations of candidates for election to the Supervisory Board, the Supervisory Board takes into account the requirements of the profile of skills and expertise for the board as a whole as well as the aforementioned targets. The corporate governance statement will continue to provide regular updates on the status of the implementation of the targets.

- > Status of implementation of skills and expertise profile

	Shareholder representatives	Bullinger	Eibeck	Heckelsberger	Hirsch	Jeschke	Rosenfeld	Schaeffler	Wolf
Tenure	Member since	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021
Personal aptitude	Independence*	Yes	Yes	Yes	Yes	Yes	No	No	Yes
	Position restrictions**	None	None	None	None	None	None	None	None
Diversity	Gender	M	M	F	M	F	M	M	M
	Year of birth	1944	1960	1964	1952	1968	1966	1964	1957
	Education	Univ.-Prof. Dr.-Ing. habil. Prof. E.h. mult. Dr. h.c. (mechanical engineering)	Degree in mechanical engineering	Degree in business administration, tax consultant, and auditor	Degree in business	Prof. Dr. (physics, mathematics, computer science)	Studied business and economics	Studied business and law	Prof. e.h. KR Ing.
	Nationality	German	German	German	German	German	German	German	Austrian
Skills and expertise	Leadership or supervision experience	✓	✓	✓	✓	✓	✓	✓	✓
	Industry knowledge in relation to Vitesco Technologies	✓	✓	✓	✓	✓	✓	✓	✓
	Strategy	✓	✓	✓	✓	✓	✓	✓	✓
	Codetermination rights	✓	✓	✓	✓	✓	✓	✓	✓
	Accounting, auditing of financial statements, and risk management			✓	✓		✓	✓	
	Technology and research	✓	✓		✓	✓			✓
	Sales and marketing				✓				✓
	Corporate social responsibility / ESG		✓	✓			✓		
	Climate protection	✓	✓				✓		
	Clean mobility	✓	✓		✓	✓			
	Resource efficiency and circularity	✓	✓				✓		
	Responsible sourcing & partnerships	✓	✓	✓	✓				
	Fair work and diversity			✓	✓	✓			
	Digitalization and Industrie 4.0	✓			✓	✓			
	Stock corporation law and financial markets		✓	✓			✓	✓	✓

✓ A checkmark means at least good knowledge (2) on a scale from 1 (very good knowledge) to 6 (no knowledge).

\* = according to German Corporate Governance Code or, in exceptional cases, according to the Company's justification.

\*\* = according to German Corporate Governance Code: "A Supervisory Board member who is not a member of any executive board of a listed company shall not accept more than five supervisory board mandates at nongroup listed companies or comparable roles, with an appointment as chair of a supervisory board being counted twice. Members of the management board of a listed company shall not have, in aggregate, more than two supervisory board mandates at nongroup listed companies or comparable roles, and shall not accept the chairmanship of a supervisory board at a non-Group listed company."

	Workforce representatives	Bruns	Galli	Hartmetz	Köppl	Löffler	Schamel	Vörkel	Zeumer
Tenure	Member since	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021	Sep. 15, 2021
Personal aptitude	Position restrictions**	None	None	None	None	None	None	None	None
	Gender	M	M	F	M	M	M	F	F
	Year of birth	1971	1960	1970	1958	1966	1972	1965	1979
Diversity	Education	Vehicle electrician, degree in automotive manufacturing	Retail salesman, degree in business administration	Re- staurant manager	Studied electrical engineering	Construction mechanic Group leader for quality in laboratories	Commercial IT education	Office manager	IT systems technician BA in social economics (business & labor law)
	Nationality	German	German	German	German	German	German	German	German
	Leadership or supervision experience		✓	✓	✓	✓	✓	✓	✓
	Industry knowledge in relation to Vitesco Technologies	✓	✓	✓	✓	✓	✓	✓	✓
	Strategy				✓	✓	✓	✓	✓
	Codetermination rights	✓	✓	✓	✓	✓	✓	✓	✓
	Accounting, auditing of financial statements, and risk management		✓				✓	✓	
	Technology and research	✓			✓				✓
	Sales and marketing			✓	✓		✓		
Skills and expertise	Corporate social responsibility / ESG	✓	✓	✓	✓	✓	✓	✓	
	Climate protection		✓		✓	✓	✓	✓	
	Clean mobility	✓		✓	✓	✓	✓		
	Resource efficiency and circularity					✓	✓		
	Responsible sourcing & partnerships		✓			✓		✓	
	Fair work and diversity	✓	✓	✓	✓	✓	✓	✓	✓
	Digitalization and Industrie 4.0	✓				✓	✓	✓	✓
	Stock corporation law and financial markets		✓				✓	✓	

✓ A checkmark means at least good knowledge (2) on a scale from 1 (very good knowledge) to 6 (no knowledge).  
 \* = according to German Corporate Governance Code or, in exceptional cases, according to the Company's justification.  
 \*\* = according to German Corporate Governance Code: "A Supervisory Board member who is not a member of any executive board of a listed company shall not accept more than five supervisory board mandates at nongroup listed companies or comparable roles, with an appointment as chair of a supervisory board being counted twice. Members of the management board of a listed company shall not have, in aggregate, more than two supervisory board mandates at nongroup listed companies or comparable roles, and shall not accept the chairmanship of a supervisory board at a non-Group listed company."

## Supervisory Board committees

The Supervisory Board has the following committees: a Chairman's Committee, an Audit Committee, a Nomination Committee, a Conciliation Committee formed in accordance with MitbestG § 27(3), a Related Party Transaction Committee for approving Company transactions with related parties (AktG §§ 107(3) fourth sentence and 11b(1)), a Technology Committee, and an Ad Hoc Emissions Committee.

The Chairman's Committee is comprised of Supervisory Board Chairman Prof. Siegfried Wolf (Committee Chairman), Manfred Eibeck, Erwin Löffler, Georg F. W. Schaeffler, Ralf Schamel, and Kirsten Vörkel.

Key responsibilities of the Chairman's Committee are preparing the appointment of Executive Board members and concluding, terminating, and amending their employment contracts and other agreements with them. However, the full Supervisory Board alone is responsible for setting the total remuneration of the Executive Board members. Another key responsibility of the Chairman's Committee is deciding on the approval of certain transactions and measures by the Company as specified in the Supervisory Board bylaws. The Supervisory Board has assigned some of these participation rights to the Chairman's Committee, however, any of its members may demand that an individual matter be submitted back to the full Supervisory Board for decision. Finally, the Chairman's Committee has also been assigned the right to decide on the approval of contracts between the Company and Supervisory Board members according to AktG § 114.

The Audit Committee's tasks relate to the Company's accounting, the audit of the financial statements, risk management, and compliance. In particular, the committee looks after the auditing of the accounts; monitors the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, and compliance; and performs a preliminary examination of the annual financial statements and consolidated financial statements. The committee makes its recommendation to the full Supervisory Board, which then passes resolutions pursuant to AktG § 171. Furthermore, the committee discusses the Company's draft interim financial reports. It is also responsible for ensuring the necessary independence of auditors and deals with additional services performed by the auditors. The committee engages the auditors, determines the focus of the report as necessary, negotiates the fee, and regularly reviews the quality of the audit. It also recommends a candidate for the Supervisory Board to propose for election as auditor at the Annual General Meeting. The Audit Committee is also responsible for the preliminary audit of non-financial reporting and for the engagement of an auditor for the review of it, if any.

The Chairwoman of the Audit Committee is Susanne Heckelsberger. She is independent in all respects as defined in the German Corporate Governance Code and, as an auditor, has special knowledge and experience in the application of accounting principles and internal control and risk management systems. Owing to her many years' work as an auditor at various auditing firms, she similarly has special knowledge and experience in auditing. Susanne Heckelsberger should, for this reason, be viewed as having the appropriate expertise in accounting as well as auditing, as demanded by the German Corporate Governance Code. Another committee member, Klaus Rosenfeld, is also a financial expert. With many years' experience as a chief financial officer at multiple listed companies, he similarly has special knowledge and experience in accounting principles and internal control and risk management systems. Accounting and auditing include sustainability reporting and the auditing of such reporting, too. The other members are Lothar Galli, Yvonne Hartmetz, Michael Köppl, and Georg F. W. Schaeffler.

The Chairperson of the Supervisory Board is not allowed to be the Chairperson of the Audit Committee as well. The same applies to any former Executive Board member who was on the Executive Board in the two years preceding their appointment.

The Nomination Committee is responsible for nominating suitable candidates for the Supervisory Board to propose for election at the Annual General Meeting. In addition, the committee must propose targets for the Supervisory Board's



composition and profile of skills and expertise and review both regularly. The Nomination Committee is made up solely of shareholder representatives, namely, Prof. Siegfried Wolf, Susanne Heckelsberger, Klaus Rosenfeld, and Georg F. W. Schaeffler.

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

The members of the Conciliation Committee are Prof. Siegfried Wolf, Georg F. W. Schaeffler, Ralf Schamel, and Kirsten Vörkel.

The Related Party Transaction Committee deals with transactions between Vitesco Technologies Group AG and a related party where such transactions require the prior approval of the Vitesco Technologies Group AG Supervisory Board under AktG §§ 111a and 111b. Transactions in this case require the prior approval of the Supervisory Board. The Related Party Transaction Committee consists of Joachim Hirsch (Chairman), Manfred Eibeck, Lothar Galli, and Michael Köppl.

The Technology Committee maintains a regular dialog regarding the technologies relevant to the Company and the Group, the enhancement and obtainment of these technologies, and the technological development of the Company and Group. In particular, it identifies new technological trends and developments in the market and more closely oversees the technology and innovation strategies set and pursued for the Company and Group by the Executive Board.

The Technology Committee is made up of Prof. Hans-Jörg Bullinger (Chairman), Carsten Bruns, Yvonne Hartmetz, Joachim Hirsch, Prof. Sabina Jeschke, Michael Köppl, Georg F. W. Schaeffler, and Ralf Schamel.

The Ad Hoc Emissions Committee is responsible for duties including supervising and advising the Executive Board in connection with exhaust- and emissions-related issues and especially on decisions and actions taken by the Executive Board in connection with the investigations being conducted by the Hanover and Frankfurt am Main district attorneys against companies including Continental AG on account of suspected involvement in developing illegal defeat devices in diesel engines.

The Ad Hoc Emissions Committee consists of six members, of whom three are shareholder representatives and three are workforce representatives. The shareholder representatives on the Ad Hoc Emissions Committee are Prof. Siegfried Wolf, Susanne Heckelsberger, and Joachim Hirsch, while the workforce representatives on it are Ralf Schamel, Kirsten Vörkel, and Yvonne Hartmetz. Prof. Siegfried Wolf chairs the Ad Hoc Emissions Committee.

Further details about the Supervisory Board and its committees can be found in the chapter Members of the Supervisory Board and Their Positions. Member résumés, updated yearly, are available online in the “Company” section of the Company’s website ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)). These résumés also contain information about how long each member has held their position on the Supervisory Board.

## Shareholders and the Annual General Meeting

The Company’s shareholders exercise their rights of participation and control by attending the Annual General Meeting. The Annual General Meeting, which must be held in the first eight months of every fiscal year, decides on all issues assigned to it by law, such as the appropriation of profits, the election of shareholder representatives to the Supervisory Board, the ratification of the Supervisory Board’s and Executive Board’s work, the appointment of auditors, and amendments to the

Company's Articles of Incorporation. Each share of the Vitesco Technologies Group AG stock entitles the holder to one vote. There are no shares conferring multiple or preferential voting rights and no limitations on voting rights.

All shareholders who register in a timely manner and provide evidence of their entitlement to participate in Annual General Meetings and to exercise their voting rights are entitled to participate in an Annual General Meeting. To simplify their exercising of their rights and to prepare them for Annual General Meetings, the shareholders are given extensive information about the past fiscal year and the points on the upcoming agenda, before the Annual General Meeting takes place, through the annual report and the invitation to the meeting. All documents and information concerning Annual General Meetings, including the annual report, are published on the Company's website in German and English. The opening of the Annual General Meeting and the speech by the Chief Executive Officer can be watched live in the "Investors" section of the Company's website ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)). To make it easier for shareholders to exercise their rights, the Company offers all shareholders who cannot or do not want to exercise their voting rights themselves the opportunity to vote at Annual General Meetings via a proxy who is bound by instructions. The required voting instructions can also be issued to the proxy using an online service (InvestorPortal) before the end of the general debate on the day of the Annual General Meeting.

## Accounting and auditing of financial statements

The Vitesco Technologies Group's accounting is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The annual financial statements of Vitesco Technologies Group AG are prepared in accordance with the accounting regulations of the German Commercial Code. Resolutions were passed at the Annual General Meeting on May 5, 2022, to elect KPMG AG as the auditor of the annual and consolidated financial statements for the 2022 fiscal year and as auditor for the auditor's review of the half-year financial report, and to appoint KPMG AG as auditor for any auditor's review of interim financial reports that may need to be carried out.

## Internal control system and risk management

Diligent corporate management and good corporate governance also require that the Company deals with risks responsibly. Vitesco Technologies has a Group-wide internal control and risk management system, especially for its accounting process, which helps analyze and manage the Company's risk. The risk management system serves to identify and evaluate developments that could result in significant disadvantages and to avoid risks that would jeopardize the Company's status as a going concern. We report on this in detail in the risk and opportunity report, which forms part of the management report for the consolidated financial statements.

## Transparent and prompt reporting

As part of our investor relations and corporate communications, we regularly report to shareholders, analysts, shareholders' associations, the media, and interested members of the public in equal measure on significant developments in the Company and its situation. All shareholders have instant access to all the information that is available to financial analysts and similar recipients.

The website of Vitesco Technologies Group AG provides the latest information, including the Company's financial reports, investor presentations, press releases, and ad hoc disclosures. The dates of key periodic publications (annual reports, quarterly statements, and half-year reports) and events as well as the dates of Annual General Meetings and financial press

conferences are announced well in advance in the “Investors” section of the Vitesco Technologies Group AG website ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)).

## Reporting pursuant to HGB § 289f(2)(4) through (2)(6)

### Definition of targets pursuant to AktG §§ 76(4) and 111(5)

In accordance with AktG § 76(4), the Executive Board of Vitesco Technologies Group AG is required to set targets for the proportion of women at the two management levels immediately below the Executive Board and a deadline for achieving these targets.

In December 2022, the Executive Board set a target of 36.4% for women at the two management levels immediately below the Executive Board at Vitesco Technologies Group AG for the period up until December 31, 2023. As Vitesco Technologies Group AG is a holding company with a small number of employees, both levels of management were consolidated for this purpose. The share of women at these two levels of management was 45.5% as at December 31, 2022. As a global enterprise, the Vitesco Technologies Group continues to attach high priority to its target of steadily increasing the proportion of women in leadership positions throughout the Group, above and beyond the legal requirements in Germany.

In accordance with AktG § 111(5), the Supervisory Board must set a target for the number of women on the Executive Board and a deadline for achieving this target. If the proportion of women is less than 30% at the time the target is set, the target must not subsequently fall below the proportion achieved. At its meeting on October 4, 2021, the Vitesco Technologies Group AG Supervisory Board had established a target for women on the Executive Board in accordance with Germany's Second Leadership Position Act (Zweites Führungspositionen-Gesetz, FüPoG II), consisting of at least one woman when the Executive Board is made up of more than three members. This target should be achieved within the next three years and no later than October 1, 2024.

### Compliance with statutory gender quotas for Supervisory Board

Vitesco Technologies Group AG is a listed stock corporation subject to the provisions of Germany's Codetermination Act, so at least 30% of its Supervisory Board must consist of women and at least another 30% men, in accordance with the principles set forth in AktG § 96(2). In terms of the composition of the Vitesco Technologies Group AG Supervisory Board, this means that it must include at least five women and five men. The Supervisory Board of Vitesco Technologies Group AG complies with these statutory quotas.

## Diversity

Vitesco Technologies additionally works on promoting diversity with measures such as increasing the share of female managers within the Group. The proportion is planned to increase to 20% by 2025. Women currently account for 15.4% of all managers within the Vitesco Technologies Group.

The measures and programs for promoting an international mix and women in leadership positions also have a purpose of helping with the succession planning for the Executive Board, which the Supervisory Board oversees jointly with the Executive Board. They make it possible to identify and develop potential international or female candidates for appointment to positions on the Executive Board. The medium-term goal is to use these measures to increase the diversity of the Executive Board.

## Diversity policy for the Executive Board's composition

The Supervisory Board passed the following diversity policy at its meeting on October 4, 2021. It also follows the recommendations of the German Corporate Governance Code as amended on April 28, 2022.

### 1. Description of the diversity policy

The Supervisory Board has established the following diversity policy for the composition of the Executive Board in accordance with HGB § 289f(2)(6):

When selecting a person for a position on the Executive Board, the Supervisory Board shall take note of diversity in addition to basic aptitude criteria for the position such as personality, integrity, values, convincing leadership qualities, professional performance in the field in question, previous achievements, knowledge of the Company, and ability to develop business models and processes in a changing world. The Supervisory Board believes that diversity means the following in relation to composition:

- > A sufficient mix of ages among Executive Board members
- > Different educational and professional backgrounds
- > Appropriate representation of both genders

### 2. Objective of this diversity policy

The objective of the policy for the Executive Board is to use the benefits of diversity consciously for the Company's success, since different perspectives, areas of skill and expertise, experience backgrounds, and a balanced mix of all these characteristics are an important requirement for competitiveness and long-lasting commercial success. In particular, having diversity at all levels of the Company and within the Executive Board promotes an understanding of different and international customer expectations and of new business models.

### 3. Method for implementation

The Supervisory Board also takes the following into account as regards the composition of the Executive Board:

- > Executive-Board members should have multiple years of leadership experience.
- > Executive-Board members should, where possible, contribute experience from different professional-training pathways and career journeys.
- > The Executive Board as a whole should possess technical expertise, especially knowledge and experience of manufacturing and selling drive technologies and products connected to them.
- > The Executive Board as a whole should possess multiple years of experience in the fields of research and development, production, sales, finance, and personnel management.
- > The Executive Board as a whole should possess international experience obtained from foreign countries and from global projects.
- > There should be a general age limit of 67 (the normal retirement age) for members of the Executive Board.

Moreover, the Supervisory Board respects the statutory requirements for equal inclusion of women and men in the composition of the Executive Board. The Supervisory Board also defines a formal target of at least one woman member when the Executive Board consists of more than three members. This target is planned to be achieved within the next three years and no later than October 1, 2024.

When the Supervisory Board decides on a person for a specific Executive Board position, it makes its decision in the Company's best interests and takes into account all the circumstances of the individual case.

#### 4. Current composition

In addition to multiple years' experience with the Group, the Executive Board members bring with them extensive knowledge and experience from different roles, some of them international. The current five-member composition of the Executive Board meets the specified targets except for the desired proportion of women on the board. The Executive Board members' ages currently range from 53 to 64, with an average age of 59.

### Diversity policy for the Supervisory Board's composition

#### 1. Description of the diversity policy

The Supervisory Board has furthermore resolved to seek a diverse composition, particularly with regard to age, gender, and educational and professional background.

#### 2. Objective of the diversity policy

The objective of the diversity policy for the Supervisory Board is ensure a broad understanding of the societal and commercial demands placed on Vitesco Technologies Group AG. In particular, diversity is intended to help the Executive Board to be able to make business decisions based on different perspectives and varied experience.

#### 3. Method for implementing the diversity concept

The Supervisory Board should be able to draw on different knowledge, skills, and experience as far as possible. For this reason, diversity must be taken into appropriate consideration for its composition and care must be taken when preparing nominations to ensure that the profiles of the individuals complement each other purposefully.

In line with statutory specifications, at least 30% of the Supervisory Board is to consist of women and at least 30% to consist of men.

#### 4. Current composition

The current composition of the Supervisory Board meets the specified targets and fits the defined profile of skills and expertise.

## COMPLIANCE

Vitesco Technologies is shaped by its corporate values of “passionate,” “partnering,” and “pioneering,” which demand honest and responsible actions toward our stakeholders such as customers and the Company. Its management’s and employees’ compliance with all the requirements that apply to Vitesco Technologies Group AG and its subsidiaries and its internal regulations is therefore an unshakable principle of the Company’s conduct and an integral part of its corporate culture. This is not only expressed in the binding code of conduct, but also in the actions of management and all employees. The Executive Board is explicitly committed to the principles and zero-tolerance approach laid out in the code of conduct.

In particular, the Legal Compliance team is responsible for corruption prevention, money laundering prevention, antitrust law, data protection, and the management of conflicts of interest. Other departments and/or roles work together closely on other compliance issues such as technical compliance, capital market compliance, environmental protection, health and safety, IT security, cybersecurity, supply chain obligations, and trade sanctions.

The structure of Vitesco Technologies’ legal-compliance management system (legal CMS) is based on Germany’s IDW PS 980 CMS audit standard and is described in detail in a dedicated Group-wide guideline. It is divided into these seven basic elements: culture, objectives, risks, program, organization, communication, and monitoring/improvement.

In terms of the compliance culture, which is the most important element, Vitesco Technologies makes sure that all employees practice it and give it their consistent support. This outcome is achieved with a clearly formulated “tone from the top,” a “tone from the middle,” and zero-tolerance policies as well as by creating a trust-based culture that allows any employee to speak openly about compliance-related issues. For instance, tips about potential deficiencies in any governance- or compliance-related issue not only can be reported to those in governance roles, but can also be registered through an anonymous Integrity Line which is accessible internally and externally; there is a transparent guideline that governs the responsibilities and processes for responding to such tips in compliance with data-protection law.

The objective of the legal CMS is to boost the compliance culture consistently and on an ongoing basis, to identify compliance risks, and to avoid or mitigate compliance risks with appropriate measures. The Legal Compliance team develops and publishes guidelines and relevant compliance standards in accordance with this objective to foster rule-abiding conduct. This work includes anticorruption, antitrust, donation and sponsorship, and quick-savings guidelines and a code of conduct for business partners. The Vitesco Technologies legal CMS involves an organizational structure for compliance roles that is adapted to the Company and combines centralized elements (a Corporate Compliance Office) with decentralized ones (regional compliance officers and compliance champions). The main responsibility for the legal CMS is held by the Chief Financial Officer as part of his/her responsibility for the Legal, Compliance, and IP organizational unit. The Head of Compliance is in charge of managing the operations of the legal CMS and receives support for this from compliance officers, compliance experts, and compliance champions. The compliance champions are employees from other departments who are available locally as a first point of contact for compliance issues and are closely involved with the work done by the Compliance department. The Head of Compliance is overseen by the Chief Compliance Officer, who reports directly to the Chief Financial Officer and the Supervisory Board’s Audit Committee and determines the strategy of the Company’s Compliance areas. Additional clearly defined channels for reporting and communication ensure the necessary transparency of roles and responsibilities. Every employee can easily find all the information about all elements of the legal CMS on the global intranet and access it at any time. The compliance culture is made even stronger through regular training on compliance issues that are defined in a detailed learning program. Employees receive proactive support for legal and compliance-related matters from a central compliance help desk that can be contacted by e-mail and from the compliance

officers. Legal Compliance also monitors adherence to compliance requirements regularly and on an event-specific basis. This monitoring focuses on the adequacy and effectiveness of the legal CMS. Additionally, the legal CMS is continuously enhanced in line with any vulnerabilities that are detected and in line with the risks that are identified through compliance-risk analyses.

## TECHNICAL COMPLIANCE

To ensure compliance with regulatory requirements for technology, with legislation, and with national, international, and industry standards, we at Vitesco Technologies have put a special focus on technical compliance and set up a technical-compliance management system (TCMS) that is closely coordinated with the compliance management system (CMS). The TCMS, like the CMS, is based on the seven basic elements provided in IDW PS 980 and ISO 37301. However, the TCMS also adds another dimension – technical infrastructure and IT – to complement the existing ones effectively and efficiently and to integrate them into the development cycle.



The TCMS incorporates products, product-related services, and software and hardware across the entire product life cycle, from a product's development to the end of its life cycle. Our employees are given certainty with clear definitions of the responsibilities of business areas and individual employees, corresponding professional development and training, clear orientation from the "I use my voice" conduct motto, and the firm integration of factors related to technical compliance into our programs, processes, and tools. Vitesco Technologies has established a clearing house to resolve issues with interpretation. If needed, an internal Integrity Line can also be used anonymously. The TCMS is extensively integrated with the Company thanks to its systematic organizational structure. The department's independence and significance is ensured through a dedicated reporting line between the Head of Technical Compliance and Chief Executive Officer. The effectiveness and efficiency of the TCMS is continuously monitored, audited by an independent entity, and developed.



## REMUNERATION REPORT

### Introduction

This remuneration report provides a shortened description of the structure and design of the remuneration for Executive Board and Supervisory Board members at Vitesco Technologies Group Aktiengesellschaft (also referred to as the “Company” or Vitesco Technologies Group AG) in fiscal 2022. Vitesco Technologies Group AG, based in Regensburg, Siemensstrasse 12, Germany, is the parent company of the Vitesco Technologies Group (also referred to below as Vitesco Technologies) and a publicly listed stock company. The remuneration report also includes extensive disclosures of the individual remuneration awarded, due, or granted to members of the Executive and Supervisory Boards in the 2022 fiscal year. The remuneration system described here was approved by an 83.21% majority at the 2022 Annual General Meeting and applied for the 2022 fiscal year. The 2021 remuneration report was approved by a 98.20% majority at the 2022 Annual General Meeting. Suggestions made by investors have been taken up and incorporated into an even more transparent reporting for the 2022 fiscal year. Due to the Company’s spin-off from Continental AG on September 15, 2021, the disclosure of remuneration for the previous year refers to the corresponding, prorated remuneration awarded, due or granted to Executive Board and Supervisory Board members by the Company. Prior to its spin-off any other form of executive remuneration was not awarded, due or granted by the Company.

This remuneration report was jointly prepared by the Executive Board and Supervisory Board and meets the requirements of Sec. 162 AktG as well as the recommendations and suggestions of the German Corporate Governance Code (GCGC) as amended on April 28, 2022. This remuneration report has been audited by KPMG AG Wirtschaftsprüfungsgesellschaft in accordance with the requirements under Sec. 162(3) AktG. A substantive audit was performed alongside the formal audit mandated by law. The auditor’s report regarding the remuneration report is published on the Company’s website under the section “Corporate Governance” ([ir.vitesco-technologies.com](https://ir.vitesco-technologies.com)).

The Company’s website ([ir.vitesco-technologies.com](https://ir.vitesco-technologies.com)) contains an extensive description of the current system for remunerating the Executive Board and Supervisory Board as well as this remuneration report.

### Fiscal 2022 in retrospect

Vitesco Technologies achieved good results thanks to the significant progress made on its transformation, despite the ongoing impacts from the COVID-19 pandemic and the continued shortages of important components such as chips, and amid Russia’s invasion of Ukraine and the associated negative impacts on global supply chains.

This is attested to by the growth of its sales to €9.1 billion (previous year: €8.3 billion), the improvement of its net operating income to €143.3 million (previous year: €39.5 million), the increase of its return on capital employed (ROCE) to 5.2% (previous year: 1.6%), and its positive free cash flow of €123.2 million (previous year: €113.3 million). Accordingly, Vitesco Technologies was able to assert itself in a challenging market environment. What’s more, organic sales in the fiscal year were up 4.0% on the previous year. The positive business development is also reflected in the target achievement of the performance bonus.

There were no changes to the Executive Board in the 2022 fiscal year. It continues to be made up of Andreas Wolf (Chairman of the Executive Board), Werner Volz (Chief Financial Officer), Ingo Holstein (Chief Human Resources Officer),



Klaus Hau (Member of the Executive Board and Head of Sensing & Actuation), and Thomas Stierle (Member of the Executive Board and Head of Electrification Technology). Consequently, the Executive Board of Vitesco Technologies Group AG continues to consist of five members. The Electronic Controls business unit was headed by Andreas Wolf in an acting role until March 31, 2022. In preparation for the reorganization in two divisions beginning 2023, Thomas Stierle took over leadership of the business unit temporarily in April 2022 until the reorganization beginning 2023. Werner Volz is in charge of the Contract Manufacturing business unit. Andreas Wolf and Thomas Stierle did not receive any additional compensation for their acting leadership of the Electronic Controls business unit.

## Remuneration governance

The current remuneration system for members of the Vitesco Technologies Group AG Executive Board has been in effect since the 2022 fiscal year and was approved by an 83.21% majority at the Annual General Meeting on May 5, 2022. The following provides details about this system and its application in the 2022 fiscal year. The Company did not deviate from this system in the 2022 fiscal year, neither temporarily nor permanently.

The Supervisory Board sets specific targets before the start of the fiscal year for the performance criteria defined in the remuneration system. The Supervisory Board also determines the target remuneration for Executive Board members under the applicable remuneration system before the start of the fiscal year. In doing so, it ensures in particular that the remuneration is appropriate to the performance and tasks of each Executive Board member as well as to the Company's overall situation and suitable for the Company's long-term, sustainable development.

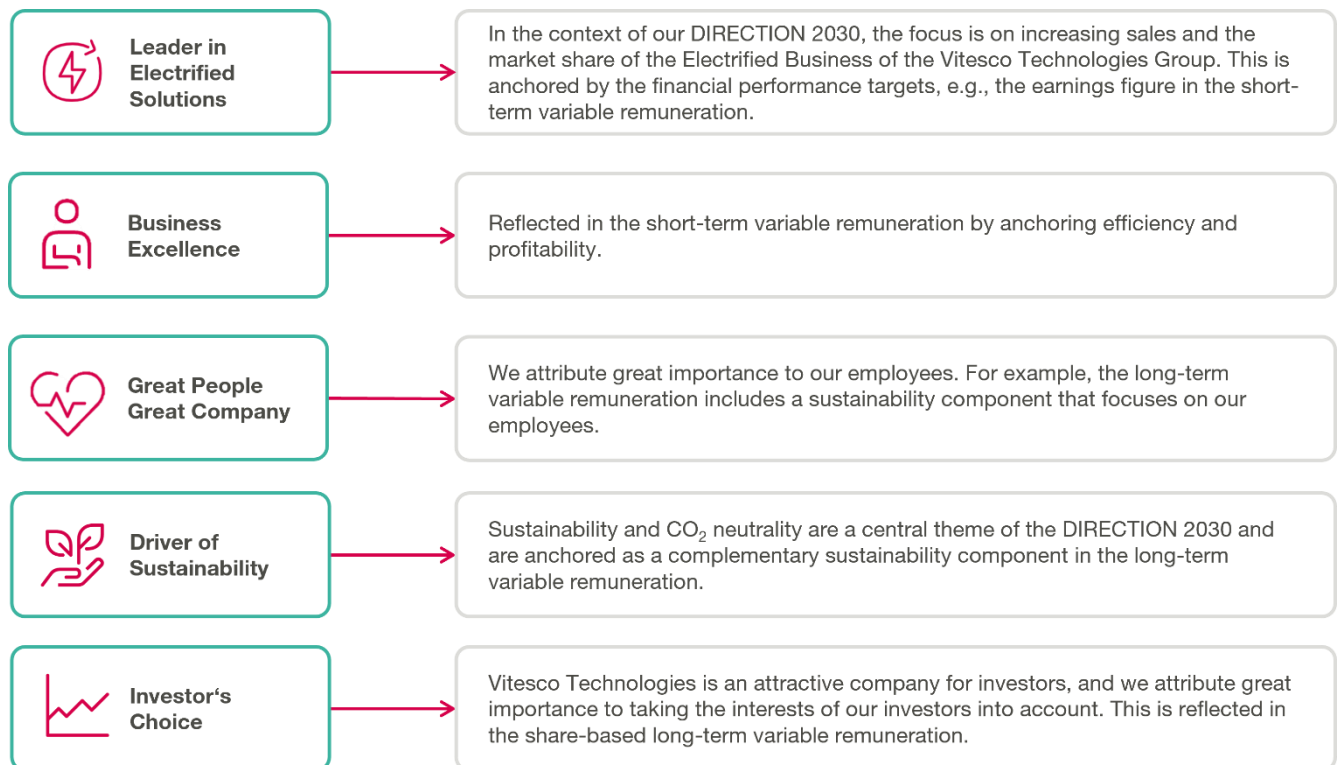
The Supervisory Board regularly checks that the Executive Board's remuneration is appropriate and in line with customary levels. It does this by benchmarking it against a peer group of relevant external companies (horizontally) and based on the Company's internal remuneration ratios (vertically). Adjustments are made if necessary in order to offer attractive remuneration in line with the market and within the regulatory framework.

An external, independent remuneration consultant checked and confirmed in fiscal 2021 that the Executive Board's remuneration was in line with the market. Given the Company's location and size as a suitable peer group, the companies in the MDAX and SDAX were used as a mixed peer group. An internal, vertical check was carried out, too, and took into account the ratio of Executive Board remuneration to remuneration for senior management, employees not covered by collective agreements, and employees covered by collective agreements. The Supervisory Board continues to believe that the Executive Board members' target total remuneration is appropriate and in line with the market. No adjustments were made to the Executive Board members' remuneration during the 2022 fiscal year.

## Basic principles of Executive Board remuneration

### Guidelines for Executive Board remuneration

The Executive Board's remuneration system contributes significantly to the implementation of the Company's business strategy. It acts as an incentive for the Executive Board's members to achieve the key strategic targets under the DIRECTION 2030 pursued by the Vitesco Technologies Group.

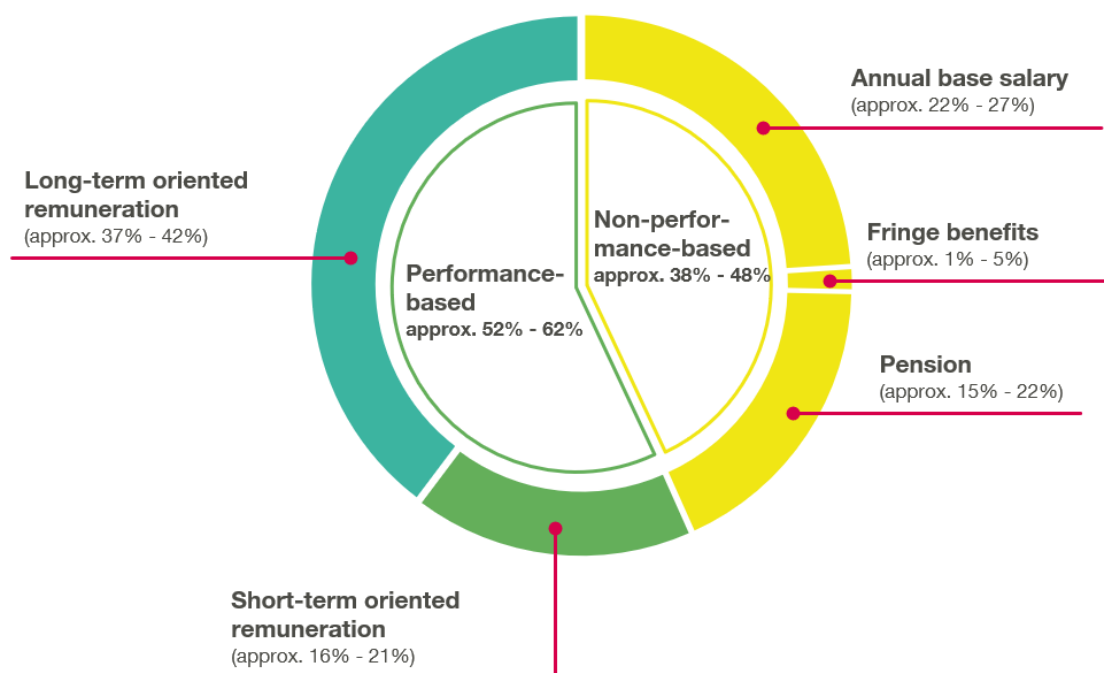


In addition to this link to the corporate strategy, a close link to performance – pay for performance – is also ensured by paying predominantly variable remuneration and by integrating specific targets. Furthermore, the remuneration system meets the regulatory requirements of Germany's Stock Corporation Act and the recommendations and suggestions of the current version of the German Corporate Governance Code, as amended on April 28, 2022.

## Overview of the remuneration system for Executive Board members

The remuneration of the Company's Executive Board members consists of non-performance-based (fixed) and performance-based (variable) components. The non-performance-based components comprise the annual base salary, fringe benefits, and the company pension. The performance-based remuneration consists of a one-year performance bonus along with an equity deferral for three years, and the long-term incentive (LTI) based on a four-year period.

To ensure strong pay for performance, the share of performance-based remuneration components is larger than the share of non-performance-based components of the target total remuneration. Moreover, the variable, performance-based remuneration – comprised of the performance bonus with an equity deferral, and the LTI – are predominantly based on a period spanning several years. The illustration factors in individual salary ratios of the target total remuneration which vary slightly between individual Executive Board members. In total, performance-based remuneration makes up roughly 52% of the target total remuneration. The remuneration structure for the Executive Board members for the 2022 fiscal year is as follows:



The remuneration components mainly comprise the following core elements:

Component		Description
Non-performance-based remuneration components	Annual Base Salary	> Fixed remuneration paid in twelve equal monthly amounts
	Fringe Benefits	> Mainly company car, health check-up, contributions to employers' liability insurance association, health and long-term care insurance contributions, D&O insurance
	Pension	> Annual fixed contribution to basic account, contractual vesting
Performance-based remuneration components	Performance Bonus (short-term and long-term)	> Performance targets: <ul style="list-style-type: none"> <li>&gt; EBIT</li> <li>&gt; ROCE</li> <li>&gt; Free cash flow</li> </ul> > Multiplier: Personal Contribution Factor (0.8 – 1.2) > Payout: <ul style="list-style-type: none"> <li>&gt; approx. 40% of net payout in equity deferral with three year holding period</li> <li>&gt; Remainder paid out in cash</li> </ul> > Cap: 200% of target amount
	Long-Term-Incentive (long-term)	> Performance targets: <ul style="list-style-type: none"> <li>&gt; Relative Total Shareholder Return (TSR)</li> <li>&gt; Sustainability Criteria</li> </ul> > Term: four years > Payout: in cash > Cap: 200% of target amount
Further contractual clauses	Malus / Clawback	The whole variable remuneration may be reduced in part or in full (malus) or reclaimed (clawback) if it can be proven that there has knowingly been a gross breach of a duty of care within the meaning of Sec. 93 AktG, of an internal company guideline or of any other obligation under the service agreement.
	Share Ownership Guideline (SOG)	> Four-year build-up phase of shareholding (chairperson: 200%, ordinary members: 100% of annual gross base salary). > Reduction of build-up phase and SOG target in case of shortened term of service agreement > Two-year holding obligation after termination of service agreement
	Severance Cap and Non-Compete Clause	> Severance cap: amounting to two years' remuneration or the remuneration for the remaining period of the service agreement; offset against the non-compete compensation > Non-compete clause of two years including non-compete compensation of 50% of the most recently received contractual compensation

The remuneration system does not foresee provisions for one-time payments or special bonuses. Such payments were not made in the 2022 fiscal year.

## Adherence to maximum remuneration

There are two types of limits on the total remuneration, including all remuneration components illustrated, that is received by the Executive Board. Firstly, the variable remuneration components are each limited to 200% of the target amount. Secondly, a maximum remuneration is defined per Sec. 87a(1) sentence 2 no. 1 AktG and based on the peer group comparison. This maximum remuneration limits the total payable amount of remuneration that is granted for a given fiscal year and incorporates all remuneration components (i.e., annual base salary, pension plan contributions, fringe benefits, performance bonus, and long-term incentive). This total amount is set at €6.2 million for the Chairman of the Executive Board and €3.2 million for ordinary Executive Board members. A disclosure about adherence to the maximum remuneration in the 2022 fiscal year will be made in the remuneration report for the 2025 fiscal year once the LTI assessment period has ended.

## Non-performance-based remuneration components in 2022

### Annual base salary

The annual base salary is paid in twelve equal amounts, one each month, and is paid pro rata if a member joins or leaves the Executive Board during a fiscal year. The annual base salary for the full 2022 fiscal year consists of €800 thousand for the Chairman of the Executive Board, €450 thousand for the Chief Financial Officer, and €400 thousand for the Chief Human Resources Officer and Executive Board members with responsibility for a specific business area. The remuneration, including the annual base salary, has not been increased since the IPO, i.e., after it was first granted.

### Fringe benefits

The Executive Board members receive fringe benefits in addition to their annual base salary. These benefits mainly include reimbursement on a case-by-case basis of relocation costs and expenses for having to maintain two households owing to their work for the Company, as well as the use of a company car, including for private purposes, the assumption of the costs for a regular health check-up and of any fees for membership in an employer's liability insurance association – including any income tax payable thereon, premiums for accident insurance, and premiums for health and long-term-care insurance. Further, the Company has taken out directors' and officers' (D&O) liability insurance for each member of the Executive Board.

There were no further fringe benefits paid to Executive Board members during the 2022 fiscal year.

### Pension plan

The following details about the Executive Board's pension plan pertain to benefits granted to the Executive Board members in the event that their appointment ends pursuant to Sec. 162(2)(3) AktG. The pension plan is designed as a defined-contribution plan that functions like a cash-balance plan. The fixed annual contribution granted by the Company to an Executive Board member is multiplied by an age factor to form a cash component that is credited to their pension account. The present value of the pension account is calculated as the balance reached divided by the age factor at the relevant point in time. The payout amount is calculated at the time payment of pension benefits is applied for. The payout amount can be paid as a lump sum, in installments, or as an annuity.

The service cost and defined benefit obligation for Executive Board members were as follows on December 31, 2022: Please note that the disclosures for the previous year refer to the pro rata amounts subsequent to the IPO after the year had already started.

**Pension Entitlements in € thousand**

	IAS 19			
	Service cost		Defined benefit obligation	
	2022	2021	2022	2021
Andreas Wolf (from Sep. 15, 2021)	656	230	612	230
Werner Volz (from Sep. 15, 2021)	275	96	262	96
Ingo Holstein (from Sep. 15, 2021)	314	110	267	110
Klaus Hau (from Oct. 1, 2021)	296	78	248	78
Thomas Stierle (from Oct. 1, 2021)	343	91	260	91

The Executive Board members do not receive any further Company pension benefits apart from the described here.

## Performance-based remuneration components in 2022

The Company's Executive Board members are granted performance-based remuneration consisting of a one-year variable remuneration and equity deferral (performance bonus) as well as multiple-year variable remuneration (the long-term incentive, LTI).

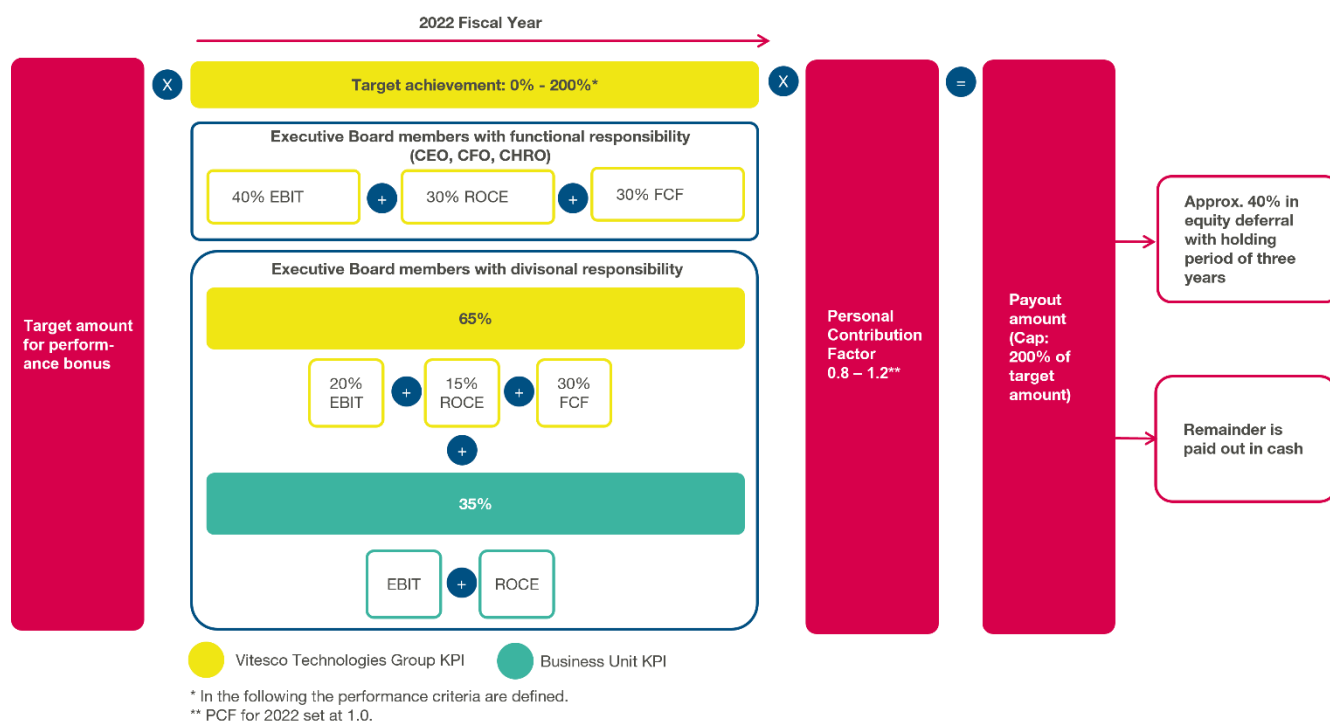
### Performance bonus

#### Performance bonus' contribution in supporting business strategy

With its sustainability-oriented business strategy, Vitesco Technologies focuses on profitability, efficiency, and innovation. By using EBIT, ROCE, and free cash flow (FCF) as financial performance indicators, the performance bonus acts as a direct incentive to perform well in implementing this business strategy. With the "personal contribution factor" not only financial incentives are taken into account, but also the Company's organizational development and customer focus can be considered.

The annual performance bonus runs for a one-year period. The payout amount is limited to a maximum of 200% of the target amount and depends on the financial performance criteria as well as the targets of the non-financial personal contribution factor (PCF).

The performance bonus earned is calculated by multiplying the target amount with the target achievement. Approximately 40% of the net payout amount (20% of the gross payout amount) goes toward deferred shares that do not vest until after three years. The deferred shares are tied to the development of the stock price during the holding period. The remaining amount is paid out in cash. The performance bonus as a whole comprises the following:



## Financial performance criteria

Target achievement for the financial performance criteria can range between 0% and 200%, which recognizes the performance of the Executive Board members and can also reduce the performance bonus to zero if targets are not met.

The financial performance criteria are based on the Company's key performance indicators and comprise EBIT, ROCE, and FCF.

**EBIT (earnings before interest and taxes)** refers to the Company's profit before factoring in financial income/expenses and taxes and is adjusted for impairment of goodwill and gains and/or losses from the disposal of parts of the Company. It is an indicator of operational profitability and acts as an incentive to increase the Company's future profit.

**ROCE (return on capital employed)** is determined as the ratio of the adjusted EBIT described above to the average capital employed (total assets less current liabilities) during the fiscal year, and is thus an indicator of the Company's profitability and efficiency.

**FCF (free cash flow)** is defined as the cash flow that remains before financing activities; it is adjusted for cash inflows/outflows from the sale or purchase of companies and business units. FCF is an indicator of liquidity and acts as an incentive to distribute dividends to shareholders and to reduce borrowing and enables future investments in the Company's innovation.

The financial performance criteria are applied for all Executive Board members, whereas Executive Board members who are responsible for a business unit can also be assessed against financial performance criteria for the business area they are in charge of. These criteria may include the KPIs EBIT, ROCE, and FCF in line with the financial performance criteria at the Group level.

Andreas Wolf, Werner Volz, and Ingo Holstein are each responsible for a central function. When calculating their target achievement based on the financial performance criteria for the performance bonus, 40% of the calculation is based on the entire Company's EBIT, 30% on its ROCE, and 30% on its FCF.

Klaus Hau and Thomas Stierle are each in charge of a business unit. A total of 65% of their target achievement is based on the entire Company's performance criteria while a total of 35% is based on the performance criteria of their relevant business unit. The following table, Target Achievement for 2022 Performance Bonuses, lays out the financial targets set for the 2022 fiscal year and their individual weighting.

### Personal contribution factor (PCF)

The personal contribution factor can be between 0.8 and 1.2 and depends on an appraisal of personal performance criteria for each Executive Board member.

The individual criteria of the personal contribution factor are set by the Supervisory Board before the start of every fiscal year and translated into specific target values no later than the beginning of the fiscal year. This allows the Supervisory Board to consider the Executive Board's individual or collective achievements based on non-financial performance criteria in addition to the financial performance criteria. The Supervisory Board can choose from the following topics set out in the remuneration system when selecting the criteria:

- > Leading company for electrified powertrain solutions and first choice of our customers (e.g., market share in key markets, new products, competitiveness, customer orientation)
- > Implementation of transformations (e.g., lean management, qualification measures, reorganization)
- > Corporate and cultural development (e.g., identification with corporate values, employee satisfaction, increasing brand presence, diversity and inclusion)

The Supervisory Board may choose not to set targets for the PCF for a given fiscal year, either for individual Executive Board members or for all of them; in this case, the PCF value for the Executive Board members concerned will be 1.0 for the relevant fiscal year.



Personal targets were not defined for the 2022 fiscal year, therefore the PCF is 1.0 for all Executive Board members. In the view of the Supervisory Board, the period following the spin-off and the IPO in the 2021 fiscal year was, for Vitesco Technologies, a phase when the performance of the Executive Board as a team took priority for performance evaluation, rather than the personal contribution of individual Executive Board members. In particular, the implementation of transformation projects was a task shared by all Executive Board members during the 2022 fiscal year. Moreover, in order to respond with flexibility to market developments, the Supervisory Board did not set any individual remuneration targets that would have committed the Executive Board to developing specific, individual segments of markets, products, or customers.

### Application of the performance bonus in the 2022 fiscal year

The targets, minimums, and maximums as well as the actual figures and target achievements for the performance bonus' financial performance criteria are summarized in the following table:

#### Target Achievement for 2022 Performance Bonuses

	Minimum	Target	Maximum	Actual	Weighting in %	Target achievement in %
<b>Central function<sup>1</sup></b>						
EBIT Vitesco Technologies Group (€ million)	-34.5	65.5	165.5	144.1	40.0	178.7
ROCE Vitesco Technologies Group (% points)	-0.6	2.4	5.4	5.3	30.0	196.0
FCF Vitesco Technologies Group (€ million)	-21.1	78.9	178.9	111.8	30.0	132.9
<b>Sensing &amp; Actuation business unit<sup>2</sup></b>						
EBIT Vitesco Technologies Group (€ million)	-34.5	65.5	165.5	144.1	20.0	178.7
ROCE Vitesco Technologies Group (% points)	-0.6	2.4	5.4	5.3	15.0	196.0
FCF Vitesco Technologies Group (€ million)	-21.1	78.9	178.9	111.8	30.0	132.9
EBIT of Sensing & Actuation (€ million)	263.2	314.6	366.0	325.5	20.0	121.2
ROCE of Sensing & Actuation (€ million)	23.4	26.4	29.4	31.4	15.0	200.0
<b>Electrification Technology business unit<sup>3</sup></b>						
EBIT Vitesco Technologies Group (€ million)	-34.5	65.5	165.5	144.1	20.0	178.7
ROCE Vitesco Technologies Group (% points)	-0.6	2.4	5.4	5.3	15.0	196.0
FCF Vitesco Technologies Group (€ million)	-21.1	78.9	178.9	111.8	30.0	132.9
EBIT of Electrification Technology (€ million)	-272.2	-247.2	-222.2	-270.3	35.0	7.5

1) The Executive Board members responsible for a central function are: Andreas Wolf, Werner Volz, and Ingo Holstein.

2) The Executive Board member responsible for the Sensing & Actuation business unit is Klaus Hau.

3) The Executive Board member responsible for the Electrification Technology business unit is Thomas Stierle.

The definitions of the performance criteria are provided above.

The payout amounts presented below are calculated based on the individual target amounts granted in conjunction with target achievement as measured against the performance criteria. Approximately 40% of the net payout amount (20% of the gross payout amount) went toward the equity deferral that does not vest until after three years. The remaining amount was paid out in cash:

#### Summary of 2022 Performance Bonuses

	Target amount in € thousand	Target achievement financial performance criteria in %	Personal contribution factor <sup>1</sup>	Total target achievement in %	Total payout amount in € thousand	Equity deferral in € thousand <sup>2</sup>
Andreas Wolf	1,200	170.2	1.0	170.2	2,042	817
Werner Volz	500	170.2	1.0	170.2	851	340
Ingo Holstein	450	170.2	1.0	170.2	766	306
Klaus Hau	450	159.3	1.0	159.3	717	287
Thomas Stierle	450	107.7	1.0	107.7	484	194

1) The Supervisory Board did not define any personal performance criteria for the 2022 fiscal year. For this reason, the value for the personal contribution factor is set at 1.0 for the 2022 fiscal year.

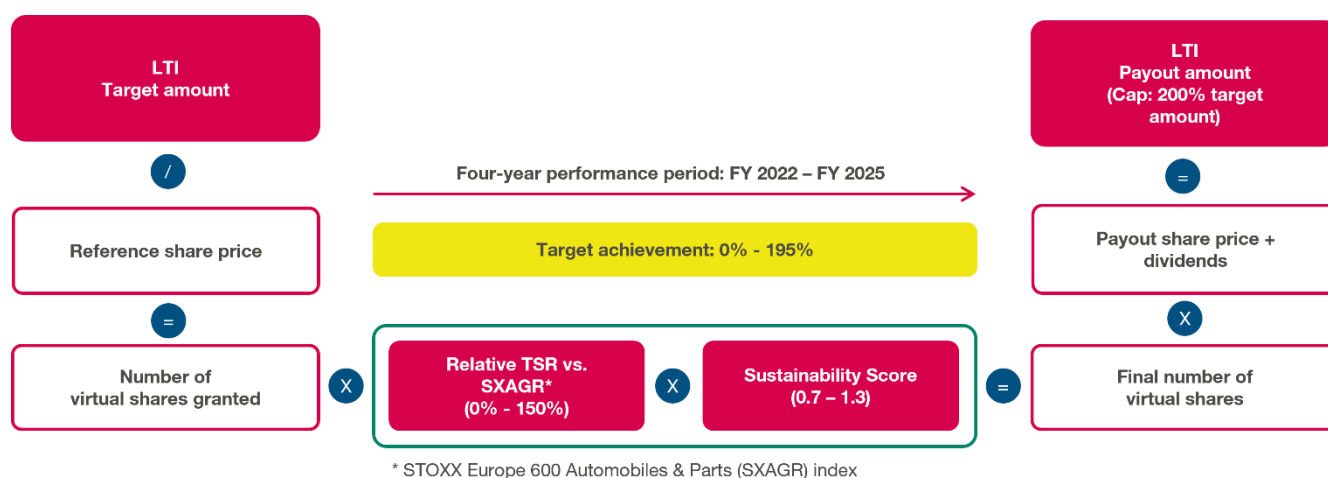
2) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a ratio of taxes and charges of roughly 50%.

#### Long-term incentive

##### Contribution of the long-term incentive to the promotion of the business strategy

Ever since its listing in September 2021, Vitesco Technologies has considered the interests of its investors and shareholders to be crucially important. The stock-based design of the LTI and the integration of relative TSR as a market-oriented element in this remuneration component act as an incentive to pursue the investors' and shareholders' interests. Additionally, using the sustainability score as a performance criterion ensures that the remuneration provides appropriate support for sustainable business development.

The LTI for the Executive Board members is designed as a virtual performance share plan on a rolling annual basis with a four-year performance period. The defined performance criteria include the relative total shareholder return (TSR) and the Company's sustainability score. What's more, the final payout amount depends on the development of the share price for the virtual shares. The following explains how the LTI functions:



The number of granted virtual shares is calculated at the beginning of the performance period by dividing an Executive Board member's target amount by the reference share price. The reference share price is calculated as the arithmetic mean of the Company's closing share prices in the XETRA trading system operated by the Frankfurt Stock Exchange (or a successor system) in a predefined period of time. For the 2022 LTI, the last two months prior to the start of the term of the LTI tranche were used.

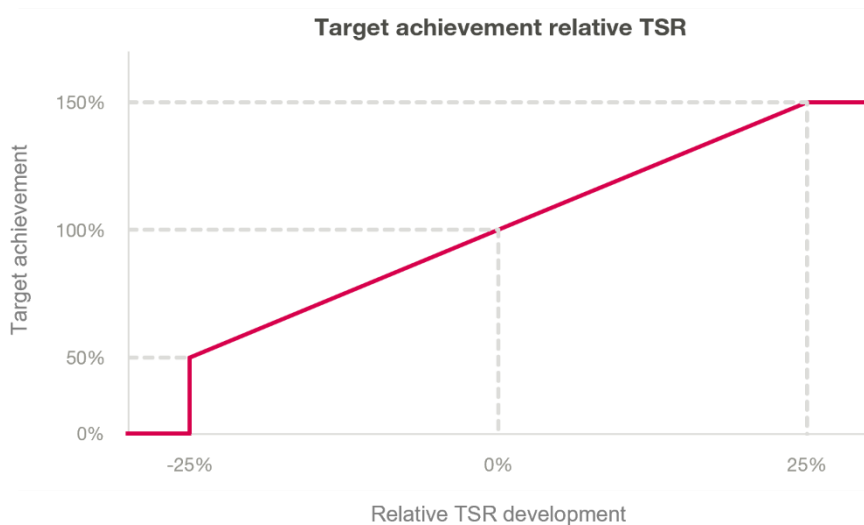
At the end of the performance period, the total target achievement that determines the payout amount is calculated first. This involves multiplying the target achievement for both performance criteria, relative TSR and sustainability score, by each other. The total target achievement is limited to a maximum of 195%. The number of virtual shares granted at the beginning of the performance period is then multiplied by the total target achievement. The final number of virtual shares so determined is then multiplied by the Company's payout share price, taking into account the dividends paid out during the performance period, with the result of this being the payout amount. The payout share price is calculated as the arithmetic mean of the Company's closing share prices in the XETRA trading system operated by the Frankfurt Stock Exchange (or a successor system) in a predefined period of time. For the 2022 LTI, the share prices used are the closing prices on the trading days in the last two months prior to the next ordinary Annual General Meeting that follows the end of the term of the LTI. The resulting LTI payout amount is limited to 200% of the target amount.

### Relative total shareholder return (TSR)

To calculate the relative TSR, the TSR on the Company's stock is compared at the end of the performance period with the TSR of the STOXX Europe 600 Automobiles & Parts (SXAGR), the benchmark index, at the end of the performance period. Relative TSR is an instrument with a market focus and therefore incentivizes developing the Company's value proportionally to a relevant peer group. TSR measures the stock price development of the Company and companies in the benchmark index while also incorporating dividend payments. It puts a focus on the interests of our shareholders.

The target achievement curve is defined in the remuneration system and illustrated below. If the Vitesco Technologies Group AG TSR corresponds to the benchmark TSR, the performance criterion is deemed achieved at a degree of 100%. The result is the following target achievement curve: If the Vitesco Technologies Group AG TSR falls below the benchmark TSR by 25 percentage points or more, the target achievement is 0%; if the Vitesco Technologies Group AG TSR exceeds the benchmark TSR by 25 percentage points or more, the target achievement is 150%; if the Vitesco Technologies Group AG TSR falls below or exceeds the benchmark TSR by less than 25 percentage points, the level of target achievement will be calculated using linear interpolation for a result between 50% and 150%. A target achievement of more than 150% is not possible.

The target achievement curve therefore ensures a balanced risk–reward profile, honoring overachievement of the target as well as sanctioning failure to meet the target. Limiting overachievement of the target to +25 percentage points discourages the assumption of inappropriate risk. Stopping the target achievement curve if the target falls below –25 percentage points sets a hurdle that prevents payout if the target is clearly not met.



### Sustainability score

Sustainability is an integral part of the Vitesco Technologies corporate strategy and is reflected in the core of the corporate mission “Powering Clean Mobility”. With innovative and efficient solutions, Vitesco Technologies aims to reduce the environmental impact 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 value chain.

Vitesco Technologies has adopted a sustainability agenda, which the Supervisory Board has incorporated in the remuneration system. The sustainability agenda defines key topics: clean mobility, climate protection, resource efficiency and circularity, fair work and diversity, responsible sourcing and partnerships, occupational health and safety, quality and product integrity, innovation, business ethics and anti-corruption, and corporate citizenship.





The Supervisory Board sets up to six clearly measurable performance targets for the sustainability score of any given LTI tranche based on the aforementioned topics. These targets are set no later than the beginning of each LTI tranche. The final sustainability score depends on the number of performance criteria met by the Executive Board at the end of the performance period. It can be between 0.7 and 1.3.

The sustainability score is calculated as follows:

$$\text{Sustainability score} = 0.7 + (\text{number of targets met} \times [0.6 \div \text{number of targets}])$$

For example, if five performance targets are defined at the start of the fiscal year and only two of them are met at the end of the performance period, the sustainability score will be 0.94 ( $0.7 + [2 \times (0.6 \div 5)]$ ). If, on the other hand, four out of five performance targets are met, the sustainability score will be 1.18 ( $0.7 + [4 \times (0.6 \div 5)]$ ).

The following extract from the sustainability scorecard (see the sustainability report 2022) presents the five long-term targets that are defined as the sustainability score performance targets for the 2022 LTI tranche: The targets are derived from the sustainability scorecard and broken down into annual targets. The targets for the year 2025 are relevant for the 2022 LTI tranche. The sustainability score for the 2022 LTI tranche is calculated depending on the target achievement in 2025. Information about the specific targets and the resulting target achievements will be provided transparently in the sustainability report and remuneration report for the year 2025.

	Key Performance Indicator	Target
 <b>Climate Protection</b>	Climate neutrality rate of total own CO <sub>2</sub> e emissions in %	100% climate neutrality of own operational activities (CO <sub>2</sub> e emissions Scope 1 and 2) by 2030
 <b>Resource Efficiency &amp; Circularity</b>	Waste recovery quota in %	Increase and maintain the waste recovery quota – defined as the proportion of waste that has been recycled or sent for material recycling, waste-to-energy technologies or other use – to 95% by 2030
 <b>Fair Work &amp; Diversity</b>	Share of women in management positions (executives and senior executives; as of Dec. 31) in %	Raise share of women in Executive and Senior Executive positions to 21% by 2026
	Employee Net Promoter Score, eNPS	Increase the Employee Net Promoter Score as an indicator of employee satisfaction to a value of 25 by 2026
 <b>Occupational Health &amp; Safety</b>	Accident rate (number of accidents per million hours worked)	Reduce accident rate to 1.4 by 2026

#### Application of the long-term incentive in the 2022 fiscal year

The specific performance targets, total target achievement, and the final number of virtual shares and the resulting payout amount will be reported in the remuneration report for the 2025 fiscal year, after the performance period has ended. The grant values were not increased from the previous year, when a prorated grant took place.

**2022 LTI Tranche Grant**

	Target amount in € thousand	Reference share price in €	Number of virtual shares granted
Andreas Wolf	800	45.59	17,548
Werner Volz	500	45.59	10,967
Ingo Holstein	500	45.59	10,967
Klaus Hau	500	45.59	10,967
Thomas Stierle	500	45.59	10,967

**Share ownership guideline**

Provisions in the Executive Board members' service agreements require them to invest a minimum amount in the Company's stock within a build-up phase and, after the build-up phase ends, to hold the shares acquired through this investment for the duration of their appointment and for a further two years after their appointment ends and their service agreement is terminated (this is referred to as the share ownership guideline, SOG).

The amount to be invested by each member of the Executive Board as part of the SOG is based on their agreed gross annual base salary. For the Chairman of the Executive Board, the minimum amount is 200% of their annual base salary, for ordinary Executive Board members it is 100% of their annual base salary (SOG target). The four-year build-up phase ends prematurely if a Board member's service agreement is terminated. The set SOG target is also reduced accordingly on a pro rata temporis basis. The shares held by Executive Board members in connection with the equity deferral as part of their performance bonus are counted toward their SOG target achievement.

**Malus and clawback provisions**

If an Executive Board member, in their role as a member of the Executive Board, commits a demonstrably deliberate gross infringement of their duty of care as set out in Sec. 93 AktG, of a significant conduct principle in the internal guidelines issued by the Company, or of one of their other obligations as set out in their service agreement, the Supervisory Board may, at its due discretion, partially or entirely reduce to zero the variable remuneration that is due for the fiscal year in which the gross infringement took place (the "malus provision").

If the variable remuneration has already been paid by the time the decision is made to impose a reduction, the Executive Board member must pay back the excess payments received in accordance with this decision (the "clawback provision"). In this case, the Company is also entitled to offset the clawback amount against other remuneration entitlements of the Executive Board member.

Any claims for damages held by Vitesco Technologies Group AG against the member of the Executive Board, in particular under Sec. 93(2) AktG, will remain unaffected by the agreement of a malus or clawback provision.

Malus or clawback provisions were not exercised in the 2022 fiscal year.

## Remuneration-related dealings and transactions

### Benefits from third parties

The Executive Board members did not receive any benefits from third parties as part of their role as Executive Board members of Vitesco Technologies Group AG.

### Premature termination of the service agreement

In the event of premature termination of an Executive Board position without good cause, any payments that may be arranged to be made to the Executive Board member shall not exceed the value of two years' compensation (the "severance cap") or the compensation for the remaining term of the member's service agreement. In the event of a "bad-leaver" situation, the tranches of the LTI applicable at that time are forfeited and not substituted. In particular, a bad-leaver situation is deemed to have occurred if the service agreement at the Company is extraordinarily terminated for cause before the LTI period has ended.

If an Executive Board member passes away during the term of their service agreement, their spouse or civil partner and entitled children or wards are deemed to be joint creditors with an entitlement to the member's annual base salary for the month of the death and the following six months, but not beyond the agreed term of the service agreement.

### Post-contractual non-compete clause

A post-contractual non-compete clause, valid globally for two years, can be agreed with each Executive Board member. If a non-compete clause is agreed, the Company pays the Executive Board members compensation of 50% of the contractual compensation most recently received for the duration of the non-compete clause. Any severance payments that are made in the event of a mutually agreed, premature termination of a service agreement are counted towards the non-compete compensation. If an Executive Board member ceases to hold office, the Supervisory Board may waive compliance with the post-contractual non-compete clause.

### Disclosure of individual Executive Board remuneration

The following tables show the individual target remuneration as well as the remuneration awarded or due in the 2022 fiscal year to members of the Executive Board in accordance with Sec. 162 AktG.

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As the spin-off from Continental AG took effect on September 15, 2021, the following shows only prorated remuneration for the 2021 fiscal year from the time of the spin-off.

## Target remuneration

The target remuneration for individual Executive Board members comprises the remuneration that is paid if the level of target achievement is 100%. The following is a table showing the individual target remuneration for each Executive Board member, prorated for the previous year from the time of the spin-off from Continental AG.

### Target Remuneration

	Andreas Wolf Chairman of the Executive Board (from Sep. 15, 2021)			Werner Volz Chief Financial Officer (from Sep. 15, 2021)		
	2022		2021	2022		2021
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	800	23	236	450	26	133
Fringe benefits	3	0	2	8	1	4
One-year variable remuneration	720	21	213	300	17	89
Performance bonus in 2022 (immediate payment)	720	–	–	300	–	–
Performance bonus in 2021 (immediate payment)	–	–	213	–	–	89
Multiple-year variable remuneration	1,280	37	379	700	40	207
Performance bonus in 2022 (deferral) <sup>1</sup>	480	–	–	200	–	–
Performance bonus in 2021 (deferral) <sup>1</sup>	–	–	142	–	–	59
LTI 2022–2025	800	–	–	500	–	–
LTI 2021–2024	–	–	237	–	–	148
Service cost for pension plan	656	19	230	275	16	96
<b>Total remuneration</b>	<b>3,460</b>	<b>100</b>	<b>1,059</b>	<b>1,733</b>	<b>100</b>	<b>529</b>

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.



	Ingo Holstein Chief Human Resources Officer (from Sep. 15, 2021)			Klaus Hau Member of the Executive Board – Sensing & Actuation (from Oct. 1, 2021)		
	2022		2021	2022		2021
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	400	24	118	400	24	100
Fringe benefits	7	0	2	14	1	3
One-year variable remuneration	270	16	80	270	16	68
Performance bonus in 2022 (immediate payment)	270	–	–	270	–	–
Performance bonus in 2021 (immediate payment)	–	–	80	–	–	68
Multiple-year variable remuneration	680	41	201	680	41	171
Performance bonus in 2022 (deferral) <sup>1</sup>	180	–	–	180	–	–
Performance bonus in 2021 (deferral) <sup>1</sup>	–	–	53	–	–	45
LTI 2022–2025	500	–	–	500	–	–
LTI 2021–2024	–	–	148	–	–	126
Service cost for pension plan	314	19	110	296	18	78
<b>Total remuneration</b>	<b>1,670</b>	<b>100</b>	<b>511</b>	<b>1,659</b>	<b>100</b>	<b>421</b>

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.

	Thomas Stierle Member of the Executive Board – Electrification Technology (from Oct. 1, 2021)		
	2022		2021
	€ thousand	%	€ thousand
Base salary	400	23	100
Fringe benefits	13	1	3
One-year variable remuneration	270	16	68
Performance bonus in 2022 (immediate payment)	270	–	–
Performance bonus in 2021 (immediate payment)	–	–	68
Multiple-year variable remuneration	680	40	171
Performance bonus in 2022 (deferral) <sup>1</sup>	180	–	–
Performance bonus in 2021 (deferral) <sup>1</sup>	–	–	45
LTI 2022–2025	500	–	–
LTI 2021–2024	–	–	126
Service cost for pension plan	343	20	91
<b>Total remuneration</b>	<b>1,706</b>	<b>100</b>	<b>433</b>

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.

## Remuneration awarded or due

The following tables show the remuneration awarded or due to Executive Board members in the 2022 fiscal year in accordance with Sec. 162 AktG and the proportion of this relative to total remuneration. Awarded remuneration is considered remuneration for which the work owed was performed in full during the relevant reporting period. Due remuneration comprises remuneration that is due but has not been actually disbursed yet.

Accordingly, an example disclosure for variable remuneration commitments made in the 2022 fiscal year appears as follows: The remuneration for the performance bonus is disclosed in the 2022 column and therefore for the fiscal year during which the underlying work was performed in full.

### Remuneration Awarded or Due

	Andreas Wolf Chairman of the Executive Board (from Sep. 15, 2021)			Werner Volz Chief Financial Officer (from Sep. 15, 2021)		
	2022		2021	2022		2021
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	800	23	236	450	28	133
Fringe benefits	3	0	2	8	1	4
One-year variable remuneration	1,225	35	414	510	32	173
Performance bonus in 2022 (immediate payment)	1,225	–	–	510	–	–
Performance bonus in 2021 (immediate payment)	–	–	414	–	–	173
Multiple-year variable remuneration	817	23	276	340	22	115
Performance bonus in 2022 (deferral) <sup>1</sup>	817	–	–	340	–	–
Performance bonus in 2021 (deferral) <sup>1</sup>	–	–	276	–	–	115
<b>Total remuneration awarded or due</b>	<b>2,845</b>	<b>–</b>	<b>929</b>	<b>1,309</b>	<b>–</b>	<b>425</b>
Service cost for pension plan	656	19	230	275	17	96
<b>Total remuneration</b>	<b>3,501</b>	<b>100</b>	<b>1,158</b>	<b>1,584</b>	<b>100</b>	<b>520</b>

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.

	Ingo Holstein Chief Human Resources Officer (from Sep. 15, 2021)			Klaus Hau Member of the Executive Board – Sensing & Actuation (from Oct. 1, 2021)		
	2022		2021	2022		2021
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	400	27	118	400	28	100
Fringe benefits	7	0	2	14	1	3
One-year variable remuneration	459	31	155	430	30	134
Performance bonus in 2022 (immediate payment)	459	–	–	430	–	–
Performance bonus in 2021 (immediate payment)	–	–	155	–	–	134
Multiple-year variable remuneration	306	21	104	287	20	89
Performance bonus in 2022 (deferral) <sup>1</sup>	306	–	–	287	–	–
Performance bonus in 2021 (deferral) <sup>1</sup>	–	–	104	–	–	89
<b>Total remuneration awarded or due</b>	<b>1,172</b>	<b>–</b>	<b>379</b>	<b>1,130</b>	<b>–</b>	<b>327</b>
Service cost for pension plan	314	21	110	296	21	78
<b>Total remuneration</b>	<b>1,486</b>	<b>100</b>	<b>489</b>	<b>1,426</b>	<b>100</b>	<b>405</b>

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.

	Thomas Stierle Member of the Executive Board – Electrification Technology (from Oct. 1, 2021)		
	2022		2021
	€ thousand	%	€ thousand
Base salary	400	32	100
Fringe benefits	13	1	3
One-year variable remuneration	291	23	134
Performance bonus in 2022 (immediate payment)	291	–	–
Performance bonus in 2021 (immediate payment)	–	–	134
Multiple-year variable remuneration	194	16	89
Performance bonus in 2022 (deferral) <sup>1</sup>	194	–	–
Performance bonus in 2021 (deferral) <sup>1</sup>	–	–	89
<b>Total remuneration awarded or due</b>	<b>898</b>	<b>–</b>	<b>327</b>
Service cost for pension plan	343	28	91
<b>Total remuneration</b>	<b>1,241</b>	<b>100</b>	<b>418</b>

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.

## Outlook for fiscal 2023

Vitesco Technologies is going to position itself with a clear focus on electrification business starting in 2023. The current four business units – Electronic Controls, Electrification Technology, Sensing & Actuation, and Contract Manufacturing – are brought together into two completely reorganized units: the future divisions “Powertrain Solutions” and “Electrification Solutions”. Through these organizational changes, Vitesco Technologies is aiming to further sharpen its strategic focus on powertrain electrification, in order to boost the effectiveness, efficiency, and flexibility of its operations in the market for sustainable mobility technologies. The clear focus on growth and value creation associated with the reorganization also creates a more transparent structure, enables even better use of resources in line with ongoing and accelerating change, and takes account of the company's ambitious sustainability agenda.

The incentives offered to the Executive Board will also incorporate the organizational change in the future. The remuneration for the 2023 fiscal year, the year in which the transformation is taking place, will focus fully on the Group's overall performance. For this reason, the incentives offered to the Executive Board members overseeing a division in the 2023 fiscal year will be based solely on the Group's targets.

The performance bonus will also in future incentivize the Vitesco Technologies Group's key financial performance indicators. Alongside ROCE and free cash flow the EBIT margin will take the place of absolute EBIT in the performance bonus starting in the 2023 fiscal year. The weighting of the EBIT margin, at 40%, corresponds to the previous weighting of EBIT. Free cash flow is also weighted at 40%, ROCE at 20%.

During the 2022 fiscal year there was dialog between Board members and investors regarding the design of the Executive Board remuneration system. The Supervisory Board took on the feedback from our investors regarding the remuneration system for its further development beyond the modifications for fiscal 2023.

## Supervisory Board remuneration in the 2022 fiscal year

### Basic principles of Supervisory Board remuneration

The members of the Supervisory Board receive fixed annual remuneration that takes account of the independence of the Supervisory Board.

The fixed annual remuneration for Supervisory Board members is €60 thousand for an ordinary member, €90 thousand for a deputy chairperson, and €120 thousand for the Chairperson of the Supervisory Board.

In accordance with the remuneration rules for the Supervisory Board, as set out in the Articles of Association for Vitesco Technologies Group AG, the members of the Audit, Executive, and Technology Committees as well as any other committee formed in accordance with Article 14(1), clause 1, of the Articles of Association, if the Supervisory Board stipulates when forming such a committee that additional remuneration is to be paid for work on the committee, receive committee remuneration based on their memberships for the additional time demands of their positions. This committee remuneration comes to €30 thousand for the chairperson of a committee and €20 thousand for any other member. If members hold multiple committee positions, the committee remuneration is limited to a total of €70 thousand for a committee chairperson and to a total of €50 thousand for any other committee member. For this purpose, the highest maximum amount of remuneration applicable to the individual Supervisory Board member will apply.

The Supervisory Board members additionally receive a meeting attendance fee of €1.5 thousand for each Supervisory Board meeting that they attend in person (including by means of electronic communication). This also applies accordingly to attendance at committee meetings, unless a Supervisory Board meeting or another committee meeting for which the member already receives an attendance fee is held on the same day.

Supervisory Board members who commence or end their Supervisory Board position in the course of a year receive the fixed remuneration and, if applicable, a committee remuneration on a pro rata temporis basis. Furthermore, the Company reimburses all Supervisory Board members for the expenses that they incur in the performance of their duties as well as any value added tax payable. The Company may take out directors' and officers' (D&O) liability insurance for each member.

Remuneration component	Chairperson of the Supervisory Board	Deputy Chairperson of the Supervisory Board	Ordinary Supervisory Board member
Annual fixed remuneration	120,000 €	90,000 €	60,000 €
Attendance fee per meeting	1,500 €		

	Chairperson of a committee
Committee work*	30,000 €

Ordinary committee member
20,000 €

\* The committee remuneration for the Chairperson is limited to 70,000 €. the committee remuneration for other Supervisory Board members is limited to 50,000 €.

## Disclosure of individual Supervisory Board remuneration

The following table shows the remuneration awarded or due to the Supervisory Board members in the 2022 fiscal year, broken down by individual remuneration component. The remuneration disclosed for the Supervisory Board for the previous year is prorated as the Company was only spun off as of September 15, 2021.

### Supervisory Board Remuneration

	2022						2021	
	Fixed remuneration		Committee remuneration		Meeting attendance fee		Total remuneration	Total remuneration
	€ thousand	%	€ thousand	%	€ thousand	%	€ thousand	€ thousand
Prof. Siegfried Wolf (Supervisory Board Chairman)	120	55	60	27	39	18	219	55
Ralf Schamel <sup>1</sup> (Deputy Supervisory Board Chairman)	90	51	50	28	38	21	178	41
Carsten Bruns <sup>1</sup>	60	63	20	21	15	16	95	23
Prof. Hans-Jörg Bullinger	60	56	30	28	17	16	107	23
Manfred Eibeck	60	62	20	21	17	17	97	31
Lothar Galli <sup>1</sup>	60	59	20	19	23	22	103	33
Yvonne Hartmetz <sup>1</sup>	60	40	50	33	41	27	151	33
Susanne Heckelsberger	60	40	50	34	39	26	149	36
Joachim Hirsch	60	44	40	30	35	26	135	23
Prof. Sabina Jeschke	60	62	20	21	17	17	97	23
Michael Köppl <sup>1</sup>	60	50	40	33	21	17	121	33
Erwin Löffler <sup>1</sup>	60	62	20	21	17	17	97	31
Klaus Rosenfeld	60	60	20	20	20	20	100	33
Georg F. W. Schaeffler	60	44	50	36	27	20	137	38
Kirsten Vörkel <sup>1</sup>	60	49	40	33	23	18	123	31
Anne Zeumer <sup>1</sup>	60	85	–	–	11	15	71	23

1) Employee representative.

## Year-on-year comparison of remuneration and earnings

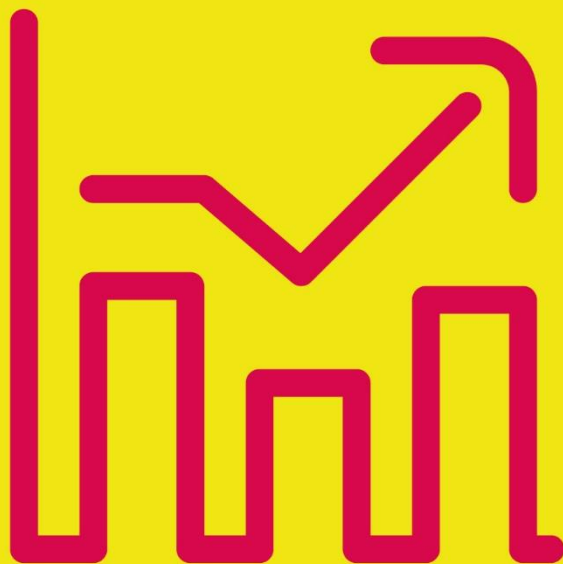
In line with the legal requirements under Sec. 162(1)(2) AktG for disclosing the remuneration of Executive Board and Supervisory Board members, the remuneration for Executive Board and Supervisory Board members has been compared with the workforce's remuneration and the Company's development in earnings. The remuneration of the workforce, based on full-time-equivalent hours, comprises the remuneration received by senior management, non-collective-agreement employees, and collective-agreement employees in Germany. The values disclosed for 2021 are prorated for the period following September 15, 2021, which is why there is a large increase compared to the previous year. The earnings metrics consist of the net income or loss of Vitesco Technologies Group AG and EBIT for the Vitesco Technologies Group. The variable remuneration of the Executive Board is based on the Group's performance. Given the Company's spin-off and IPO during the 2021 fiscal year, the year-on-year comparison will be built up progressively until 2025.

## Year-on-Year Comparison

	2022	2021	2022/2021 <sup>2</sup> change
	€ thousand	€ thousand	%
<b>Executive Board members</b>			
Andreas Wolf (from Sep. 15, 2021)	2,845	929	206.4
Werner Volz (from Sep. 15, 2021)	1,309	425	208.3
Ingo Holstein (from Sep. 15, 2021)	1,172	379	209.3
Klaus Hau (from Oct. 1, 2021)	1,130	327	245.5
Thomas Stierle (from Oct. 1, 2021)	898	327	174.5
<b>Average</b>	<b>1,471</b>	<b>477</b>	<b>208.2</b>
<b>Supervisory Board members</b>			
Prof. Siegfried Wolf (Supervisory Board Chairman)	219	55	301.8
Ralf Schamel <sup>1</sup> (Deputy Supervisory Board Chairman)	178	41	331.2
Carsten Bruns <sup>1</sup>	95	23	313.0
Prof. Hans-Jörg Bullinger	107	23	363.0
Manfred Eibeck	97	31	209.6
Lothar Galli <sup>1</sup>	103	33	213.8
Yvonne Hartmetz <sup>1</sup>	151	33	360.7
Susanne Heckelsberger	149	36	313.9
Joachim Hirsch	135	23	484.8
Prof. Sabina Jeschke	97	23	319.6
Michael Köppl <sup>1</sup>	121	33	270.4
Erwin Löffler <sup>1</sup>	97	31	209.6
Klaus Rosenfeld	100	33	204.6
Georg F. W. Schaeffler	137	38	265.3
Kirsten Vörkel <sup>1</sup>	123	31	293.0
Anne Zeumer <sup>1</sup>	71	23	206.5
<b>Average</b>	<b>123</b>	<b>32</b>	<b>288.4</b>
<b>Employees</b>			
<b>Average</b>	<b>81</b>	<b>23</b>	<b>246.4</b>
<b>Development in earnings</b>			
Net income/loss of Vitesco Technologies Group AG per Sec. 275 HGB, € million	-16.9	-1,050.4	98.4
EBIT Vitesco Technologies Group, € million	143.3	39.5	262.8

1) Employee representative.

2) Because the spin-off of Vitesco Technologies Group AG from Continental AG took effect on September 15, 2021, the year-on-year comparison of changes in the Company's remuneration and earnings is going to be built up as time goes by. Accordingly, the remuneration for 2021 is shown pro rata temporis from the time of the spin-off. This explains the high increase compared with the previous year.





# MANAGEMENT REPORT

The following management report is a combined management report as defined in HGB § 315(5), as the future opportunities and risks of the Vitesco Technologies Group and of the parent company, Vitesco Technologies Group AG, are inextricably linked.

## GLOSSARY OF FINANCIAL TERMS

THE FOLLOWING GLOSSARY OF FINANCIAL TERMS APPLIES TO THE MANAGEMENT REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS.

**American depositary receipts (ADRs).** ADRs are securities that represent ownership of stock and can stand for one share, several shares, or even a portion of a share. ADRs are traded on US stock exchanges in the place of foreign shares or shares not authorized for listing on US stock exchanges.

**Dividend-payout ratio.** The ratio of the dividend for the fiscal year to the earnings per share.

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

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

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

**Currency swap.** A currency swap sees amounts in two currencies being swapped for a set period of time. Normally, a currency swap consists of a spot transaction (e.g., sale of currency now) and a forward exchange transaction (e.g., purchase of currency later).

**EBIT.** Earnings before interest and tax. It is the result of ordinary business activities and is used to assess operational profitability.

**Adjusted EBIT.** EBIT before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special topics (e.g., impairment, restructuring, gains and losses from sales of companies and business units, and spin-off impacts). Since it eliminates one-time influences, it can be used to compare operational profitability between periods.

**EBITDA.** Earnings before interest, tax, depreciation, and amortization. It is calculated by adding depreciation of property, plant, and equipment; amortization of intangible assets, and impairment, excluding impairment of financial investments, to EBIT. This key figure is used to assess operational profitability.

**Net finance income.** Net finance income 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 measurement effects. Net finance income is the result of financial activities.

**Research and development expenses (net).** Research and development expenses (net) are defined as expenditure on research and development less reimbursements and subsidies that the Vitesco Technologies Group receives in this context.

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

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

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

**IAS.** International Accounting Standards. Accounting standards developed and issued 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 issued by the IASB. In a broad sense, they also include the IAS and the interpretations of the IFRS IC, its predecessor IFRIC, and the former SIC.

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

**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.

**Changes in the scope of consolidation.** Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions during the fiscal year and for disposals in the year-over-year comparison period.

**Net liquidity.** The net amount of recognized interest-bearing financial liabilities, fair values of the derivative instruments, cash and cash equivalents, and other interest-bearing investments. This key figure is the basis for calculating figures relating to the capital structure.

**Operating assets.** The assets less liabilities as reported in the statement of financial position, without recognizing net liquidity, and less sales of trade receivables, deferred taxes, income tax receivables and payables, and other financial assets and debts. Average operating assets are calculated based on the quarterly reporting dates and, according to our definition, correspond to the capital employed.

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

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

**ROCE.** See Return on Capital Employed (ROCE).

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

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

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

**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.

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

**Working capital.** Inventories plus trade receivables less trade payables. Sales of receivables are not included.

**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.

## CORPORATE PROFILE

The Vitesco Technologies Group (hereinafter Vitesco Technologies) is a supplier of modern drive technologies and electrification solutions for sustainable vehicles. Its product portfolio comprises electric drive units, electronic controls, sensors, actuators, and solutions for treating exhaust gases. With more than ten years' experience in electric vehicles, Vitesco Technologies offers trailblazing solutions for all the possible steps to electrification that will be taken for all the drive technology developments in the future. The Company has production and development sites in all growing markets (China, Europe, and North America). In the 2022 fiscal year, the Group achieved sales of €9.1 billion and had 38,043 employees at approximately 50 sites. Vitesco Technologies Group AG is the parent company and has been based in Regensburg, Germany since September 30, 2021.

## STRUCTURE OF THE GROUP

### Organizational structure

The Vitesco Technologies Group concentrates on the development and production of components and system solutions for drivetrains in hybrid vehicles, electric vehicles, and combustion engines. Its portfolio comprises 48-volt electrification solutions, electric drive systems, and power electronics for hybrid electric and battery electric vehicles. Furthermore, its product palette includes electronic controls, sensors, actuators, turbochargers, hydraulic components, and pumps as well as exhaust-gas solutions.

Up until December 31, 2022, the business operations of the Vitesco Technologies Group have been run in four business units: Electrification Technology, Electronic Controls, Sensing & Actuation, and Contract Manufacturing.

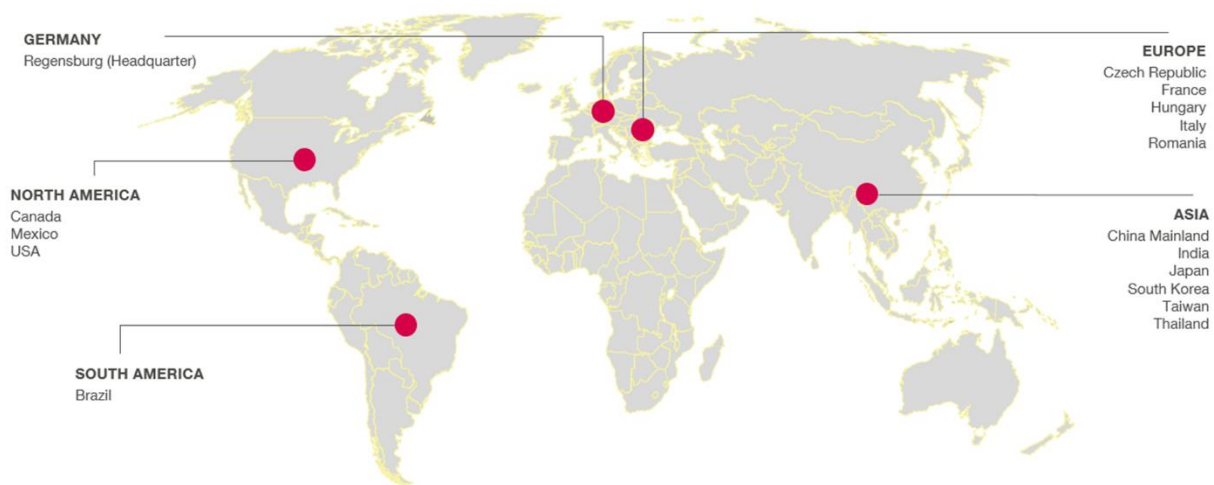
### Executive Board

The Executive Board of Vitesco Technologies Group AG currently consists of five members:

- > Andreas Wolf, Chief Executive Officer
- > Werner Volz, Chief Financial Officer
- > Ingo Holstein, Chief Human Resources Officer
- > Klaus Hau, Executive Board member
- > Thomas Stierle, Executive Board member

## Sites

The Vitesco Technologies Group is represented at approximately 50 locations worldwide. The following is an overview of the key regions and countries:



## Customer structure

The Vitesco Technologies Group 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 the Vitesco Technologies Group are the Ford Motor Company, the General Motors Company, the Hyundai Motor Group, the Mercedes-Benz Group, the Renault-Nissan-Mitsubishi Alliance, Stellantis, and the Volkswagen Group.

The Vitesco Technologies Group has achieved strong market penetration among major OEMs in Asia, Europe, and North America. In addition, the Vitesco Technologies Group has a broad customer base in key emerging markets such as Mexico and India.

In the 2022 fiscal year, 18.2% of the Vitesco Technologies Group's sales came from Germany. The Group's top three customers in Germany were the BMW Group, the Mercedes-Benz Group, and the Volkswagen Group. In the remaining European countries, the Group generated 26.9% of its total sales. The three most important customers here were the Ford Group, the Renault-Nissan-Mitsubishi Alliance, and the Stellantis corporation.

North America accounted for 26.0% of total sales in this fiscal year, with the top three customers as follows: Cummins, the General Motors Company, and Stellantis.

Asia is the Company's largest sales market, accounting for 27.6% of the total, with the General Motors Company, Hyundai Motor Group, and the Volkswagen Group as its three most important customers in this region. The remaining 1.3% of total sales was spread over various other countries.

The above illustration lists customers in alphabetical order.

## Overview of Group structure

Vitesco Technologies Group			
Sales: €9,070.0 million; employees: 38,043			
Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing
Sales: €691.9 million Employees: 4,811	Sales: €3,930.7 million Employees: 15,224	Sales: €3,474.1 million Employees: 15,641	Sales: €1,053.4 million Employees: 2,311
<ul style="list-style-type: none"> <li>&gt; High-Voltage Electronics</li> <li>&gt; High-Voltage Drive</li> <li>&gt; Mild Hybrid Drive</li> <li>&gt; Battery</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Drivetrain</li> <li>&gt; Electronics</li> <li>&gt; Hydraulics</li> <li>&gt; Nonautomotive</li> <li>&gt; Turbocharger</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Exhaust &amp; Emission Sensors</li> <li>&gt; Transmission &amp; Engine Sensors</li> <li>&gt; Actuators</li> <li>&gt; Fluid Control Systems</li> <li>&gt; Catalysts &amp; Filters</li> <li>&gt; Aftermarket</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Contract manufacturing for the Continental Group</li> </ul>

## Electrification Technology

The Electrification Technology business unit is a pioneer in electrifying vehicle drive systems and has more than ten years' experience in this field. Electrification Technology provides systems and components for electrified drivetrains and serves all key electrification architectures such as those used in plug-in hybrid and battery-electric vehicles. Its electric drive systems can be used in vehicles with an internal-combustion engine, battery, or fuel cell. Its portfolio applies a strict platform-based approach, including modularity, integration, and scalability, with a focus on a deep understanding of systems. Electrification Technology is divided into four specific product lines:

- > High-Voltage Electronics
- > High-Voltage Drive
- > Mild Hybrid Drive
- > Battery

## Electronic Controls

The Electronic Controls business unit of the Vitesco Technologies Group provides electronic, mechatronic, and software-based solutions for drivetrains in battery-electric vehicles, hybrid vehicles, and vehicles with an internal-combustion engine. These solutions are installed in cars, commercial vehicles, and two-wheel vehicles. Electronic Controls is divided into the following five product lines:

- > Drivetrain
- > Electronics
- > Hydraulics
- > Nonautomotive
- > Turbocharger

## Sensing & Actuation

The Sensing & Actuation business unit develops components that enable clean and safe transportation. Its product portfolio comprises various types of sensors, actuators, and pumps as well as components for treating exhaust gases. These

solutions are used in pure-electric vehicles (battery or fuel cell), hybrid vehicles, and vehicles with an internal-combustion engine, and the business unit can serve all vehicle types, from two-wheelers to cars and heavy trucks. Sensing & Actuation is divided into the following six product lines:

- > Exhaust & Emission Sensors
- > Transmission & Engine Sensors
- > Actuators
- > Fluid Control Systems
- > Catalysts & Filters
- > Aftermarket

### Contract Manufacturing

The Contract Manufacturing business unit comprises the Vitesco Technologies Group's contract-manufacturing operations for Continental AG. Products are currently produced for Continental AG at a total of six Vitesco Technologies Group production sites. These operations stem from customer orders that began life at formerly shared production sites (Vitesco Technologies / Continental). To ensure that production continues without interruption for the customer, these sites will keep manufacturing for Continental AG until the end of the relevant contracts or until production moves to the earmarked sites within the Continental Group.

## GROUP STRATEGY

### VITESCO TECHNOLOGIES DIRECTION 2030

The effects of climate change are becoming increasingly noticeable and can be seen in natural catastrophes such as droughts, storms, or heat waves. Accordingly, the demand for environmentally friendly and socially responsible products and transportation solutions is growing larger and getting more important. There is increasing regulatory pressure to reduce emissions, too.

To pursue a clear direction in these volatile times and contribute to cleaner mobility, Vitesco Technologies has created DIRECTION 2030, a strategic framework that provides orientation for the organization on its journey to the year 2030. Based on the projects successfully completed in the past, the topics for the 2022 fiscal year have been refined and expanded again.

The Company, its employees, and other Vitesco Technologies stakeholder groups can orient and align themselves with this initiative. It lets arising opportunities be used strategically to ensure sustainable growth while also increasing the Company's value.

The strategy falls under the umbrella of the Company's "Electrified. Emotion. Everywhere." vision, which represents Vitesco Technologies' ambition to pave the way to clean transportation through electrification. It is powered by Vitesco Technologies' development of intelligent and reliable solutions that put the emotion in motion. The intention behind it is to enable electric transportation everywhere, for any market, any architecture, and any person.

Our mission of "Powering Clean Mobility" was declared to provide daily motivation for the journey to an electrified world. The actions of Vitesco Technologies are based on a clear commitment to reducing emissions. By developing these solutions, the



Company is shaping the future of clean mobility and transportation and fulfilling its corporate social responsibility, acting as a dependable partner for its customers, and making profitable choices for its investors.

To enable the practical implementation of this ambitious vision by 2030 and review it on a regular basis, the Company has defined five focus areas which each have qualitative and quantitative targets:

- > Leader in Electrified Solutions
- > Business Excellence
- > Great People, Great Company
- > Driver of Sustainability
- > Investors' Choice

The focus on being a "Leader in Electrified Solutions" is underpinned by a conviction that all drivetrains will be electrified in the future. Vitesco Technologies has the goal of being a leading supplier of battery-electric vehicle drive systems. Accordingly, it aims to generate most of its sales from electrification by 2030.

"Business Excellence" is the foundation for accomplishing the transition from combustion engine drive to electrified drive systems. A focus on customer satisfaction, and efficient production, are essential for meeting or even exceeding the requirements of our customers. They are also a foundation for gaining new business contracts. By focusing strongly on its cost structure and on modularity, Vitesco Technologies ensures high profitability to finance future growth and safeguard competitiveness in a volatile market environment.

Vitesco Technologies believes that its employees are the key to lasting business success in the future. Its focus on "Great People, Great Company" is based on this belief and involves setting strategic targets to support the right employees with the right motivation in the right environment. The aim of this focus is to increase employee satisfaction and boost the long-term loyalty that skilled workers feel toward Vitesco Technologies. This is also connected to the strategic focus on developing a strong corporate brand.

Sustainability is a fundamental element of Vitesco Technologies and a key requirement for its future commercial success. The focus on being a "Driver of Sustainability" centers things such as the Group's carbon footprint. Vitesco Technologies has made it its objective to make its in-house production operations 100% carbon-neutral by no later than 2030. Moreover, it aims to achieve full carbon neutrality throughout its value chain by no later than 2040. In terms of its products and their impact on the environment, it intends to employ life-cycle engineering throughout the product life cycle, from resource extraction to recycling, in order to optimize their emissions reduction.

All these focus areas are also reflected in an ambition of being the "Investors' Choice." Planning provides for progressively increasing profitability thanks to a focus on core activities. This profitability will simultaneously allow the Group to finance its future growth. It can also have a positive effect on the stock price, which will develop lastingly and more strongly in comparison to relevant benchmark indexes.



## CORPORATE MANAGEMENT

### AN AIM OF GROWING SUSTAINABLY WHILE INCREASING THE GROUP'S VALUE

The Company's internal business-management system consists of its annual operational planning, which is developed based on the overall strategic parameters defined by the Executive Board; its monitoring and management of key financial figures throughout the fiscal year, regular meetings of its Executive Board and managers, and reporting to the Vitesco Technologies Group AG Supervisory Board. The Company's monitoring and management throughout the year is based on an extensive system of standardized reports about assets, finances, and earnings. When the Executive Board and managers meet, they discuss business development, including the achievement of targets, and the forecast for the year as a whole. If necessary, they also discuss any actions that must be taken.

The internal business-management system at Vitesco Technologies supports implementation of the Group's strategy of sustainable growth while increasing the value of the business. Value-oriented business-portfolio management is an integral element of all planning, management, and monitoring processes.

### FINANCIAL PERFORMANCE INDICATORS

Key financial performance indicators for the Vitesco Technologies Group relate to the development of sales, capital employed, and the adjusted EBIT margin as well as the amount of capital expenditure and free cash flow. In order to use these financial performance indicators for management purposes as well, and to incorporate the interdependencies between these indicators, we condense them into key figures within a value-driver system.

The capital that the Company has access to must be used profitably and sustainably in order to create lasting value. It achieves this goal by generating a positive return on the capital employed in each business unit. At the same time, this return must always exceed the financing costs of the equity and debt used to raise working capital.

The performance indicators used are EBIT, capital employed, and the weighted average cost of capital (WACC), which is calculated from the proportional weight of equity and debt costs. The cost of capital is calculated by weighting the costs of equity and debt proportionally.

EBIT is calculated based on the ongoing revenue-generation process, that is, as the result of sales, product costs, other operating costs, and other income and expenses plus income from investments but excluding net finance income and income taxes.

Capital employed is the funds used by the Company to generate its sales. It draws on property, plant, and equipment; intangible assets, and working capital, the last of which comes from operational trade receivables and inventories less operational trade payables. The annual average of these operating assets is calculated as the arithmetic mean of the values for each quarterly reporting date.

The return on capital employed (ROCE) represents the ratio of these two calculated values. Comparing a figure from the statement of income (EBIT) with one from the statement of financial position (capital employed) allows for a holistic analysis. We deal with the problem of differing periods of analysis by averaging the capital employed based on the quarterly-reporting figures.

The weighted average cost of capital (WACC) is calculated to determine the cost of financing the capital employed. Equity costs are based on the return from a risk-free alternative investment plus a market-risk premium, taking into account Vitesco Technologies' specific risk. Borrowing costs are calculated based on the weighted borrowing-cost rate at which Vitesco Technologies accrues debt.

Value is only added if the return on capital employed (ROCE) exceeds the weighted average cost of capital (WACC).

ROCE by business unit (%)	2022	2021
Electrification Technology	-85.1	-635.1
Electronic Controls	9.5	5.4
Sensing & Actuation	31.0	22.5
Contract Manufacturing	13.1	45.4
<b>Vitesco Technologies</b>	<b>5.2</b>	<b>1.6</b>

In addition to its focus on ROCE as a strategic financial performance indicator, Vitesco Technologies also focuses on continuously monitoring and increasing the following three operations-related financial performance indicators:

- > Sales growth
- > Adjusted EBIT margin
- > Free cash flow

These three key figures are the basis for operational decision-making and also the foundation for forecasts. Continuously improving on these key figures also helps to increase the ROCE.

**Sales growth.** Growth in sales increases the value created by the Company and also determines the level of resources needed for its business activities. Sales growth measures the year-over-year percentage change in sales. In order to achieve an analysis of business development that is as transparent as possible and to ensure comparability over time, the sales growth presented here does not include currency impacts and changes in the scope of consolidation. Sales growth is

also compared against relevant market indicators in order to assess the development of the Company's position in the market and among competitors.

**Adjusted EBIT margin.** The adjusted EBIT margin is also drawn on as a metric for Vitesco Technologies' business operations and also contributes to value creation. The adjusted EBIT margin is a relative key figure that is defined as the ratio of adjusted EBIT to adjusted sales and measures the profitability of the Company's operations. The adjusted EBIT used for it is EBIT adjusted by the amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special topics. The adjusted EBIT margin enables a transparent assessment and greater comparability of operational performance over time.

**Free cash flow.** Free cash flow measures cash inflows within a given period. It is defined as the sum of cash flow from operating activities and cash flow from investing activities. The key influences over free cash flow are profitability along with effective working-capital management and the amount of money put into investments. Free cash flow therefore has an effect on the development of capital employed as time goes by.

## FINANCING STRATEGY

Our financing strategy aims to support the value-adding growth of the Vitesco Technologies Group while at the same time upholding an equity and debt structure commensurate with the risks and rewards of our business and net liquidity. The Finance & Treasury Group function provides the necessary financial framework to finance corporate growth and safeguard the long-term existence of the Company. This financing is provided primarily through the existing liquidity within the Vitesco Technologies Group.

The Vitesco Technologies Group applies a rule of internal financing for finance within the Group. This involves the finance needs of domestic and foreign subsidiaries being met through internal liquidity management, primarily with cash pools and internal borrowing relationships.

Centralized treasury management ensures a consistent identity for dealings in financial and capital markets and, in the future, credit-rating agencies. It strengthens the Group's position in negotiations with financial institutions. Where possible and sensible within the constraints of the legal and tax environment, financial risk (currencies, interest rates) is managed Group-wide based on net positions through our central treasury management.

### Vitesco Technologies credit rating

Vitesco Technologies Group AG had not received a rating from a credit-rating agency so far during the reporting period.

# RESEARCH AND DEVELOPMENT

## THE FUTURE OF ELECTRIC MOBILITY IS SUSTAINABLE

Most of the vehicles produced around the world will feature a fully or partially electric drivetrain by 2030. Meeting the wide variety of customer requirements calls for sustainability, scalability, and extreme efficiency in both production and development. At Vitesco Technologies, research and development are the drivers of constant improvement in products and manufacturing processes.

### Integrated final drive

The latest generation of integrated final drive is a good example of this. Compared to its predecessor, the fourth generation possesses, as per the development goals, up to 5% more final-drive efficiency, much greater scalability with power between 80 and 230 kW, and significant cost advantages, partly owing to a weight reduction of up to 25%. All variants of the new platform are designed so that they can be manufactured on the same production line thanks to the high level of standardization and modularization. The range of technologies for the EMR4 platform will also be expanded to include an environmentally friendly motor option, for which no rare-earth magnets will be used.

### High-voltage inverters

Inverters are at the heart of the energy-efficient regulation of any electrified drive system owing to their systemic combination of innovative electronics and modular software. The technological platform underlying the inverters supports 400- and 800-volt systems and allows for power to be scaled from 80 kilowatts to 400 kilowatts. In the domain of power electronics, Vitesco Technologies uses the latest semiconductor technology: Wide-bandgap semiconductors (WBGs) made from silicon carbide (SiC) are more efficient, more compact, and, when looking at the overall system, more economical than classic silicon-based transistors. In addition to the strategic partnerships signed with Rohm Semiconductor (SiC) and GaN Systems (GaN) in 2020 and 2021, Vitesco Technologies has underscored its clear focus on WBGs with a further cooperation agreement with Infineon.

### High-voltage electronics boxes

High-voltage boxes integrate the functionality of an onboard charger (OBC) and DC/DC converter in a single unit. To this end, Vitesco Technologies has developed a modular concept that can be used for different voltage and power classes. The development goals for the second generation include bidirectional charging and higher power density, facilitated by the use of GaN technologies. A significant milestone has been reached in this field with the beginning of a strategic partnership between Vitesco Technologies and the Renault Group, which aims to jointly develop and produce high-voltage electronics boxes ("One Box") for electric and hybrid vehicles.

### Thermal management

The thermal-management solutions from Vitesco Technologies aim to run electric drive systems, high-voltage electronics, and batteries in an optimal temperature range with maximum energy efficiency. The intelligent control over thermal flows

helps to increase the electric range and the comfort when driving. In addition, the charging time can be shortened, particularly when rapid-charging. The Vitesco Technologies product portfolio has been expanded to include so-called thermal management modules. These are highly integrated solutions that facilitate a reduction of system complexity in modern battery-electric vehicles.

### Battery management master controller

Battery management systems (BMS), consisting of a control unit that includes software, cell monitoring units, and precise current sensors, protect the battery against overheating and allow the balanced charging of individual cells. In this way, they facilitate safe operation and a long service life. An innovative solution from Vitesco Technologies is the wireless variant of battery control units for 400- and 800-volt systems. By eliminating wiring harnesses from inside the battery, the battery capacity can be increased and the battery's size and weight optimized.

In modern vehicles, the scope of functions and thus software is rapidly growing. This is reflected in the trend toward a centralized architecture with fewer, but higher-performing control units. Vitesco Technologies is preparing a scalable master-controller platform for tomorrow's software-defined vehicles in a codevelopment process for hardware and software. The platform's versatility makes it possible to transition brands and models with different typologies to a new control unit architecture step by step. Here, the master controller controls the drivetrain in interaction with vehicle-specific zone control units.

### Sensors and actuators for electric vehicles

Development activities are currently concentrated on specific sensors and actuators for electric motors, batteries, fuel cells, and vehicle access. The following outlines several examples:

The rotor position sensor determines the exact position of the rotor, allowing the electric motor to be regulated with precision. Moreover, the sensor's inductive measurement process reduces the vulnerability to stray magnetic fields and ensures efficient drive system operation.

A "thermal runaway sensor" is used in battery casings to boost the safety of the vehicle occupants. Based on pressure or gas sensor technology, it monitors if a thermal event is about to occur in one of the battery cells and forwards corresponding information to the battery management system. A high-voltage current sensor is also used in the battery management to enable more efficient energy management within the vehicle.

The third area of development activities is focused on fuel cell vehicles. This involves the development of hydrogen concentration sensors to detect hydrogen leakage within the vehicle and, depending on the location of the leak, to initiate corresponding safety measures. Specific throttles are used on the cathode side of fuel cells and regulate the supply of air to the fuel cell stack.

Based on the broad technology and product portfolio in the domain of vehicle access and position sensors, a so-called front trunk access sensor is being developed. Battery-electric vehicles with a smaller electric motor on the front axle often gain an additional storage compartment ("frunk" or front trunk) for stowing things such as the charging cable. This discreet sensor controls the opening and closing of the storage compartment and meets the requirements of the market and customers thanks to its flat and seamless design.

The research and development costs (net) associated with these developments were spread out as follows in the 2022 fiscal year:

	2022		2021	
	€ million	% of sales	€ million	% of sales
<b>Research and development expenses (net)</b>				
Electrification Technology	242.2	35.0	239.3	40.8
Electronic Controls	220.3	5.6	260.4	7.4
Sensing & Actuation	197.9	5.7	193.3	6.0
Contract Manufacturing	–	–	-0.3	–
<b>Vitesco Technologies Group</b>	<b>660.4</b>	<b>7.3</b>	<b>692.7</b>	<b>8.3</b>
<b>Capitalization of research and development expenses</b>	<b>75.7</b>		<b>28.5</b>	
as % of research and development expenses	11.5%		4.1%	
<b>Depreciation on research and development expenses</b>	<b>33.3</b>		<b>33.7</b>	

# SUSTAINABILITY AND CONSOLIDATED NON-FINANCIAL STATEMENT

This chapter presents Vitesco Technologies' consolidated Non-Financial Statement for the fiscal 2022 in accordance with sections 315b and 315c of the German Commercial Code (HGB), in conjunction with sections 289b to 289e of the German Commercial Code and in accordance with the European Parliament and the Council's Regulation (EU) 2020/852 of June 18, 2020 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation). This statement was audited by KPMG AG Wirtschaftsprüfungsgesellschaft on behalf of the Supervisory Board with reasonable assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000. In contrast to the other contents of the Non-Financial Statement, the statement on the Taxonomy Regulation was audited with limited assurance. The independent auditor's report can be found in the identical chapter at the end of the Non-Financial Statement.

## NOTES ON THE REPORTING

In accordance with sections 315b and 315c of the German Commercial Code in conjunction with sections 289b to 289e of the German Commercial Code, the Non-Financial Statement contains disclosures on environmental, employee-related, and social issues, as well as on the topics of respect for human rights and combating corruption and bribery, to the extent that these are necessary for an understanding of the company's business performance, results, and situation, as well as the company's impact on the aforementioned aspects. For specific disclosures on the share of environmentally sustainable business activities in Vitesco Technologies' total turnover, capital expenditures and operating expenses, the Taxonomy Regulation and the related delegated acts of the EU Commission serve as a framework.

Beyond the Vitesco Technologies business model (see chapter Group Strategy), an internal analysis also considered voluntary commitments to sustainability-related internal and external rules as well as guidelines and frameworks, legal obligations, and requirements of relevant stakeholders – e.g., customers and business partners, investors, employees, and civil society. Based on this analysis, the following topics were identified as material for the purposes of this report in addition to the disclosures required by the Taxonomy Regulation:

Material Topics for Sustainability Reporting	Correspondence to section 289c HGB
Clean Mobility	Environment, Product
Climate Protection	Environment
Resource Efficiency and Circularity	Environment
Fair Work and Diversity	Employees, Human Rights
Responsible Sourcing and Partnerships	Environment, Social Affairs, Combating Corruption and Bribery, Product
Occupational Health and Safety	Employees, Human Rights

The concepts, due diligence processes, results and key performance indicators relating to these topics are presented below. Risk reporting is provided in the section on risks and opportunities. No other risks of material importance for management reporting within the meaning of section 289c of the German Commercial Code were identified.

Possible direct or indirect impacts by the company on its stakeholders and the business environment from a sustainability point of view are additionally presented in Vitesco Technologies' separate Sustainability Report. The concepts described in



this consolidated Non-Financial Statement and in the separate Sustainability Report include risk management approaches, processes, and countermeasures established with a view to these impacts as well as to the aspects described in the Risk and Opportunity Report.

Vitesco Technologies' separate Sustainability Report has a modular structure and pools the information from the consolidated Non-Financial Statement, Management Report, Consolidated Financial Statements, and other sources, as well as supplementary information with reference to the standards of the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD). It is available online at [ir.vitesco-technologies.com](https://ir.vitesco-technologies.com) in the Sustainability section.

## SUSTAINABILITY MANAGEMENT

### STRATEGIC ANCHORING

Sustainability is an integral part of Vitesco Technologies' business model and at the heart of its mission: "Powering Clean Mobility." With innovative and efficient solutions, the company aims to help reduce the environmental impact of the automotive industry worldwide and promote emission-free mobility in the long term. Vitesco Technologies' management is actively driving this transformation and aligning the portfolio to the electrified future – while striving for profitable growth and operational strength.

Beyond its products, Vitesco Technologies pursues the goal of driving sustainability in all business activities along the value chain. The DIRECTION 2030 strategy described in the Group Strategy chapter formulates this in the claim "Driver of Sustainability" and thus identifies sustainability as one of five strategic focus areas. A Sustainability Agenda adopted at Executive Board level with clearly defined targets and key performance indicators provides the framework for the strategic further development, management and implementation of the issues identified as material for this focus area.

The company also takes account of the strategic importance of sustainability by integrating selected performance indicators from the Sustainability Agenda into the long-term incentive plans for Executive Board members and senior executives. More information on this can be found in the Remuneration Report chapter and in the separate Sustainability Report (see [ir.vitesco-technologies.com](https://ir.vitesco-technologies.com), Sustainability section).

### SUSTAINABILITY ORGANIZATION

In fiscal 2022, Vitesco Technologies further evolved its sustainability organization. In September, the company's Sustainability, Security, Safety & Health department was expanded to include Environmental Protection, which until then had been assigned to the Quality & Environment department. Under its new name Sustainability & Security, the department now bundles all key sustainability topics (occupational health and safety, corporate environmental protection, human rights due diligence, climate protection and decarbonization) and coordinates the requisite cross-functional strategy development and implementation. Its responsibilities also include organizing Vitesco Technologies' Sustainability Steering Committee and Sustainability Core Team, as well as the company's sustainability and non-financial reporting.

The Vitesco Technologies' Sustainability Steering Committee chaired by the Chief Human Resources Officer operates at the highest level of management and is comprised of permanent members of management (including the Chief Financial Officer and several heads of business units) as well as in-house experts. It manages and monitors the implementation of the

Sustainability Agenda and makes decisions regarding sustainability targets, indicators, projects, and measures. In addition, the committee advises the Sustainability Core Team and the Executive Board and, if necessary, prepares Executive Board decisions. It meets at least four times a year.

At the operational level, a Sustainability Core Team comprised of sustainability experts from various Group functions and business units (e.g., Technology & Innovation, Sales, Purchasing & Supplier Quality Management, and Engineering) is responsible for implementing the Sustainability Agenda along the value chain. In addition to the global Sustainability Core Team, in 2022 Vitesco Technologies established a first country-level Sustainability Core Team in China to implement specific national requirements.

Beyond this, sustainability activities and accompanying measures are planned and implemented in the thematically responsible specialist departments, as part of the business units' product development activities, and decentrally by country coordinators or directly at the individual Vitesco Technologies sites.

## SUSTAINABILITY AGENDA – MATERIAL TOPICS

The Vitesco Technologies' Sustainability Agenda provides the framework for managing business activities with a view to social and environmental concerns as well as issues of responsible corporate governance. It is codified in the company's Sustainability Policy. The Sustainability Agenda is based on an internal materiality analysis and was developed by the Sustainability & Security department and the Sustainability Core Team. It was adopted by the Sustainability Steering Committee in 2021.

In fiscal 2022, an extensive materiality analysis was carried out in accordance with the anticipated requirements of the European Corporate Sustainability Reporting Directive (CSRD) based on the exposure drafts of the European Sustainability Reporting Standards (ESRS) published in April 2022. In the course of this, the Sustainability Agenda was updated in accordance with the results of the analysis and in consultation with the Sustainability Steering Committee.

Besides legal requirements and customers' demands, business partners, the capital market, employees, and the public, the sustainability agenda also reflects Vitesco Technologies' commitment to respect external frameworks. These include, in particular, the United Nations Sustainable Development Goals, the principles of the UN Global Compact of which Vitesco Technologies is a signatory, the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the United Nations Convention against Corruption. In addition, the core conventions of the International Labor Organization (ILO Declaration on Fundamental Principles and Rights at Work), the OECD Guidelines for Multinational Enterprises, the Paris Agreement on Climate Change, and other topic-specific guidelines and standards are considered.

Vitesco Technologies' own guidelines relating to the material sustainability topics include the Code of Conduct for employees and Business Partner Code of Conduct, the Human Rights Policy and the Environment, Safety and Health and Energy Management Policies. There is also a claim of conformance with the standards of the Responsible Business Alliance, of which Vitesco Technologies has been a member since 2021.

The topics and objectives in Vitesco Technologies' Sustainability Agenda tie in with these guidelines and directives and successively expands on and further develops them in accordance with the company's strategic claim to be a "Driver of Sustainability." The focus is on six topics that are strategically relevant to the company's transformation process:

- >Clean Mobility
- >Climate Protection
- >Resource Efficiency and Circularity
- >Fair Work and Diversity
- >Responsible Sourcing and Partnerships
- >Occupational Health and Safety

These key topics are characterized by a high level of relevance for customers and investors, a strong presence in the public debate, and an accordingly fast-changing and dense regulatory environment. The ambitions associated with the material topics as well as specific quantitative targets and key indicators<sup>1</sup> are reported on in the following sections.

## CLEAN MOBILITY

### Objective

The motto “Powering Clean Mobility” sums up the Vitesco Technologies’ mission. Promoting clean and climate-neutral mobility is the company’s declared goal and an integral part of its corporate strategy. Linked to this is the ambition, as an automotive supplier, to play a leading role in the market in the transformation of powertrain technologies toward electrification and zero-emission mobility.

### Concept

Fundamental to the topic of Clean Mobility is the Executive Board’s strategic decision to phase out technologies that, in line with the objectives described above, are not part of the core business and have no long-term strategic perspective. For one, the phase-out of contract manufacturing is to be completed by 2026. Secondly, more than 50% of the combustion engine technologies that are not part of the core business are to be phased out by then. This is accompanied by a decision to focus increasingly on the electrification business across all business units. Recent changes in the automotive industry and relevant regulations confirm the path taken.

In the transformation process, Vitesco Technologies is focusing both on products and technologies for the electric powertrain and on electrification solutions for hybrid vehicles. While electric drive implies zero emissions, improving engine efficiency, enabling fuel savings, and reducing emissions of pollutants and greenhouse gases are focus topics in the electrification of hybrids.

For further information, please refer to the Group Strategy chapter, Research and Development chapter, and the Risk and Opportunity Report in this Annual Report.

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<sup>1</sup>) This Non-Financial Statement uses rounded figures. For this reason, rounding differences may occur in some cases when the values rounded within tables are added up.

## Results

The first key performance indicator (KPI) for the topic of Clean Mobility is the revenue generated by Vitesco Technologies' electric and electrified solutions business. This revenue is comprised of two factors in line with the company's portfolio orientation described above. First, from the business with purely electric products, components, and solutions; these are required for the operation of electric drive systems. Secondly, from the business with products, components, and solutions for electrification in hybrid drive systems; these are key components for the construction of hybrid drives. Revenues generated with electric and electrified solutions amounted to €1,082.0 million in fiscal 2022, up by €193.9 million year-on-year (previous year: €888.1 million). This corresponds to a share of Group revenues of 11.9% (previous year: 10.6%). The consistent strategic focus on generating revenues in the area of electrification has led to this increase.

In fiscal 2022, a second KPI was introduced for the Clean Mobility topic: Vitesco Technologies' Electrification Investments per total investments. This indicator measures the amount of investment that is made in connection with the future production of purely electric products as well as components and solutions for the electrification of hybrid drive systems. The methodological calculation is based on the CapEx definition as defined in the Taxonomy Regulation. In fiscal 2022, these investments amounted to €102.7 million, which corresponds to 18.1% of the Group's total investments.

Key Performance Indicators for Clean Mobility	2022	2021
Revenue from electric and electrified solutions in € million	1,082.0	888.1
Share of business with electric and electrified solutions in Group revenues in %	11.9	10.6
Electrification Investments in € million <sup>1</sup>	102.7	–
Electrification Investments per total Investments in % <sup>1</sup>	18.1	–

1) The key performance indicator was newly introduced in fiscal 2022. For this reason, no prior-year value is available.

Further information on the topic of Clean Mobility and the relevant key indicators can be found below in the section Disclosures in Accordance with the EU Taxonomy Regulation, as well as bundled in our separate Sustainability Report (see [ir.vitesco-technologies.com](https://ir.vitesco-technologies.com), Sustainability section).

## CLIMATE PROTECTION

### Objective

In accordance with the Paris Climate Agreement, Vitesco Technologies has committed to working towards limiting global warming to 1.5°C and actively taking measures to avoid, reduce and, where necessary, offset greenhouse gas emissions (GHG emissions). The goal is net carbon neutrality of the company's own operational activities and, step by step, across the entire value chain.

The following stages were defined for achieving the objective:

> Since 2020: Zero GHG emissions (Scope 2) from external electricity purchases at the relevant production sites and research and development sites by completely switching to renewable energy, e.g. through Power Purchase Agreements (PPAs), the purchase of Energy Attribute Certificates (EACs), and self-generated renewable energy.

- >By 2030: 100% climate neutrality of own operational activities (GHG emissions Scope 1 and 2).
- >By no later than 2040: 100% climate neutrality of the entire value chain (GHG emissions Scope 1 to 3).

In addition, targets for the reduction or climate-neutralization of GHG emissions from the company's own operating activities (Scope 1 and 2) are part of the long-term incentive plans for managers and are thus strategically integrated into Vitesco Technologies' remuneration system.

The company is also committed to improving the carbon footprint of its products during their life cycle. To this end, all new products and part numbers are to be developed with 100% life-cycle orientation by 2030, based on certified life-cycle analyses. One important element here is the automation of the analyses. For example, the recording and evaluation of data from internal processes and processes in the supply chain is to be automated by 2024. By 2025, it should be possible to collect production-related data from the supply chain and make it available in an automated manner.

## Concept

The development of Vitesco Technologies' Climate Protection concept is the responsibility of the Sustainability Steering Committee and the Sustainability Core Team described in the Sustainability Management section, as well as of the specialist departments represented in both committees. The above-mentioned objectives have been approved by the Executive Board. The corporate functions Technology & Innovation, Operations (including Facility Management and Logistics), Purchasing & Supplier Quality Management, and the Sustainability & Security department are of particular importance in ensuring their operational implementation.

Climate neutrality is to be achieved in the company's own activities and in the value chain primarily by eliminating, reducing, and substituting processes, activities, and materials, that is, for example, by using renewable energies from external sources (e.g., through EACs or PPAs) and the company's own sources (e.g., photovoltaic systems), as well as through efficiency improvements, electrification, and the development of new technologies.

The automation of life-cycle analyses plays a crucial role in reducing GHG emissions in the life cycle of new products. The external standards ISO 14040, 14044 and 14067 are applied for this purpose. The company also focuses on building awareness for the topic among its workforce, conveying skills and competencies, and establishing processes and tools. Another key factor lies in making it possible for supply chain partners to provide life cycle and climate-relevant product data.

In fiscal 2022, Vitesco Technologies for the first time completed the CDP (formerly Carbon Disclosure Project) questionnaires on climate change and water security as an independent company. The CDP is an international non-profit organization that uses special questionnaires to encourage companies and governments to disclose their environmental data, which is then rated on a scale from A (top grade) to D-. Vitesco Technologies scored a grade of B- in the climate change category, thus achieving "Management" status straightaway in this area. In the water safety category, the company received a grade of C for its efforts, which corresponds to the "Awareness" status.

A climate scenario analysis based on the requirements of the Task Force on Climate-related Financial Disclosures was also carried out in fiscal 2022, to identify significant climate-related opportunities and risks in the company's own business activities. Further information on this can be found in the TCFD reporting section of our separate Sustainability Report.

## Results

The essential KPI for the implementation of Vitesco Technologies' Climate Protection concept are its own greenhouse gas emissions according to Scope 1 and 2 of the GHG Protocol. These include direct GHG emissions from fossil fuels (Scope 1) and indirect GHG emissions from the purchase of electricity, steam, and heat (Scope 2, according to market-based calculation method<sup>1</sup>). Vitesco Technologies' own GHG emissions (Scope 1 and 2) in fiscal 2022 totaled 0.027 million t CO<sub>2</sub>e (market-based). This is 0.005 million t CO<sub>2</sub>e less than in the previous year (previous year: 0.032 million t CO<sub>2</sub>e). The reasons for this are successfully implemented energy efficiency projects and the reduced consumption of energy from fossil fuels (especially in the second half of 2022) due to Russia's war of aggression on Ukraine.

Vitesco Technologies is a member of the RE100 initiative, a global alliance of companies committed to sourcing 100% of their electricity from renewable energies by 2050. This goal has already been achieved at the relevant production and research and development sites. This means that in fiscal 2022 no market-based GHG emissions were incurred for external electricity purchases at these sites. Direct GHG emissions were reduced through the purchase of biomethane. Energy efficiency was also increased with additional measures (see section on Resource Efficiency and Circularity). All this contributed to the fact that Vitesco Technologies' own operating activities were already 91.9% climate neutral in fiscal 2022 according to its own calculation methodology, a year-on-year improvement of 1.3 percentage points (previous year: 90.6%).

Key Performance Indicators for Climate Protection	2022	2021
Direct GHG emissions (Scope 1) in million t CO <sub>2</sub> e <sup>1,4</sup>	0.023	0.028
Indirect GHG emissions (Scope 2 location-based) in million t CO <sub>2</sub> e <sup>1,2,3</sup>	0.292	0.311
Indirect GHG emissions (Scope 2 market-based) in million t CO <sub>2</sub> e <sup>1,2,3</sup>	0.004	0.003
Own GHG emissions (Scope 1 and 2 location-based) total in million t CO <sub>2</sub> e <sup>1,2,3,4</sup>	0.316	0.340
Own GHG emissions (Scope 1 and 2 market-based) total in million t CO <sub>2</sub> e <sup>1,2,3,4</sup>	0.027	0.032
Share of external electricity procurement from renewable energies in % <sup>1,2,3</sup>	100.0	100.0
Climate neutrality rate of total own CO <sub>2</sub> e emissions in % <sup>1,2,3,4</sup>	91.9	90.6

1) Definitions according to GHG Protocol Corporate Standard and GHG Protocol Scope 2 Guidance.

2) Coverage of the relevant production and research and development sites.

3) Calculated using the market-based method of the GHG Protocol. Where no contract-specific emission factors were available, the default emission factors from Defra (09/2021), IEA (11/2021) or GHG Protocol were used.

4) Includes the purchase of biomethane.

In the area of lifecycle-optimized product development, the focus in fiscal 2022 was on building up expertise, automation and piloting further lifecycle analyses.

1) Definitions according to GHG Protocol Scope 2 Guidance.

Detailed information on Vitesco Technologies' Scope 3 emissions as well as further information and key indicators relating to the topic of climate protection are bundled in the separate Sustainability Report (see [ir.vitesco-technologies.com](https://ir.vitesco-technologies.com), Sustainability section).

## RESOURCE EFFICIENCY AND CIRCULARITY

### Objective

Vitesco Technologies relies on globally established management systems to ensure an efficient use of natural resources and to reduce or avoid waste and environmental pollution, such as emissions to the soil, air, and water. In addition to savings in the consumption of water, raw materials and operating supplies, the company aims in particular to reduce energy requirements. This is closely related to Vitesco Technologies' climate protection goals (see section on Climate Protection). Other important focal points are increasing the waste recovery quota, reducing plastic and increasing the use of recycled materials.

The company has set itself the following medium-term goals in achieving resource efficiency and circularity:

- > Increase and maintain the proportion of employees covered by certifications for environmental management systems (ISO 14001 or equivalent) and energy management systems (ISO 50001 or equivalent) to over 95% by 2030<sup>1</sup>.
- > Increase the waste recovery quota – defined as the proportion of waste that has been recycled or sent for material recycling, waste-to-energy technologies or other use – to 95% by 2030.

The goal to increase the waste recovery quota is part of Vitesco Technologies' long-term incentive plans for executives and is therefore strategically integrated.

### Concept

The corporate policies for Environment, Safety & Health (ESH) and Energy Management provide the framework for resource efficiency measures, waste management and operational environmental protection. Local management systems drive the implementation of the principles formulated therein. Corresponding organizational and technical specifications are contained in the respective ESH management manuals.

The Environmental Protection department within the Human Relations & Sustainability Group function is responsible for strategic, Group-wide environmental management, including monitoring and reporting on environment-related key performance indicators and other key indicators. It is supplemented by ESH functions in the individual countries. Operational environmental protection on site is the responsibility of site management and is coordinated by local ESH managers and supported by energy managers.

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<sup>1</sup>) The target was adjusted in 2022. Previously, the target value decided for 2030 was 90%.

In the transformation to circularity, Purchasing and the Technology & Innovation corporate function play an important role in cooperation with the business units' product development. Based on the findings of the life-cycle analysis and life-cycle optimization (see section on Climate Protection), they are successively integrating approaches to circular product design. Further initiatives and projects in this area are happening at various levels within the company.

## Results

The major KPIs for the above-mentioned goals in the area of Resource Efficiency and Circularity developed as follows in fiscal 2022:

Key Performance Indicators for Resource Efficiency and Circularity	2022	2021
Certifications for environmental management systems (ISO 14001) employee coverage (as of Dec. 31) in %	93.5	91.4
Certifications for energy management systems (ISO 50001) employee coverage (as of Dec. 31) in %	85.7	81.8
Waste recovery quota in % <sup>1,2</sup>	94.6	92.6

1) Definition: Proportion of waste that has been recycled or sent for material recycling, waste-to-energy technologies or other use.

2) Coverage of relevant production sites and relevant research and development sites.

In fiscal 2022, the majority of Vitesco Technologies' employees were covered by certified management systems for environmental and energy management. The degree of coverage by certifications for environmental management systems according to ISO 14001 was 93.5% at 31 Dec 2022. The figure improved by 2.1 percentage points compared with the previous year (previous year: 91.4%), as two new sites were certified and there were changes in the number of employees.

Regarding certifications for energy management systems in accordance with ISO 50001, 85.7% of employees were covered as of December 31, 2022. This represents a year-on-year improvement of 3.9 percentage points (previous year: 81.8%), and was due to the fact that a new site was certified and the number of employees changed.

The waste recovery quota, the third KPI for Resource Efficiency and Circularity, was at 94.6% for fiscal 2022, exceeding the previous year's value by 2.0 percentage points (previous year: 92.6%). Vitesco Technologies achieved this progress through local campaigns that raised awareness among the workforce about resource conservation and waste avoidance and motivated them to participate. Waste efficiency projects also contributed to the success.

Further information and key indicators relating to Resource Efficiency and Circularity are bundled in the separate Sustainability Report (see [ir.vitesco-technologies.com](https://ir.vitesco-technologies.com), Sustainability section).

## FAIR WORK AND DIVERSITY

### Objective

"Passionate, Partnering, Pioneering." Based on its corporate values, Vitesco Technologies pursues the goal of ensuring fair and attractive working conditions for its employees. This includes personal freedom, opportunities for further training and career development, flexibility, and a special focus on diversity, equity, and inclusion. This aspiration also forms a supporting pillar of the Group's DIRECTION 2030 strategy in the focus area "Great People, Great Company." It is based on



the conviction that happy employees in a fair and diverse working environment are a key factor for Vitesco Technologies' lasting success.

Against the backdrop of the technology shift toward electrification, HR work now has an additional task: to manage the transfer of resources and the development of expertise, and to accompany employees through the transformation with appropriate measures. Upskilling and personal development, as well as cultivating a dialog in a spirit of partnership with employees and their representatives, all play a crucial role here. The company also seeks to attract and retain talent by convincingly positioning itself as an attractive employer.

When it comes to diversity, Vitesco Technologies places a particular focus on internationality and the empowerment of women in the workplace. Information on the objectives of the diversity concept at the level of the Supervisory Board and Executive Board, as well as at the management level below the Executive Board, can be found in the Corporate Governance chapter.

As part of its Sustainability Agenda, the company pursues two main objectives in promoting Fair Work and Diversity:

- > Raise the share of women in executive and senior executive positions across the Group to 21% by 2026<sup>1</sup>.
- > Increase the Employee Net Promoter Score (eNPS) as an indicator of employee satisfaction to a value of 25 by 2026<sup>2</sup>. To determine the eNPS, employees rate the statement "I would recommend Vitesco Technologies as an employer to friends or family members" in a regularly conducted survey.

Reliable labor standards and the protection of human rights in all corporate activities form an essential basis of Vitesco Technologies' HR work. This includes the principle of freedom of association and the right to collective bargaining, clear regulations on working hours, wages, and social benefits, as well as a zero-tolerance strategy towards child labor, forced labor, modern slavery, and any form of violence, harassment, or discrimination. By the beginning of 2023, existing processes for monitoring and implementing labor standards and human rights due diligence are to be systematically expanded in the HR management systems as well.

For more information on human rights due diligence, please see the Responsible Sourcing and Partnerships section.

## Concept

The Code of Conduct adopted by the Executive Board and the Human Rights Policy codify the cornerstones for creating fair working conditions and promoting diversity. Both the Code of Conduct and the Human Rights Policy comply with the standards of the Responsible Business Alliance. Employees receive regular training on the Code of Conduct. The Human Rights Management System, which ensures and monitors compliance with human rights due diligence, will be implemented by the beginning of 2023, to be followed by regular standardized employee training on human rights.

1) The target was set as part of the target definition for the 2023-2026 long-term incentive tranche in 2022. Previously, the adopted target was 20% and related to the year 2025.

2) The target was adjusted in the course of defining the target for the 2023-2026 long-term incentive tranche in 2022. Previously, the adopted target value was 20 and referred to the year 2030.

The strategic HR work of Vitesco Technologies is coordinated and managed by the Human Relations & Sustainability Group function under the leadership of the Chief Human Resources Officer (as defined in the HR&S Manual). All activities of the strategic HR work are embedded in the DIRECTION 2030 corporate strategy and are based on the corporate values. The strategic contribution made by the Human Relations & Sustainability corporate function focuses on efficient processes, a sustainable organization, and a successful transformation. In terms of methodology and processes, the implementation of the HR strategy is supported by two main instruments:

- >A target business model. The model describes and defines the different roles and responsibilities within the global Human Relations & Sustainability Group function, and the way it works.
- >An HR management system, set up to document and manage HR-related policies, standards, processes, forms, and instructions. The system controls business processes and identifies and minimizes process-related risks. The establishment of this system was completed at the end of 2022.

The Human Relations & Sustainability Group function comprises seven cross-company Centers of Expertise (CoE) that report directly to the Chief HR Officer: 1. Talent Management, Organizational Development, Employer Branding & Recruiting; 2. Group Reward, Global Mobility & Business Travel; 3. Labor Relations; 4. Global People Services; 5. People Analytics & Technology; 6. Sustainability & Security; and 7. Diversity, Equity & Inclusion.

Regional HR managers for the countries as well as HR managers with responsibility for Vitesco Technologies' business units are functionally subordinate to the Chief HR Officer. When staffing and implementing projects, care is taken to ensure a balanced involvement of all HR managers, so as to give equal consideration to the individual perspectives of the business units, specialist departments, and countries.

The central steering and decision-making body within the Human Relations & Sustainability Group function is the monthly Human Relations & Sustainability Management team meeting. All heads of specialist departments and the functional HR managers in the countries and business units meet there to report on the progress of ongoing projects, activities and initiatives.

Progress in increasing the share of women in management positions is regularly reviewed by means of quarterly reporting to the Executive Board. Besides the current figures, reporting also includes a forecast of future developments and the measures defined to achieve the targets set. The share of women in management positions is also integrated as a KPI in the long-term incentive plans for executives.

To monitor employee satisfaction and incorporate their concerns, Vitesco Technologies regularly conducts employee surveys. In addition, there is regular exchange with trade unions and employee representatives at various levels of the company. In Germany, there are local works councils at all Vitesco Technologies GmbH, Vitesco Technologies Germany GmbH and Vitesco Technologies Emitec GmbH operations. Furthermore, these companies all have general works councils as well as co-determined supervisory boards. Local works councils exist at all Vitesco Technologies Roding GmbH plants. Vitesco Technologies Group AG, too, has a co-determined supervisory board.

In 2021, in connection with the spin-off from Continental AG, a European Works Council was also established.

## Results

The KPIs defined for the topic of Fair Work and Diversity developed as follows in fiscal 2022:

Key Performance Indicators for Fair Work and Diversity	2022	2021
Share of women in management positions (executives and senior executives; as of Dec. 31) in %	15.4	13.6
Employee Net Promoter Score, eNPS <sup>1,2,3</sup>	24	19

1) To survey the eNPS, employees are asked to rate the statement: "I would recommend Vitesco Technologies as an employer to friends or family members" using an eleven-point scale. The eNPS is calculated by subtracting the proportion of "critics" (detractors) from the proportion of "supporters" (promoters). Detractors answer the above question with a value between 0 and 6 (very unlikely to unlikely), while promoters respond with a 9 or 10 (very likely). People who give a value of 7 or 8 are referred to as "passives" and are not included in the calculation. As a result, values between -100 and +100 are possible.

2) The reported value for 2022 was collected as part of a 2022 global employee survey to which all Vitesco Technologies employees (except temporary workers) were invited.

3) The reported value for 2021 is the average value from two short employee surveys ('Pulse Checks') conducted in 2021, to which all Vitesco Technologies employees with valid email addresses were invited.

The share of women in management positions (executives and senior executives) was 15.4% across the Group in fiscal 2022, up 1.8 percentage points compared to fiscal 2021 (previous year: 13.6%). Two measures contributed to this: Firstly, the Female Talents focus group is given special consideration and support in internal talent management. Secondly, there is a mandatory requirement in the recruitment process that at least one woman and one person from another diversity dimension must be interviewed during every selection process. Furthermore, Vitesco Technologies has introduced gender-sensitive job postings and places a special focus on directly addressing women in certain career fields. To reaffirm its commitment to gender diversity and equal opportunity, the company had signed the United Nations Women's Empowerment Principles and the Diversity Charter in 2021. The second KPI for this focus topic, the Employee Net Promoter Score, was at 24 points in fiscal 2022, an increase of 5 points compared with the previous year (previous year: 19 points). The eNPS for fiscal 2022 was determined by means of a global employee survey to which all employees in Production were also invited for the first time. This meant that 100% of employees worldwide (excluding temporary workers) were eligible to participate, which meant that the global sentiment could be comprehensively surveyed for the first time. The average response rate was 71%. It is a positive signal for the satisfaction of the workforce and the attractiveness of Vitesco Technologies as an employer that the explicitly positively minded employees (promoters) were in a clear majority over the negatively minded (detractors).

When it comes to the HR topics of flexibility and personnel development, Vitesco Technologies offers its employees a wide range of options. They can take time off to care for a sick child, take parental leave, grandparental leave, or educational leave, or a sabbatical. Depending on local laws at the various sites, part-time work, bridge part-time, and flextime arrangements are also possible. In addition, the option to work from home has been available since 2020. Vitesco Technologies was thus able to master the challenges of flexible working conditions, especially in the wake of the COVID-19 pandemic, in fiscal 2022 as well.

To support employees in the transformation process to electrification and e-mobility, and offer them the opportunity for further development, Vitesco Technologies continued its upskilling offensive launched in 2019. In fiscal 2022, the offering for individual learning was expanded worldwide. It includes training courses developed jointly with universities, learning units with in-house trainers, and upskilling directly at the workplace. In the fiscal year, e.g., the part-time training program Electrification Program I was again carried out with in-house experts and in collaboration with German universities. For the first time, employees were able to take part in all Electrification Program I modules online and thus from anywhere in the world.

Information on personnel expenses in fiscal 2022, i.e., wages and salaries, social security contributions and pension expenses, can be found in the notes to the Consolidated Financial Statements in the section Personnel Expenses. Employee benefits, such as pensions, retirement benefits and long-term bonuses, are broken down in the Notes to the Consolidated Financial Statements in the section Employee Benefits.

Further information on the topic area of Fair Work and Diversity can be found bundled in the separate Sustainability Report (see [ir.vitesco-technologies.com](https://ir.vitesco-technologies.com), Sustainability section).

## RESPONSIBLE SOURCING AND PARTNERSHIPS

### Objective

Vitesco Technologies strives to ensure socially and environmentally responsible conduct along its entire value chain. Ethical business practices, sustainability, and human rights due diligence are therefore guiding principles in the company's business relationships. Particular attention is paid to responsible sourcing processes. Transparency, risk analyses, and appropriate control mechanisms in cooperation with direct and selected indirect suppliers are of central importance in this connection. Vitesco Technologies is pursuing the following goals in further improving its responsible sourcing and partnerships:

- > Increase and maintain the percentage of strategic suppliers covered by the Code of Conduct for Business Partners to 100% by 2023.
- > Expand the Human Rights Management system in the supply chain in accordance with internal and external standards and legal requirements by 2023.
- > Implement an audit system for high-risk suppliers<sup>1</sup> by 2023.
- > Increase and maintain the percentage of high-risk production material suppliers which conducted a self-assessment to 50% by end of 2023.

### Concept

Responsible action in the value chain begins with specific requirements that Vitesco Technologies already places on its direct suppliers and stipulates in contracts. The Business Partner Code of Conduct specifies the requirements that apply, as a matter of principle, to suppliers and their upstream supply chains with regard to working conditions, human rights, environmental protection, anti-corruption, and other aspects.

Since June 2021, Vitesco Technologies has been a member of the Responsible Business Alliance (RBA), a non-profit industry association dedicated to improving social, environmental and ethical conditions in global supply chains. Membership makes the RBA Code of Conduct binding for Vitesco Technologies and its business partners. Accordingly, the Codes of Conduct for employees and business partners and the company's policy on human rights reflect the standards of the RBA. At the same time, as part of its RBA membership, Vitesco Technologies is revising and expanding its existing risk and control management for suppliers and developing comprehensive training measures. A particular focus here is on human rights due diligence.

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<sup>1</sup>) Definition and methodology for determining high-risk suppliers available at: <https://www.responsiblebusiness.org/tools/risk-assessment/>

To identify high-risk suppliers, Vitesco Technologies uses RBA's Risk Assessment: For this purpose, the company first enters its strategic supplier and product data into the tool, which then calculates a corresponding risk for each of the suppliers based on external information. The resulting high-risk suppliers are contacted by Vitesco Technologies and asked to complete the Self-Assessment Questionnaire (SAQ). Vitesco Technologies will only enter into business relationships with potential strategic suppliers if, according to this self-assessment, there is no high risk of violations of the Code of Conduct.

Violations of corporate standards in existing business relationships can be reported at any time via the globally accessible Integrity Line. Reports are followed up and investigated. On-site inspections are carried out in specific cases of suspicion. If violations are identified, Vitesco Technologies requests the supplier to take improvement measures and reserves the right to terminate the business relationship.

Responsibility for Responsible Sourcing and Partnerships lies with the Purchasing & Supplier Quality Management Group function, which is organized by business unit and product group with teams in the various countries. In its handling of ethical issues and standards, Purchasing works closely with the Compliance and Sustainability & Security departments and with the Human Relations & Sustainability and Quality & LEAN corporate functions. The head of the Purchasing & Supplier Quality Management Group function reports directly to the Chief Executive Officer.

Vitesco Technologies procures a wide range of production materials from a worldwide supplier base. The main primary products and raw materials used are steel, aluminum, precious metals, copper, and plastics. To create transparency in the supply chain of cobalt and "conflict minerals" as defined in the U.S. Dodd-Frank Act, and to monitor compliance with human rights standards, Vitesco Technologies uses two reporting templates from the Responsible Minerals Initiative (RMI): the Conflict Minerals Reporting Template (CMRT) and the Extended Minerals Reporting Template (EMRT). The company uses these templates to annually request information from its suppliers on the countries of origin of minerals, processing smelters, and refineries, and their certification status with regard to recognized social and environmental criteria.

## Results

One key performance indicator for Responsible Sourcing and Partnerships is the proportion of strategic suppliers covered by the Business Partner Code of Conduct. It indicates the proportion of strategic suppliers who contractually commit to complying with the Business Partner Code of Conduct – either by signing the Code of Conduct as part of their supplier contract or by providing evidence of an equivalent commitment.

In fiscal 2022, the coverage rate was 92.8%. Compared with the previous year, this KPI increased slightly by 2.8 percentage points (previous year: 90.0%), as the number of strategic suppliers was lower in fiscal 2022. This is because the list of strategic suppliers was initially taken over unchanged following the spin-off of Continental. Suppliers that are not relevant for Vitesco Technologies are now gradually being removed from the list. The share of strategic suppliers in the total purchasing volume of production materials is 65%.

Until 2021, Vitesco Technologies obtained the mandatory self-disclosures for strategic suppliers through the industry platform NQC. Once it joined the RBA, this process was replaced with the corresponding RBA self-disclosures, risk assessments, and audits. Therefore, a second KPI for Responsible Sourcing and Partnerships was introduced in fiscal 2022: the proportion of high-risk production material suppliers which conducted a self-assessment. This share amounted to 27.8% in fiscal 2022.

Key performance Indicators for Responsible Sourcing and Partnerships	2022	2021
Share of strategic supplier covered by Business Partner Code of Conduct (as of Dec. 31) in % <sup>1</sup>	92.8	90.0
Share of high-risk production material suppliers which conducted a self-assessment in % <sup>2</sup>	27.8	–

1) Basis: Strategic Supplier List (SSL). Suppliers must meet various requirements to be listed as strategic.

2) The key performance indicator was newly introduced in fiscal 2022. For this reason, no prior-year value is available.

Quantitative information on conflict minerals reporting to Vitesco Technologies and further information on Responsible Sourcing and Partnerships can be found bundled in the separate Sustainability Report (see [ir.vitesco-technologies.com](https://ir.vitesco-technologies.com), Sustainability section).

## OCCUPATIONAL HEALTH AND SAFETY

### Objective

Occupational Health and Safety is an essential component of the corporate culture at Vitesco Technologies. Associated with this is the aspiration to prevent harm to people, goods and the environment and to actively promote the health of all persons in the company. Two specific goals have been defined for this purpose:

- > Increase and maintain the percentage of employees covered by certifications for occupational health and safety management systems (ISO 45001) to over 95% by 2030<sup>1</sup>.
- > Reduce the accident rate, defined as the number of accidents per million hours worked, to 1.4 by 2026<sup>2</sup>.

By integrating the accident rate as a KPI in the long-term incentive plans for managers as well as into the targets for sites, Vitesco Technologies sets strategic incentives for achieving the associated objective.

### Concept

The implementation of occupational health and safety is ensured worldwide by a global management system (ISO 45001 or comparable). The system is managed by the certified Sustainability & Security department under the supervision of the Chief Human Resources Officer and validated by matrix certification and local individual certifications. In this way, Vitesco Technologies seeks to improve protection against accidents and work-related illnesses. Preventive measures are designed to reduce hazards and minimize risks. In particular, these include risk assessments, external audits, and remedial and training measures. The management system also includes procedures and preventive measures for handling hazardous substances.

1) The target was adjusted in 2022. Previously, the target value decided for 2030 was 90%.

2) The target was set as part of the target definition for the 2023-2026 long-term incentive tranche in 2022. Previously, the target value adopted was 1.4 and related to the year 2025.

The Group-wide guideline on occupational health and safety is the corporate policy on Environment, Safety & Health. Its technical and organizational requirements in the area of occupational health and safety are described in the Safety and Health Manual (SH Manual). Incidents can be reported via an ESH hotline. In the event of an incident, employees receive support under a globally established emergency and crisis management system.

Strategic responsibility for occupational health and safety as well as responsibility for the global management system lies with the Sustainability & Security department. ESH functions in the countries complement the central structure. Local ESH managers, who report to the site management, as well as committees for occupational health and safety coordinate and support operational occupational health and safety on site.

Through its own occupational health management system, the company also promotes a physically, mentally and socially healthy working environment. Strategic decisions and the planning of instruments and measures at Group, country and business unit level are prepared and coordinated by the Sustainability & Security department. Implementation and monitoring tasks are the responsibility of local health managers and committees. In addition, in accordance with local legal requirements for occupational health and safety, company medical services are available at many sites and may also be represented on local occupational health and safety committees. Regular assessment of the mental health risk situation is also integrated into the occupational health and safety management system.

## Results

One key performance indicator for Occupational Health and Safety is the proportion of employees covered by certifications for occupational health and safety management systems (ISO 45001) as of 31 Dec 2022. This was 91.5% and could thus be increased by 0.3 percentage points (previous year: 91.2%), as three new sites were certified and there were changes in the number of employees.

The second key performance indicator is the accident rate in the company. In fiscal 2022, there were 1.7 accidents per million hours worked. Compared with the previous year, this represents a reduction by 0.2 points (previous year: 1.9). This was achieved through occupational health and safety campaigns at the sites (see below), visits by managers from the Safety & Health department to sites with particularly high accident rates, and by holding an accident workshop.

Key Performance Indicators for Occupational Health and Safety	2022	2021
Certifications for occupational health and safety management systems (ISO 45001), employee coverage (as of Dec. 31) in %	91.5	91.2
Accident rate (number of accidents per million hours worked) <sup>1,2</sup>	1.7	1.9

1) Definition: Number of accidents during working hours per million paid working hours. Counted from more than one day lost, i.e. with at least one day lost beyond the day of the accident.

2) Excludes interns, thesis writers, doctoral students, apprentices, dual students, temporary workers, contractors, excludes commuting accidents.

In the area of occupational safety, a safety campaign focusing on hand and finger safety was carried out at Vitesco Technologies sites worldwide in fiscal 2022. The company also worked on the implementation of an ESH software solution that will be used in the future for accident event reporting, risk assessment, and internal audits, among other things. A successful pilot project for digitally monitoring Environment, Health, Safety & Sustainability (EHS&S) compliance was run in China and Germany, on the basis of which a more robust EHS&S compliance management can gradually be introduced at all sites starting in 2023. Furthermore, as part of an in-depth accident analysis at corporate level, Vitesco Technologies adopted technical guidelines for focus areas to further reduce the occupational accident rate.

In occupational health management, Vitesco Technologies worked on several projects in fiscal 2022. The mindfulness and resilience program “Resilient Mind” was redeveloped and its roll-out prepared. Meanwhile, the online leadership development program “Healthy Leadership” was redesigned and introduced, and the roll-out of the stress management program “Stress Control @ Home” was prepared. The company also worked on defining further key performance indicators to improve the recording of employee health. Both the global psychosocial risk assessment and the measures to deal with the COVID 19 pandemic (psychoeducational and occupational health support) were continued in the fiscal year.

Further information and key indicators in the area of Occupational Health and Safety are bundled in the separate Sustainability Report (see [ir.vitesco-technologies.com](https://ir.vitesco-technologies.com), Sustainability section).

## INFORMATION ON THE DEVELOPMENT OF FURTHER RELEVANT SUSTAINABILITY REPORTING TOPICS

A description of the objectives, concepts and results for the other topics identified as significant for sustainability reporting – Product Compliance and Quality<sup>1</sup> as well as Business Ethics and Compliance – can be found in the following chapters and sections of this Annual Report and in bundled form in our separate Sustainability Report.

- > Ethics, integrity, and fair business practices are the foundation of Vitesco Technologies’ corporate governance. The global compliance organization is charged with ensuring that the law and internal policies are followed, risks are identified and violations are prevented. The compliance organization includes measures to combat corruption and bribery in accordance with industry-leading standards, and to comply with antitrust regulations. Detailed information on the topic of Business Ethics and Compliance can be found in the Corporate Governance chapter.
- > Vitesco Technologies sees itself as an active member of society. However, the reportable social issues are currently limited to the relevant topics for employees, which are discussed in more detail in the section Fair Work and Diversity. Beyond that, no other material social issues within the meaning of section 289c (4) of the German Commercial Code (HGB) were identified.

## EU TAXONOMY REGULATION DISCLOSURES<sup>2</sup>

According to Article 8 of the Taxonomy Regulation, Vitesco Technologies is required to disclose how and to what extent its own business activities are linked to economic activities that can be classified as environmentally sustainable economic activities according to Article 3 and Article 9 of the Taxonomy Regulation.

The Taxonomy Regulation requires companies to analyze their business activities with regard to the environmental goals of climate change mitigation, climate change adaption, sustainable use and protection of water and marine resources,

1) As the topic of Product Compliance and Quality was no longer considered material within the meaning of the German Commercial Code (HGB) following the 2022 materiality analysis, in contrast to the previous year the percentage of employees covered by ISO 9001 certifications is no longer reported in this Non-Financial Statement. However, the KPI is still included in the separate Sustainability Report.

2) In contrast to the other chapters of the Non-Financial Statement, the section “EU Taxonomy Regulation Disclosures” was subjected to a limited-assurance engagement by our auditor, KPMG AG Wirtschaftsprüfungsgesellschaft.



transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

In accordance with Art. 8 of the Taxonomy Regulation, reporting companies must disclose the share of their economic activities that are taxonomy-aligned and their taxonomy-aligned in the company's total turnover as well as in the company's capital and operating expenditures for the two environmental goals of climate change mitigation and climate change adaptation for the fiscal 2022.

## OPPORTUNITIES AND CHALLENGES

In accordance with the publication of the European Securities and Markets Authority (ESMA) dated October 29, 2021, we would like to point out that the Taxonomy Regulation remains dynamic in nature, and that the following disclosures are provided in accordance with the current state of interpretation.

The Taxonomy Regulation entails various uncertainties of interpretation and, according to current understanding, goes beyond the regulations to be applied by companies. For locations outside the European Union, this leads to further challenges, as the applicable legal situation may differ from the regulations referenced in the Taxonomy Regulation.

The products and technologies for electric powertrains as well as electrification solutions for hybrid vehicles developed and manufactured by Vitesco Technologies contribute significantly to expanding clean or climate-neutral mobility as set out in Art. 10 (1) c of the Taxonomy Regulation. According to the current state of interpretation of the activities defined by the Taxonomy Regulation, it is still unclear to what extent companies in the automotive supply industry - even if, like Vitesco Technologies, they have a significant share in the upcoming transformation processes of the transport and mobility sector – may report under the Taxonomy Regulation. We assume that the regulator will provide clarity here and that Vitesco Technologies could then report the revenues and investments shown in the Clean Mobility section in full, as part of a corresponding activity under the Taxonomy Regulation.

## PROJECT APPROACH FOR DETERMINING THE REPORTING INFORMATION

The taxonomy-eligible activities identified in fiscal 2021 were subjected to a critical review in the current fiscal.

The corresponding taxonomy-eligible activities were determined for Vitesco Technologies in accordance with the methodology applied in fiscal 2021, using the accounting policies described below:

- > A taxonomy-eligible economic activity is defined in Delegated Regulation (EU) 2021/2178 Art. 1, Nos. 5 and 6, as an economic activity described in the delegated acts adopted pursuant to the Taxonomy Regulation, irrespective of whether such economic activity meets *all* the technical test criteria set out in those delegated acts. A taxonomy non-eligible economic activity means an economic activity that is not described in the delegated acts adopted.
- > Double counting in the calculation of key indicators across economic activities is excluded by the uniformly used population per key indicator.
- > We took into account the draft FAQs on interpreting the EU taxonomy as published by the EU Commission on December 19, 2022, ("FAQ Climate Delegated Acts on the interpretation and implementation of legal provisions of the EU," "FAQ Climate Delegated Acts on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8") as part of preparing the EU Taxonomy Regulation Disclosures for fiscal 2022.
- > Of the economic activities described in the EU Commission Delegated Regulation 2022/1214 and in Annex XII, Vitesco Technologies only operates its own cogeneration plants to a minor extent; therefore, for reasons of materiality, the reporting according to Annex XII of the EU Commission Delegated Regulation 2021/2178 was not performed.

## TAXONOMY ELIGIBILITY

In accordance with Annex I of Delegated Regulation (EU) 2021/2139 (Climate Change), the following economic activities by Vitesco Technologies have been identified as eligible for taxonomy:

### >Category 3.4: Manufacture of batteries

Annex I of the Delegated Regulation defines this economic activity as the “manufacture of rechargeable batteries, battery packs and accumulators for transport, stationary and distributed energy storage and other industrial applications” and the “manufacture of related components (active materials for batteries, battery cells, casings and electronic components).” The manufacture of components for batteries and battery management systems can be clearly assigned to this activity.

Beyond the above product-related economic activities, Vitesco Technologies performs other taxonomy-eligible activities that are not directly related to its product portfolio. These include:

- >Activity 6.5 Transport by passenger and commercial vehicles
- >Activity 7.3 Installation, maintenance, and repair of energy-efficient equipment.
- >Activity 7.6 Installation, maintenance, and repair of renewable energy technologies.
- >Activity 7.7 Acquisition and ownership of buildings

## TAXONOMY ALIGNMENT

The following criteria were reviewed to determine taxonomy alignment:

- >Evidence that the requirements for making a substantial contribution to the environmental goal of climate change mitigation are met by Activity 3.4 Production of batteries: The requirements call for the production of rechargeable batteries that result in greenhouse gas emission savings in the transportation sector, e.g. The battery components manufactured by Vitesco Technologies are intended for the transport sector and are part of the “electrification solutions” product portfolio described above. Where technically possible, preference is given to the use of secondary raw materials in production. The criteria of a substantial contribution are thus fulfilled.
- >Compliance with the DNSH (Do No Significant Harm) criteria to avoid negative effects on the other five environmental targets. The verification of compliance with the DNSH criteria was carried out for the sites relevant to battery production:
  - For the environmental goal “climate change mitigation,” a climate risk analysis was carried out to identify possible negative impacts of climate change on the battery production sites. No significant climate risks were identified in the climate risk analysis.
  - For the environmental objective “sustainable use and protection of water and marine resources,” it must be ensured that the activity does not pose a risk to water quality or promote water scarcity. The analysis was mainly based on the existing ISO 14001 certificates, as well as external analyses with regard to regions with increased water stress, and – where relevant – official documents.
  - For the environmental goal “transition to a circular economy,” the possibility, as well as the actual use of secondary raw materials, the recyclability and durability of the product, and the traceability of substances of concern were evaluated based on Vitesco Technologies’ internal guideline “Design for Environment.”
  - For the environmental goal “pollution prevention and control,” compliance with the REACH Regulation and the applicable sustainability regulations for the marketing of batteries is required. In addition, substances on the candidate list for the REACH Regulation may only be used within the scope of the essential benefit to society. Through the production of battery components necessary for the clean mobility explicitly formulated as a goal by the EU taxonomy, these products of Vitesco Technologies fulfill the requirements for the declaration obligation according to Article 33(1) REACH. In the context of product development, the use of alternative substances is also weighed and thus the benefit-harm ratio is discussed. The existing requirements of the automotive sector as well as the management processes implemented by Vitesco Technologies to comply with these environmental requirements ensure conformity with the REACH Regulation. Substances from the candidate list, which are transferred to the authorization list Annex XIV REACH, are consistently removed from the program.

- For the environmental goal “protection and restoration of biodiversity and ecosystems,” a possible impact of battery production sites on biodiversity areas was analyzed. Besides the Natura 2000 database, ISO 14001 certifications and existing impact assessments were used for this purpose.
- > Compliance with the requirements of the frameworks listed in the Minimum Social Standards: Verification is carried out through the in-house management concept for risk analysis and addressing identified risks.

Activity 3.4. Manufacture of batteries meets the requirements for taxonomy alignment for Vitesco’s own production sites. In the following, the turnover, investments and operating expenses related to these production sites are reported as taxonomy-aligned.

The share of taxonomy-eligible but taxonomy non-aligned turnover of Activity 3.4. Manufacture of batteries relates to contract manufacturing. Contract Manufacturing is to be considered in the reporting according to the EU Commission’s FAQ published on December 19, 2022. Due to the short-term nature of its inclusion in the EU taxonomy reporting, a review of the technical assessment criteria could not be carried out, as this requires close coordination with the contract manufacturer. Vitesco Technologies alone cannot perform a review of the criteria.

The taxonomy-aligned, non-turnover activities described above fall under the definition of 1.1.2.2 (c) and 1.1.3.2. (c), respectively, in Annex I of Delegated Regulation (EU) 2021/2178, and are thus deemed to be acquisitions of products from taxonomy-aligned or -eligible economic activities provided by other companies. According to the current interpretation of the Taxonomy Regulation, the proof of taxonomy alignment in these cases cannot be provided by Vitesco Technologies itself, but only by the supplier of the service. And only by means of proof provided by the supplier can these investments or operating expenses be reported as taxonomy-aligned at Vitesco Technologies. Due to this provision of information along the supply chain, which is not yet customary and has not been carried out, these activities cannot be reported as taxonomy-aligned in the current fiscal.

## REPORT DETAILS

The turnover associated with the identified taxonomy-eligible, product-related economic activities (eligible turnover) was determined using a turnover classification by product group from the existing financial accounting systems. The share of all taxonomy-eligible economic activities in total turnover in fiscal 2022 was thus 0.22%. The share of all taxonomy-aligned economic activities in total turnover amounted to 0.07% in fiscal 2022. The total turnover used for the calculation corresponds to the net revenues according to IFRS reported in the Annual Report.

Share of taxonomy-aligned and taxonomy non-aligned economic activities in total turnover	Revenues in € millions (2022)	Share in % (2022)
Turnover from taxonomy-aligned economic activities	6.1	0.07
Turnover from taxonomy-aligned, taxonomy non-aligned economic activities	13.7	0.15
Turnover from taxonomy non-eligible activities	9,050.2	99.78
<b>Total</b>	<b>9,070.0</b>	<b>100.00</b>

Capital expenditures related to assets or processes associated with taxonomy-eligible economic activities (eligible CapEx) were identified by breaking down Vitesco Technologies’ total capital expenditures by type of cost. Among production-related capital expenditures, only those related to the products of the economic activity identified as taxonomy-eligible above, 3.4 Manufacturing of Batteries, were considered. In this context, investments in integrated production facilities that could not be clearly attributed to the business activities included under Activity 3.4 were distributed according to a key. The revenues of

the relevant production site were used to determine the distribution key. In the case of integrated production sites, the percentage share of taxonomy-eligible investments thus corresponds to the percentage share of taxonomy-eligible turnover. The same procedure was used to determine the taxonomy-aligned investments.

Among the supplementary investments, a differentiation was made along asset classes. Included, for example, were capital expenditures for the company's own vehicle fleet and the acquisition of buildings.

The share of taxonomy-eligible capital expenditures in total capital expenditures in fiscal 2022 amounted to 10.54%. The share of taxonomy-aligned capital expenditures in total capital expenditures was 2.06% in fiscal 2022. The total capital expenditure taken as a basis corresponds to the gross additions to intangible and tangible assets, as well as the right-of-use assets recognized in accordance with IFRS 16.

Share of capital expenditures related to taxonomy-aligned and taxonomy non-aligned economic activities in total capital expenditures	Capital expenditure in € million (2022)	Share in % (2022)
Capital expenditures related to taxonomy-aligned economic activities	11.7	2.06
Capital expenditures related to taxonomy-eligible, taxonomy non-aligned economic activities	48.2	8.48
Capital expenditures related to taxonomy non-eligible economic activities	508.5	89.46
<b>Total</b>	<b>568.4</b>	<b>100.00</b>

Operating expenses relating to assets or processes in connection with taxonomy-eligible economic activities (eligible OpEx) were determined for Activity 3.4 Manufacture of batteries, which was identified as taxonomy-eligible, again using the allocation key described for capital expenditures. The operating expenses for the identified non-product-related activities could be allocated directly. In accordance with the definition in the Taxonomy Regulation, the following types of costs were used as a basis:

- > Research and development costs
- > Maintenance and repair costs
- > Current leases

The same procedure was used to determine taxonomy-aligned operating expenses.

The share of taxonomy-eligible operating expenses as defined in the Taxonomy Regulation in total operating expenses in fiscal 2022 was 8.10%. Taxonomy-aligned operating expenses as a percentage of total operating expenses was 5.10% in fiscal 2022. The taxonomy-eligible and taxonomy-aligned shares of operating expenses can be seen in the "of which" notes below.

Share of operating expenses related to taxonomy-aligned and taxonomy non-aligned economic activities in total operating expenses	Operating expenses in € millions (2022)	Share in % (2022)
Operating expenses in connection with taxonomy-aligned economic activities	37.4	5.10
of which operating expenses for research and development	37.1	5.05
of which operating expenses for maintenance and repair	0.3	0.05
Operating expenses in connection with taxonomy-eligible, taxonomy non-aligned economic activities	22.1	3.00
Operating expenses related to taxonomy non-eligible economic activities	675.2	91.90
<b>Total</b>	<b>734.7</b>	<b>100.00</b>

The mandatory tables on the ratios of taxonomy-eligible and taxonomy-aligned economic activities can be found in the appendix below.

TEMPLATE: PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2022

Substantial contribution criteria										DNSH criteria							Taxonomy-aligned proportion of turnover year N (18)	Taxonomy-aligned proportion of turnover year N-1 (19)	Category (20)	Category (21)	
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change (11)	Climate adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		KEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1 Environmentally sustainable activities (Taxonomy-aligned)																					
Manufacture of batteries	3.4.	6,100	0.07%	100.00%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	0.07%	-	E	-	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		6,100	0.07%	100.00%														0.07%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Manufacture of batteries	3.4.	13,709	0.15%																		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		13,709	0.15%																		
Total (A.1+A.2)		19,809	0.22%																		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
Turnover of Taxonomy-non-eligible activities(B)		9,050,200	99.78%																		
Total (A+B)		9,070,009	100.00%																		

Economic activities (1)	Code(s)  (2)	Absolute CapEx  (3)  kEUR	Proportion of CapEx  (4)  %	Climate change mitigation  (5)  %	Climate change adaptation  (6)  %	Water and marine resources  (7)  %	Circular economy  (8)  %	Pollution  (9)  %	Biodiversity and ecosystems  (10)  %	Climate change  (11)  Y/N	Climate change adaptation  (12)  Y/N	Water and marine resources  (13)  Y/N	Circular economy  (14)  Y/N	Pollution  (15)  Y/N	Biodiversity and ecosystems  (16)  Y/N	Minimum safeguards  (17)  Y/N	Taxonomy-aligned proportion of CapEx year N (18)  %	Taxonomy-aligned proportion of CapEx year N-1 (19)  %	Category enabling activity (20)  E	Category enabling activity (21)  T		
																					Substantial contribution criteria	DNSH criteria
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1 Environmentally sustainable activities (Taxonomy-aligned)																						
Manufacture of batteries	3.4.	11,682	2.06%	100.00%	0	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	Y	2.06%	-	E	-	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		11,682	2.06%																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
Acquisition and ownership of buildings	7.7.	39,645	6.97%																			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	5,520	0.97%																			
Installation, maintenance and repair of energy efficiency equipment	7.3.	1,552	0.27%																			
Installation, maintenance and repair of renewable energy technologies	7.6.	1,507	0.27%																			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		48,224	8.48%																			
Total (A.1+A.2)		59,906	10.54%																			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
CapEx of Taxonomy-non-eligible activities(B)		508,483	89.46%																			
Total (A+B)		568,389	100.00%																			

[illegible]



## INDEPENDENT AUDITOR'S REPORT<sup>1</sup>

To Vitesco Technologies Group Aktiengesellschaft, Regensburg

We have performed a reasonable assurance engagement on the Combined Non-financial Statement for Vitesco Group and Vitesco Technologies Group Aktiengesellschaft, Regensburg (further "Company" or "Vitesco Technologies") in accordance with Section 315c of the German Commercial Code (HGB) in conjunction with Sections 289c to 289e HGB which is included in chapter "Sustainability and Combined Non-Financial Statement" of the consolidated management report as well as the sections "Group Strategy", "Research and Development" and "Risk and Opportunity Report" of the consolidated management report (which are qualified as a part by reference, (further "Combined Non-financial Statement")) for the period from January 1 to December 31, 2022.

We have performed a limited assurance engagement on the information disclosed in the section "EU Taxonomy Regulation Disclosure" of the Combined Non-financial Statement by Vitesco Technologies Group Aktiengesellschaft.

### Responsibilities of the Legal Representatives

The legal representatives of Vitesco Technologies Group Aktiengesellschaft are responsible for the preparation of the Combined Non-financial Statement for the business year from January 1 to December 31, 2022, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB [Handelsgesetzbuch: German Commercial Code] and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further "EU Taxonomy Regulation") and the supplementing Delegated Acts as well as the interpretation of the wording and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section "EU Taxonomy Regulation Disclosure" of the Combined Non-Financial Statement.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Combined Non-financial Statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for such internal control as they consider necessary to enable the preparation of the Non-Financial Statement in a way that is free from material misstatement, whether due to fraud (i.e., fraudulent non-financial reporting) or error. The EU Taxonomy Regulation and the supplementing Delegated Acts contain wording and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section "EU Taxonomy Regulation Disclosure" of the Non-Financial Statement. They

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<sup>1</sup>) Our engagement applied to the German version of the Combined Non-financial Statement. This text is a translation of the reasonable assurance report of the independent auditor issued in German language, whereas the German text is authoritative.

are responsible for its tenability. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

### Independence and Quality Assurance of the Assurance Practitioner's Firm

We have complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

### Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion, based on the assurance procedures performed, with reasonable assurance on the Combined Non-financial Statement, except for the section "EU Taxonomy Regulation Disclosure", and a conclusion with limited assurance on the section "EU Taxonomy Regulation Disclosure"

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to comply with our professional duties and to plan and perform the assurance engagement in such a way that we, respecting the principle of materiality, reach our conclusion with a reasonable level of assurance. The audit of the Combined Non-financial Statement encompasses the performance of audit procedures to obtain evidence for the information included in the Combined Non-financial Statement.

Our assurance engagement on the section "EU Taxonomy Regulation Disclosure" requires that we plan and perform the assurance engagement in such a way that we reach our conclusion with limited assurance whether any matters have come to our attention that cause us to believe that the disclosures of the Company have not been prepared, in all material respects, with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in section "EU Taxonomy Regulation Disclosure" of the Combined Non-financial Statement. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement, the assurance procedures are less extensive than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement.

The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement we performed, amongst others, the following assurance procedures:

- > A risk analysis, including media research, to identify relevant information on Vitesco Technologies Group Aktiengesellschaft's sustainability performance in the reporting period
- > Identification of probable risks of material misstatement in the Non-Financial Statement.
- > Inquiries of the legal representatives and relevant employees involved in the preparation of the Non-Financial Statement about the preparation process, about the internal control system related to this process, and about disclosures in the Non-Financial Statement.
- > Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and the group's combined management report
- > Reviewing the suitability of internally developed definitions

- > Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters
- > Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- > Performing control-based assurance procedures to assess the design and effectiveness of internal controls used to collect and process non-financial disclosures and data, including the consolidation of the data at group level
- > Substantive assurance procedures using, in particular, internal and external documentation in order to determine in detail whether the disclosures correspond to relevant underlying sources
- > Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- > Evaluation of local data collection, validation and reporting processes as well as of the reliability of reported data by means of sampling at Vitesco Technologies' sites in Pisa (Italy), Lohmar and Eisenach (Germany)
- > Assessment of the overall presentation of the disclosures

With regard to the assurance of the non-financial information on the EU Taxonomy, the following assurance procedures and other activities were performed, among others:

- > Interviewing responsible employees at the Group level to obtain an understanding of the procedures for identifying taxonomy-eligible and -compliant economic activities in accordance with the EU Taxonomy.
- > Assessment of the design and implementation of systems, processes and measures for the identification, processing and monitoring of data on sales, capital expenditures and operating expenses for the taxonomy-eligible and -compliant economic activities.
- > Interviewing staff at the corporate level responsible for identifying disclosures of concepts, due diligence processes, results, and risks, performing internal control actions, and consolidating the disclosures.
- > Assessing the process for identifying taxonomy-eligible and -compliant business activities and the corresponding disclosures in the Non-Financial Statement.
- > Assessing the overall presentation of the EU Taxonomy disclosures.

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the legal representatives are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

## Assurance Opinion

In our opinion the combined non-financial statement of Vitesco Technologies Group Aktiengesellschaft for the period from January 1 to December 31, 2022 is prepared, in all material respects, in accordance with Section 315c HGB in conjunction with Sections 289c to 289e HGB. This conclusion does not apply to the section "EU Taxonomy Regulation Disclosure" in the combined non-financial statement, which has been subject to a limited assurance.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the section "EU Taxonomy Regulation Disclosure" in the combined non-financial statement of Vitesco Technologies Group Aktiengesellschaft for the business year from January 1 to December 31, 2022, is not prepared, in all material respects, with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in section "EU Taxonomy Regulation Disclosure" of the non-financial statement.

## Restriction of Use/Clause on General Engagement Terms

This assurance report is solely addressed to Vitesco Technologies Aktiengesellschaft, Regensburg.

Our assignment for the Supervisory Board of Vitesco Technologies Group Aktiengesellschaft, Regensburg and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 ([https://www.kpmg.de/bescheinigungen/lib/aab\\_english.pdf](https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf)). By reading and using the information contained in this report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 Mio as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Munich, March 10, 2022

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
[Original German version signed by:]

Stauder  
Wirtschaftsprüfer  
[German Public Auditor]

ppa. Mathias

# ECONOMIC REPORT

## GENERAL CONDITIONS

### MACROECONOMIC DEVELOPMENT

The year 2022 was a challenge in many respects for the trading floor. Stock markets in particular were plagued by heavy uncertainty and volatility. After the German stock market opened at an all-time high at the beginning of the year, it fell under enormous pressure due to Russia's invasion of Ukraine. The resulting energy crisis not only brought about a strong rise in commodity prices, but also raised geopolitical questions about deglobalization in the same way that the start of the COVID-19 pandemic did.

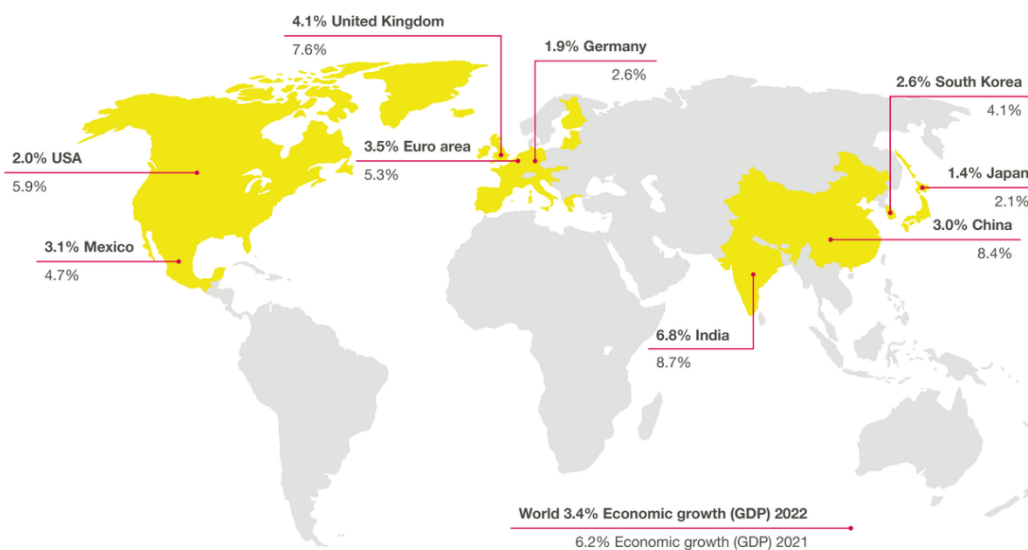
In addition to this, inflation in the eurozone rose progressively as the year advanced and reached 10.60% year over year in October, the highest level of the postwar era. In light of this development, the pressure also grew on central banks to stop the falling value of money. The European Central Bank therefore reversed its trend on July 21, 2022, and raised its key interest rate by 0.50%. Three further adjustments followed as the year progressed further, by 0.75% or 0.50% each time, leading to the main refinancing rate for banks reaching 2.50% on December 21, 2022. The US Federal Reserve, or Fed, had already increased interest rates significantly earlier and by a stronger amount, which meant that the federal funds rate rose to 4.25% to 4.50% after starting from a target range of 0.00% to 0.25%.

Driven by this development, the euro devalued compared to the US dollar and temporarily fell below parity for the first time in 20 years. Germany's exports also had trouble capitalizing on the weak euro amid the intensification of preexisting supply chain issues, caused by COVID-19 lockdowns in China, rising material prices, and uncertain gas supply in Europe due to the conflict in Ukraine. This all made the likelihood of recession grow, which in turn prompted the DAX to fall to its year low of 11,976 points on September 29, 2022.

Even though some of these losses had reversed by the end of the year, the selective DAX indexes all performed negatively when viewing the year as a whole. It was noticeable here was that the prices for tech stocks in particular fell under immense pressure in times of high volatility and uncertainty due to the large valuation basis and growing companies that need financing and thus face rising interest rates. A number of value stocks, on the other hand, managed to fare well in comparison. A similar picture was drawn internationally.

Despite ongoing shortages of production materials such as semiconductor, the global economy grew in the 2022 fiscal year. Based on the data provided in the World Economic Outlook (WEO) Update from the International Monetary Fund (IMF) in January 2023, the increase was 3.4% compared to the same period in the previous year.

## ECONOMIC GROWTH IN 2022 COMPARED TO 2021 (FOR SELECTED COUNTRIES AND THE WORLD)



Source: IMF – World Economic Outlook, Update January 2023.

According to the IMF, gross domestic product (GDP) in the eurozone grew by 3.5% in 2022. Meanwhile, Germany experienced a more moderate GDP growth of 1.9% compared to 2021. Countries outside the eurozone mostly recorded an increase in economic output in 2022. For the United Kingdom, the IMF estimated GDP growth of 4.1%. According to IMF data, the United States recorded a GDP increase of 2.0%. Mexico's economic output also improved according to the IMF, with GDP growth of 3.1%.

According to IMF data, the Asian countries also recorded positive growth rates during the reporting year. The GDP of ASEAN countries, increased by 5.2%. Meanwhile, the IMF recorded GDP growth of 1.4% for Japan compared to the previous year. The Indian economy grew considerably by 6.8% according to the IMF. The IMF's data also shows that China achieved GDP growth of 3.0% in 2022. South Korea increased its GDP by 2.6% compared to the previous year.

## DEVELOPMENT OF KEY CUSTOMER SECTORS AND SALES REGIONS

The most important market segment for Vitesco Technologies is the supply of goods to car and commercial vehicle manufacturers worldwide. In the 2022 fiscal year, the corresponding share of total sales amounted to 94.8% (previous year: 95.0%). The share of sales not attributable to OEM vehicle manufacturers was therefore 5.2% in the 2022 fiscal year (previous year: 5.0%). This share includes spare parts business involving carmakers and independent retailers as well as business involving two-wheelers.

Vitesco Technologies' biggest sales region in the 2022 fiscal year was Europe, which accounted for 45.1% of sales, followed by Asia with 27.6% and North America with 26.0%.

## Development of new passenger car registrations

Following a 2021 in which the COVID-19 pandemic and containment efforts at a national level led to a significant drop in the number of new passenger cars registered, various factors put a dampener on the markets' recovery in 2022. In particular, the shortage of primary products and commodities, the significantly higher prices for energy and logistics, and the uncertainty triggered by Russia's invasion of Ukraine hindered better results in the international automotive markets. Regionally, a very different picture of new vehicle registrations emerged in 2022. In the European car market, according to provisional data by the German Association of the Automotive Industry (VDA), new registrations increased in Germany by 1%, while sales fell in other European countries such as Spain (-5%), France (-8%), and Italy (-10%). In the United Kingdom, market volume shrank by 2%. In the US, light vehicle sales (passenger cars and light trucks) in 2022 dropped by 8% compared to the previous year.

In the Chinese market, the VDA is assuming a 10% increase in new passenger vehicle registrations based on its preliminary data for 2022. The situation in Japan was tense and saw registrations of new passenger vehicles dropping for the fourth successive quarter according to preliminary data from the VDA. The decrease amounted to 6%, whereas the Indian car market grew by 23% compared to the previous year.

## Developments in the production of passenger cars and light commercial vehicles

Based on preliminary figures, the stressed supply chains globally and the semiconductor shortages resulted in a slow recovery of the world's production of passenger cars and light commercial vehicles weighing fewer than six metric tons. At 82.0 million units, movement was at a slightly higher level than in 2021.

There were significant regional differences in this trend. In China, overall production recovered during the 2022 fiscal year despite extensive plant shutdowns. While the effects of the global chip shortage could be felt in China's vehicle manufacturing, the country was still able to record about 6% growth in its vehicle production in 2022 as a whole. Vehicle production in North America increased by 9%.

In Europe, the effects of the global chip shortage were felt more in vehicle production, where there was a decline of 1.3%.

According to preliminary figures, some other countries outside Vitesco Technologies' defined key regions were able to record very strong growth rates and therefore contributed to the world's overall growth in vehicle production. India (24%) and Brazil (7%) were prominent examples.

## CHANGE IN VEHICLE PRODUCTION IN 2022 (VERSUS 2021)

Change versus 2021 in %	Europe	North America	China	Worldwide
Vehicle production	-1.3%	9.3%	6.2%	6.2%

### Sources:

Vehicle production: IHS Markit, Light Vehicle Production Forecast, January 2023.  
Preliminary figures and internal estimates.

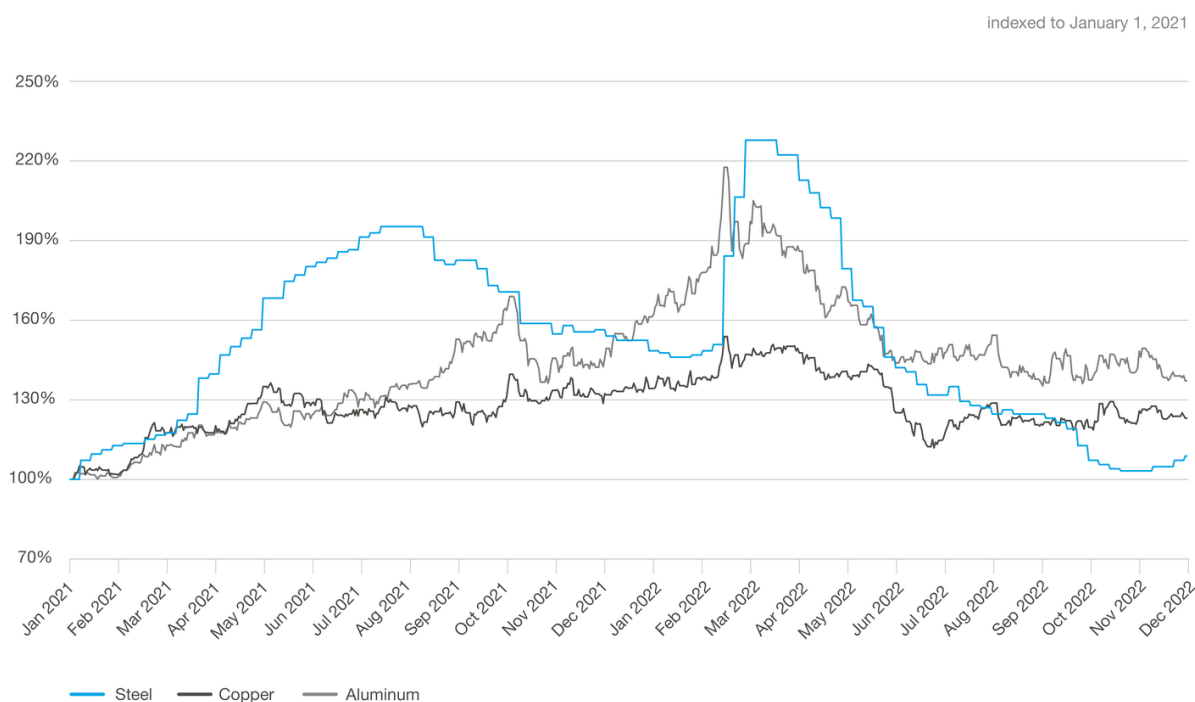
## DEVELOPMENT OF COMMODITY MARKETS

Despite the increased demand for commodities compared to the previous year combined with global shortages in supply chains and extreme rises in energy costs, the development of commodity prices during the fiscal year was very mixed. This trend was further driven by the relaxation of lockdown policies in China and associated hopes of the COVID-19 pandemic ending.

The most important commodities for Vitesco Technologies are steel, aluminum, and copper. Carbon steel and stainless steel are input materials for many of the mechanical components such as stamped, turned, drawn, and die-cast parts integrated by Vitesco Technologies into its products. Aluminum is used in particular for die-cast parts and stamped and bent components, while copper is mainly used in electric motors and mechatronic components. The average euro-based prices for carbon steel in 2022 fell by about 6% compared to the annual average for 2021. On the other hand, copper prices in 2022, based on US dollars, averaged at a level about 6% higher than the average rate during 2021. Aluminum, denominated in US dollars, was just under 22% more expensive on average during the fiscal year compared to its annual mean in 2021.



## Development of steel, copper, and aluminum prices



### Sources:

Carbon steel: hot-rolled coil in northern Europe ex works, from Kallanish Commodities (€ per metric ton).

Copper and aluminum: rolling three-month contracts from the London Metal Exchange (US\$ per metric ton).

Precious metals such as gold, silver, platinum, and palladium are used by Vitesco Technologies and its suppliers to coat components. The prices for most precious metals developed varying in 2022, although with only moderate variations compared to the price developments in steel, copper, and aluminum. The average annual prices for silver and platinum decreased by 3% and 1% respectively, while the average annual price for palladium fell by just under 1% in 2022. The price of gold, on the other hand, remained relatively strong and its annual mean rose by approximately 12% during the reporting period.

## EARNINGS, FINANCIAL AND NET ASSETS POSITION

- > Sales increased by 8.6% to €9.1 billion
- > When adjusted for changes in the scope of consolidation and exchange rate effects, sales were up by 4.0%
- > Earnings per share were €0.59

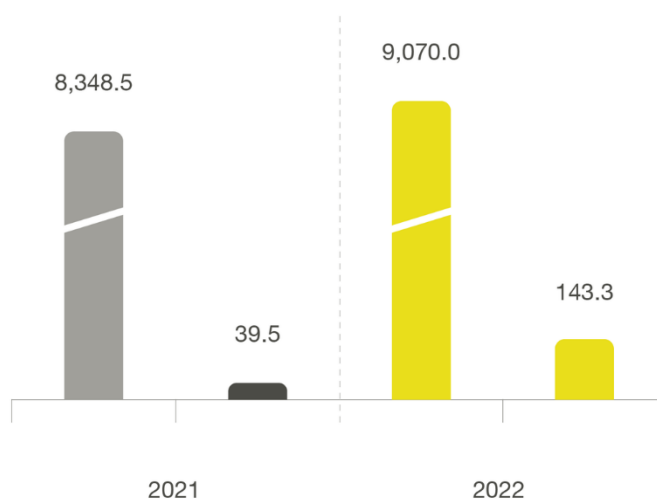
The Vitesco Technologies Group concluded the fiscal year successfully despite a difficult market environment. The earnings of the Vitesco Technologies Group developed positively during the past fiscal year.

Sales increased to €9.1 billion (previous year: €8.3 billion), which corresponds to a growth of 8.6%. Adjusted for changes in the scope of consolidation and in exchange rate effects, sales increased by 4.0%.

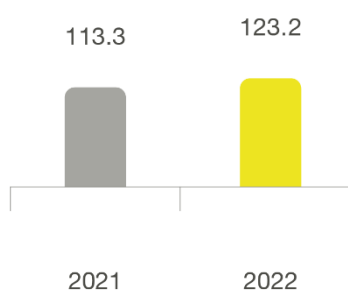
Adjusted EBIT increased by €74.4 million to €222.9 million (previous year: €148.5 million), reaching an adjusted EBIT margin of 2.5% (previous year: 1.8%).

Free cash flow improved slightly by €9.9 million to €123.2 million (previous year: €113.3 million).

Sales/EBIT (€ million)



Free cash flow (€ million)



## EARNINGS

> Sales increased by 8.6% to €9.1 billion

> When adjusted for changes in the scope of consolidation and exchange rate effects, sales were up by 4.0%

> Adjusted EBIT increased to 2.5% of adjusted sales

Vitesco Group in € million	2022	2021	Δ as a %
Sales	9,070.0	8,348.5	8.6
EBITDA	703.3	523.9	34.2
as % of sales	7.8	6.3	
EBIT	143.3	39.5	262.8
as % of sales	1.6	0.5	
Research and development expenses (net)	660.4	692.7	-4.7
as % of sales	7.3	8.3	
Depreciation and amortization <sup>1</sup>	560.0	484.4	15.6
of which impairment <sup>2</sup>	15.3	-28.4	153.9
Operating assets as at December 31	2,811.0	2,567.6	9.5
Operating assets (average)	2,741.2	2,448.7	11.9
ROCE in %	5.2	1.6	
Capital expenditure <sup>3</sup>	492.7	599.5	-17.8
as % of sales	5.4	7.2	
Number of employees as at December 31 <sup>4</sup>	38,043	37,488	1.5
Adjusted sales <sup>5</sup>	9,070.0	8,305.2	9.2
Adjusted operating result (adjusted EBIT) <sup>6</sup>	222.9	148.5	50.1

1) Excluding impairment of investments.

2) Impairment also includes any required reversal of impairment losses.

3) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.

4) Excluding apprentices/trainees.

5) Adjusted for changes in the scope of consolidation.

6) Adjusted for amortization of intangible assets from purchase price allocation, changes in the scope of consolidation, and special topics.

## Sales

Compared to the previous year, Group sales increased in 2022 by €721.5 million or 8.6% to €9,070.0 million (previous year: €8,348.5 million). When adjusted for changes in the scope of consolidation and exchange rate effects, sales increased by 4.0% . The Electrification Technology, Electronic Controls, and Sensing & Actuation business units were able to record a year-over-year increase in sales. Sales in the Contract Manufacturing business unit stagnated at the previous year's level due to the influence of positive foreign exchange effects.

The regional distribution of sales in the 2022 fiscal year was as follows:

Sales by region in %	2022	2021
Germany	18.2	16.1
Europe excluding Germany	26.9	29.0
North America	26.0	23.5
Asia	27.6	30.2
Other countries	1.3	1.2

## Increase in adjusted EBIT

The adjusted EBIT of the Vitesco Technologies Group in the 2022 fiscal year increased by €74.4 million or 50.1% to €222.9 million (previous year: €148.5 million), which corresponds to 2.5% (previous year: 1.8%) of adjusted sales.

## Increase in EBIT

EBIT increased in 2022 compared to the previous year by €103.8 million or 262.8% to €143.3 million (previous year: €39.5 million). Return on sales increased to 1.6% (previous year: (0.5%)). Major factors behind the improvement compared to sales revenue include fewer warranty cases and fixed-costs discipline.

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT during the fiscal year by €0.4 million (previous year: €2.7 million).

ROCE was 5.2% (previous year: 1.6%).

## Special topics in 2022

Impairment of property, plant, and equipment amounted to €14.6 million (Electrification Technology: €9.8 million, Electronic Controls: €3.5 million, Sensing & Actuation: €1.3 million).

Recognizing restructuring provisions and reversing restructuring provisions that were no longer needed produced a total expense of €7.7 million (Electrification Technology: revenue €0.4 million, Electronic Controls: expenditure €17.9 million, Sensing & Actuation: revenue €9.8 million). This includes impairment of property, plant, and equipment of €0.7 million for Electrification Technology.

Restructuring-related charges produced expenditure totaling €8.0 million (Electronic Controls: €6.6 million, Sensing & Actuation: €1.4 million).

Severance payments resulted in a negative special topic totaling €5.9 million (Electrification Technology: €1.0 million, Electronic Controls: €3.8 million, Sensing & Actuation: €1.0 million, Contract Manufacturing: €0.1 million).

The sale of Vitesco Technologies Delavan, Wisconsin, US produced total income of €3.3 million (Electronic Controls: €2.1 million, Holding: €1.2 million). Additionally, the planned sale of Vitesco Tecnologia Brasil Automotiva Ltda., Salto, Brazil resulted in an expense of €4.1 million for the Sensing & Actuation business unit.

In connection with the spin-off from Continental AG and the IPO, Vitesco Technologies incurred further expenses totaling €16.8 million (Electrification Technology: €2.2 million, Electronic Controls: €7.2 million, Sensing & Actuation: €7.4 million).

In connection with expenses for obligations associated with defeat devices in its holding company, Vitesco Technologies incurred expenses of €24.2 million).

A further special topic was incurred through expenditure to prepare for the sale of the catalyst and exhaust filter product line in the Sensing & Actuation business unit, which amounted to €1.2 million.

The Vitesco Technologies Group incurred total expenditure from special topics in the 2022 fiscal year of €79.2 million. Of this total, Electrification Technology accounted for €12.6 million, Electronic Controls for €36.9 million, Sensing & Actuation for €6.6 million, Contract Manufacturing for €0.1 million, and the holding company for €23.0 million.

## Special topics in 2021

Impairment and reversal of impairment losses on property, plant, and equipment produced a net gain of €35.7 million (reversal of impairment losses for Electrification Technology: €56.8 million, impairment for Electronic Controls: €10.2 million, for Sensing & Actuation: €10.9 million).

The reversal of restructuring provisions that were no longer necessary produced gains totaling €8.0 million (Electrification Technology: €0.4 million, Electronic Controls: €5.9 million, Sensing & Actuation: €1.7 million). This includes impairment of property, plant, and equipment of €7.3 million (reversal of impairment losses: Electrification Technology €0.4 million, Sensing & Actuation €0.2 million, impairment: Electronic Controls €7.9 million).

Restructuring-related charges produced expenditure totaling €12.5 million (Electronic Controls: €11.8 million, Sensing & Actuation: €0.7 million).

Severance payments led to expenses totaling €7.8 million (Electrification Technology: €1.1 million, Electronic Controls: €4.4 million, Sensing & Actuation: €2.3 million).

In the Contract Manufacturing business unit, parts of Vitesco Technologies Korea LLC, Icheon-si, South Korea were sold off. This brought in revenue totaling €61.0 million. In addition, the Sensing & Actuation business unit received income of €5.4 million from the sale of Vitesco Technologies Faulquemont SAS, Faulquemont, France.

In connection with the spin-off from Continental AG, the Vitesco Technologies Group incurred expenses totaling €96.2 million (Electrification Technology: €5.8 million, Electronic Controls: €27.7 million, Sensing & Actuation: €23.2 million, holding company: €39.5 million).

In connection with expenditure for obligations associated with defeat devices in its holding company, Vitesco Technologies incurred expenses of €80.0 million.

As a consequence of taking over parts of Continental AG's production, there were further negative special topics totaling €20.0 million (Electrification Technology: €11.0 million, Electronic Controls: €4.1 million, Sensing & Actuation: €1.1 million, holding company: €3.8 million).

The Vitesco Technologies Group incurred total expenditure from special topics in the 2021 fiscal year of €106.4 million. This generated revenue for Electrification Technology amounting to €39.3 million and for Contract Manufacturing of €61.0 million. By contrast, negative special topics resulted in expenses totaling €52.3 million for Electronic Controls, €31.1 million for Sensing & Actuation, and €123.3 million for the holding company.

## Procurement

In the 2022 fiscal year, there were negative impacts on the purchase of production material, especially chips and commodities, due to sharp rises in purchase prices. Moreover, the procurement of nonproduction materials was also subject to significant price rises due to the increased costs of energy and logistics. Vitesco Technologies managed to pass on a significant portion of the increased expenditure on production material in the 2022 fiscal year to customers.

## Reconciliation of EBIT and consolidated earnings

€ million	2022	2021	Δ as a %
Electrification Technology	-270.3	-233.7	-15.7
Electronic Controls	128.9	63.8	102.0
Sensing & Actuation	321.4	236.5	35.9
Contract Manufacturing	13.7	103.7	-86.8
Other/Holding/Consolidation	-50.4	-130.8	
<b>EBIT</b>	<b>143.3</b>	<b>39.5</b>	262.8
Financial result	-45.3	-5.9	-667.8
<b>Earnings before tax</b>	<b>98.0</b>	<b>33.6</b>	191.7
Income tax expense	-74.4	-155.6	52.2
<b>Net income attributable to the shareholders of the parent</b>	<b>23.6</b>	<b>-122.0</b>	119.3
Basic earnings per share in €	0.59	-3.1	
Diluted earnings per share in €	0.59	-3.1	



## RECONCILIATION OF SALES TO ADJUSTED SALES AND OF EBITDA TO ADJUSTED OPERATING RESULT (ADJUSTED EBIT) IN 2022

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
<b>Sales</b>	<b>691.9</b>	<b>3,930.7</b>	<b>3,474.1</b>	<b>1,053.4</b>	<b>-80.1</b>	<b>9,070.0</b>
Changes in the scope of consolidation <sup>1</sup>	–	–	–	–	–	–
<b>Adjusted sales</b>	<b>691.9</b>	<b>3,930.7</b>	<b>3,474.1</b>	<b>1,053.4</b>	<b>-80.1</b>	<b>9,070.0</b>
<b>EBITDA</b>	<b>-202.3</b>	<b>394.6</b>	<b>504.1</b>	<b>57.2</b>	<b>-50.3</b>	<b>703.3</b>
Depreciation, amortization, and impairment <sup>2</sup>	-68.0	-265.7	-182.7	-43.5	-0.1	-560.0
<b>EBIT</b>	<b>-270.3</b>	<b>128.9</b>	<b>321.4</b>	<b>13.7</b>	<b>-50.4</b>	<b>143.3</b>
Amortization of intangible assets from purchase price allocation (PPA)	–	0.4	–	–	–	0.4
Changes in the scope of consolidation <sup>1</sup>	–	–	–	–	–	–
Special topics						
Impairment <sup>3</sup>	9.8	3.5	1.3	–	–	14.6
Restructuring <sup>4</sup>	-0.4	17.9	-9.8	–	–	7.7
Restructuring-related expenses	–	6.6	1.4	–	–	8.0
Severance payments	1.0	3.8	1.0	0.1	–	5.9
Gains and losses from sales of companies and business operations	–	-2.1	4.1	–	-1.2	0.8
Spin-off costs	2.2	7.2	7.4	–	–	16.8
Expenses from obligations associated with defeat devices	–	–	–	–	24.2	24.2
Other <sup>5</sup>	–	–	1.2	–	–	1.2
<b>Adjusted EBIT</b>	<b>-257.7</b>	<b>166.2</b>	<b>328.0</b>	<b>13.8</b>	<b>-27.4</b>	<b>222.9</b>

1) Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions during the fiscal year and for disposals in the year-over-year comparison period.

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 of property, plant, and equipment of €0.7 million for Electrification Technology.

5) The item "Other" includes expenses for preparing the sale of the catalyst and exhaust filter business.

## RECONCILIATION OF SALES TO ADJUSTED SALES AND OF EBITDA TO ADJUSTED OPERATING RESULT (ADJUSTED EBIT) IN 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
<b>Sales</b>	<b>587.1</b>	<b>3,535.9</b>	<b>3,217.2</b>	<b>1,050.0</b>	<b>-41.7</b>	<b>8,348.5</b>
Changes in the scope of consolidation <sup>1</sup>	–	-24.6	-18.7	–	–	-43.3
<b>Adjusted sales</b>	<b>587.1</b>	<b>3,511.3</b>	<b>3,198.5</b>	<b>1,050.0</b>	<b>-41.7</b>	<b>8,305.2</b>
<b>EBITDA</b>	<b>-266.2</b>	<b>339.4</b>	<b>422.9</b>	<b>158.5</b>	<b>-130.7</b>	<b>523.9</b>
Depreciation, amortization, and impairment <sup>2</sup>	32.5	-275.6	-186.4	-54.8	-0.1	-484.4
<b>EBIT</b>	<b>-233.7</b>	<b>63.8</b>	<b>236.5</b>	<b>103.7</b>	<b>-130.8</b>	<b>39.5</b>
Amortization of intangible assets from purchase price allocation (PPA)	–	1.1	1.6	–	–	2.7
Changes in the scope of consolidation <sup>1</sup>	–	1.9	-2.0	–	–	-0.1
Special topics						
Impairment <sup>3</sup>	-56.8	10.2	10.9	–	–	-35.7
Restructuring <sup>4</sup>	-0.4	-5.9	-1.7	–	–	-8.0
Restructuring-related expenses	–	11.8	0.7	–	–	12.5
Severance payments	1.1	4.4	2.3	–	–	7.8
Gains and losses from disposals of companies and business operations	–	–	-5.4	-61.0	–	-66.4
Spin-off costs	5.8	27.7	23.2	–	39.5	96.2
Expenses from obligations associated with defeat devices	–	–	–	–	80.0	80.0
Other <sup>5</sup>	11.0	4.1	1.1	–	3.8	20.0
<b>Adjusted EBIT</b>	<b>-273.0</b>	<b>119.1</b>	<b>267.2</b>	<b>42.7</b>	<b>-7.5</b>	<b>148.5</b>

1) Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions during the fiscal year and for disposals in the year-over-year comparison period.

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 of property, plant, and equipment of €7.3 million (reversal of impairment losses: Electrification Technology €0.4 million, Sensing & Actuation: €0.2 million, impairment: Electronic Controls €7.9 million).

5) "Other" includes expenses incurred from the takeover of parts of production at the Continental Group.

## Research and development

Compared to the previous year, research and development expenses (net) decreased by €32.3 million or 4.7% to €660.4 million (previous year: €692.7 million), which corresponds to 7.3% of sales (previous year: 8.3%).

At the Vitesco Technologies Group, costs related to initial commissioning for developments in the original equipment business were capitalized. Costs were capitalized as of the nomination as supplier and when a specific release stage had been reached. Capitalization ended with the release for unlimited series production. The costs of customer-specific applications, preproduction prototypes, and testing for products already being sold do not qualify as development expenditure that may be recognized as an intangible asset. Capitalized development costs were amortized on a straight line basis over a useful life of three to five years and recognized in the cost of sales. In the opinion of Vitesco Technologies, the assumed useful life reflected the period for which a financial benefit is likely to be derived from the corresponding development projects. Of the development costs incurred in the 2022 fiscal year by the Vitesco Technologies Group, €75.7 million (previous year: €28.5 million) qualified for recognition as an asset.

This resulted in a capitalization ratio for the Vitesco Technologies Group of 11.5% (previous year: 4.1%).

## Depreciation, amortization, and impairment

Depreciation increased by €75.6 million to €560.0 million (previous year: €484.4 million), which corresponds to 6.2% of sales (previous year: 5.8%). In the 2022 fiscal year, this figure included impairment losses totaling €15.3 million (previous year: reversal of impairment losses amounting to €28.4 million).

## Finance income

Compared to the previous year, finance income decreased in the 2022 fiscal year by €39.4 million to -€45.3 million (previous year: -€5.9 million). This was attributable primarily to the sum of the effects from currency translation and from changes in the fair value of derivative instruments, and other valuation effects.

In the 2022 fiscal year, interest income increased by €27.8 million to €44.4 million (previous year: €16.6 million). This income was mainly the result of interest from VAT reimbursements in Mexico. Expected income from long-term employee benefits and from plan assets totaled €5.4 million in this period (previous year: €3.8 million). This did not include the interest income from fund assets of the pension funds.

In the 2022 fiscal year, interest expense totaled €41.8 million, an increase of €13.7 million over the previous year's figure of €28.1 million. The interest expense for long-term employee benefits in this period totaled €16.3 million (previous year: €12.1 million). This did not include the interest expense for prospective entitlements from the pension funds. Interest expenditure – resulting mainly from bank borrowings, capital market transactions, and other debt instruments – was €33.8 million, which was €22.0 million higher than in the previous year (€11.8 million). Interest expenditure for lease liabilities amounted to €4.2 million (previous year: €4.1 million). There was also revenue from the deduction of existing other long-term liabilities, amounting to €12.5 million (previous year: expenses of €0.1 million).

Effects from currency conversion during the fiscal year resulted in expenses of €53.5 million (previous year: revenue of €13.7 million). This was countered by effects from changes in the fair value of derivative instruments and other measurement impacts, which resulted in income of €5.6 million (previous year: revenue of €8.1 million).

### Income tax expense

Taxes on income and earnings in the 2022 fiscal year produced a tax expense of €74.4 million (previous year: €155.6 million). The tax ratio was 75.9%, having been 463.2% in the previous year.

The tax ratio was substantially impacted by noncash allowances on deferred tax assets totaling €62.1 million (previous year: €94.1 million), which includes revenue of €15.6 million (previous year: expense of €40.1 million) for previous years. Furthermore, as in the previous year, the tax ratio was negatively affected by nondeductible expenses and nonimputable foreign withholding taxes. As in the previous year, foreign tax rate differences, incentives, and tax holidays had positive effects in the fiscal year.

### Consolidated earnings

In the 2022 fiscal year, consolidated earnings improved by €145.6 million to €23.6 million (previous year: -€122.0 million). Basic earnings per share were €0.59 (previous year: -€3.05), the same amount as diluted earnings per share.

### Employees

Compared to 2021, the number of employees at the Vitesco Technologies Group increased by 555 to 38,043 (previous year: 37,488 ).

In the Electrification Technology business unit, the number of employees increased by 786, many of whom were hired in development roles. Due to the expansion of production capacity and the relocation of production from Continental to Vitesco Technologies, the number of employees in the Sensing & Actuation business unit increased by 637 . By contrast, a fall in production volumes and efficiency increases at the two other business units led to a reduction in employee numbers (Electronic Controls: 461 , Contract Manufacturing: 448 ). Meanwhile, the number of employees in holding company functions increased by 41 compared to the previous year.

Employees by region in %	2022	2021
Germany	25.1	26.4
Europe excluding Germany	29.1	27.6
North America	21.0	21.6
Asia	24.5	24.1
Other countries	0.3	0.3

## FINANCIAL

- > Free cash flow of €123.2 million
- > Outflows from investing activities of €468.9 million
- > Net liquidity of €333.4 million

### Reconciliation of cash flow

In the 2022 fiscal year, EBIT increased compared to the previous year by €103.8 million to €143.3 million (previous year: €39.5 million).

Interest payments fell by €23.1 million to €14.0 million (previous year: €37.1 million). The reduction is primarily the result of lower interest payments for ongoing credit commitments for the Group's treasury management.

Income tax payments decreased by €44.9 million to €106.3 million (previous year: €151.2 million).

The increase in working capital through profit or loss led to a cash outflow of €154.8 million (previous year: €7.8 million). This resulted from an increase in inventories of €32.7 million (previous year: decrease of €221.6 million) and an increase in operating receivables amounting to €178.3 million (previous year: decrease of €554.4 million). This increase was offset by an increase in operating liabilities of €56.2 million (previous year: decrease of €340.6 million).

Compared to the previous year, the cash inflow from business activities in the 2022 fiscal year increased by €173.2 million to €592.1 million (previous year: €418.9 million), which corresponds to 6.5% of sales (previous year: 5.0%).

Cash outflow from investing activities amounted to €468.9 million (previous year: €305.6 million). Capital expenditure on property, plant, and equipment and software increased by €5.3 million from €441.3 million to 446.6 million. The net amount from the acquisition and sale of companies and business operations resulted in a total cash inflow in the 2022 fiscal year of €11.4 million (previous year: €95.5 million). Capital expenditure on development projects that will be capitalized increased by €44.7 million to €75.7 million (previous year: €31.0 million).

Free cash flow for the 2022 fiscal year amounted to €123.2 million (previous year: €113.3 million). This corresponds to an increase of €9.9 million over the previous year.

### Financing and debt

As at the end of the 2022 financial year, gross debt amounted to €447.7 million (previous year: €268.9 million), which was up €178.8 million on the previous year's level. Bank loans and overdrafts as of December 31, 2022 were €0.0 million (previous year: €0.0 million).

The Vitesco Technologies Group had access to a reissued, revolving, syndicated credit line in the 2022 fiscal year with a volume of €800.0 million. This facility is scheduled to run until 2027 and includes two options to extend for a further year each time. Additionally, there is a fixed credit agreement with the European Investment Bank (EIB) for €250.0 million. Neither credit agreement had been utilized as at the end of fiscal 2022. Furthermore, the Vitesco Technologies Group

issued a bond-like loan against a promissory note (German: 'Schuldscheindarlehen') for €200.0 million with varying maturities and interest rates in the 2022 fiscal year. All three credit agreements are secured with a guarantor concept consisting of various companies within the Vitesco Technologies Group, including Vitesco Technologies Group AG, and each include specific obligations, and termination rights. The aforementioned credit agreements of the Vitesco Technologies Group are used for the Company's general financing purposes.

As at the end of the 2022 financial year, short-term debt decreased by €14.9 million to €54.9 million (previous year: €69.8 million). This is mainly attributable to the reduction of liabilities resulting from the fair value of derivatives. Compared to the previous year, current lease liabilities decreased by €1.4 million to €44.0 million (previous year: €45.4 million).

As of December 31, 2022, the Vitesco Technologies Group had a net liquidity of €333.4 million, which was down slightly on the previous year's figure of €345.1 million. The gearing ratio was -10.9%, representing a slight change from the previous year's ratio of -12.8%.

As at December 31, 2022, the Vitesco Technologies Group had liquidity reserves totaling €1,831.1 million (previous year: €1,614.0 million), of which €781.1 million (previous year: €614.0 million) were cash and cash equivalents and €1,050.0 € million (previous year: €1,000.0 million) were committed, unutilized credit lines.

Some of the aforementioned cash and cash equivalents at the Vitesco Technologies Group are restricted in connection with pledged amounts and balances in countries with foreign exchange restrictions or other barriers to accessing liquidity. Taxes payable on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at December 31, 2022, unrestricted cash and cash equivalents totaled €750.1 million (previous year: €601.0 million).

## CALCULATION OF NET LIQUIDITY

e€ million	December 31, 2022	December 31, 2021
Long-term indebtedness	-392.8	-199.1
Short-term indebtedness	-54.9	-69.8
Cash and cash equivalents	781.1	614.0
<b>Net indebtedness</b>	<b>333.4</b>	<b>345.1</b>

## NET ASSETS POSITION

- > Equity of €3,061.7 million
- > Equity ratio of 40.3%
- > Gearing ratio of -10.9%

### Total assets

Total assets as at December 31, 2022 had increased over the previous year's total by €195.6 million to €7,603.7 million (previous year: €7,408.1 million).

### Noncurrent assets

Noncurrent assets decreased compared to the previous year by €69.3 million to €3,809.8 million (previous year: €3,879.1 million). This is primarily due to the decrease in property, plant, and equipment by €130.3 million to €2,414.6 million (previous year: €2,544.9 million) on account of lower investment combined with higher amortizations in the 2022 fiscal year. This was countered mainly by the increase in goodwill by €13.1 million to €816.1 million (previous year: €803.0 million), the increase in other intangible assets by €37.9 million to €211.4 million (previous year: €173.5 million) on account of higher capitalizations of development expenditure pursuant to IAS 38, Intangible Assets, and the increase in long-term derivatives and interest-bearing investments by €10.1 million to €24.5 million (previous year: €14.4 million).

### Capital expenditure (additions)

Capital expenditure on intangible assets in the 2022 fiscal year amounted to €83.6 million (previous year: €49.5 million); capital expenditure on property, plant, and equipment less grants amounted to €438.8 million (previous year: €422.8 million); and capital expenditure on right-of-use lease assets amounted to €46.0 million (previous year: €158.2 million).

### Current assets

Current assets increased by €264.9 million to €3,793.9 million (previous year: €3,529.0 million). This rise is due to inventories being up by €21.5 million to €827.2 million (previous year: €805.7 million), trade receivables by €112.5 million to €1,631.4 million (previous year: €1,518.9 million) on account of an increase in sales and cash and cash equivalents by €167.1 million to €781.1 million (previous year: €614.0 million). As a result of the planned sale of the catalyst and exhaust filter business and the planned sale of the Brazilian company, the assets held for sale increased by €121.8 million (previous year: €0.0 million). This was offset by a decrease in other current assets by €149.1 million to €320.9 million (previous year: €470.0 million), caused principally by the reduction in tax-refund claims, which mainly come from VAT receivables from the purchase of production materials in Mexico.

## Equity

As at December 31, 2022, equity was €3,061.7 million (previous year: €2,688.3 million), which was €373.4 million higher than it was in the previous year.

In-year interest year adjustments for long-term employee benefits were recognized in other comprehensive income and reported under reserves recognized directly in equity. Accumulated other comprehensive income increased by €360.7 million to €235.4 million (previous year: -€125.3 million). The gearing ratio changed from -12.8% to -10.9%. The equity ratio increased to 40.3% (previous year: 36.3%).

## Noncurrent liabilities

Noncurrent liabilities, including provisions, fell by €204.3 million to €1,298.1 million (previous year: €1,502.4 million). This development was mainly attributable to the decrease in long-term employee benefits by €342.1 million to €524.3 million (previous year: €866.4 million), primarily caused by the decrease in pension provisions due to the rise in interest rates in all countries and the decrease in long-term provisions for other risks and obligations by €29.2 million to €243.9 million (previous year: €273.1 million). This was countered by the increase in long-term financial debt by €193.7 million to €392.8 million (previous year: €199.1 million), mainly due to the issuing of a bond-like loan against a promissory note (German: 'Schuldscheindarlehen') for €200.0 million in the 2022 fiscal year.

## Current liabilities

Current liabilities, including provisions, went up by €26.5 million to €3,243.9 million (previous year: €3,217.4 million). The increase was driven in particular by trade receivables, which were up by €45.2 million to €2,003.4 million (previous year: €1,958.2 million), and by liabilities held for sale amounting to €78.0 million (previous year: €0.0 million). This increase was offset by a reduction in short-term provisions for other risks and obligations by €81.3 million to €423.2 million (previous year: €504.5 million), which was mainly caused by the reversal of specific or general warranty provisions.

## Operating assets

As at December 31, 2022, operating assets had increased over the previous year by €243.4 million to €2,811.0 million (previous year: €2,567.6 million).

Working capital increased by €88.8 million to €455.2 million (previous year: €366.4 million). This development is attributable to the rise in operating liabilities by €45.2 million to €2,003.4 million (previous year: €1,958.2 million) and the rise in operating receivables by €112.5 million to €1,631.4 million (previous year: €1,518.9 million). Inventories were also up by €21.5 million to €827.2 million (previous year: €805.7 million).

Noncurrent operating assets were recognized at €3,498.9 million (previous year: €3,577.1 million), a decrease of €78.2 million from the previous year. Foreign exchange rates caused goodwill to increase by €13.1 million to €816.1 million (previous year: €803.0 million). Property, plant, and equipment decreased by €130.3 million to €2,414.6 million (previous year: €2,544.9 million). Other intangible assets climbed by €37.9 million to €211.4 million (previous year: €173.5 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €0.4 million (previous year: €2.7 million) reduced the value of intangible assets.



Changes in the scope of consolidation did not result in any notable additions to or disposal of operating assets at a Group level.

Exchange rate effects increased the Vitesco Group's total operating assets by €26.9 million (previous year: increase of €139.0 million).

Average operating assets rose by €292.5 million to €2,741.2 million (previous year: €2,448.7 million).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets in € million	December 31, 2022	December 31, 2021
Goodwill	816.1	803.0
Other intangible assets	211.4	173.5
Property, plant and equipment	2,414.6	2,544.9
Investments in equity-accounted investees	18.2	16.9
Long-term miscellaneous assets	349.5	340.8
<b>Non-current assets</b>	<b>3,809.8</b>	<b>3,879.1</b>
Inventories	827.2	805.7
Trade accounts receivable	1,631.4	1,518.9
Short-term miscellaneous assets	432.4	590.4
Cash and cash equivalents	781.1	614.0
Assets held for sale	121.8	–
<b>Current assets</b>	<b>3,793.9</b>	<b>3,529.0</b>
<b>Total assets</b>	<b>7,603.7</b>	<b>7,408.1</b>

Equity and liabilities in € million	December 31, 2022	December 31, 2021
<b>Total equity</b>	<b>3,061.7</b>	<b>2,688.3</b>
<b>Non-current liabilities</b>	<b>1,298.1</b>	<b>1,502.4</b>
Trade accounts payable	2,003.4	1,958.2
Short-term other provisions and liabilities	1,162.5	1,259.2
Liabilities held for sale	78.0	–
<b>Current liabilities</b>	<b>3,243.9</b>	<b>3,217.4</b>
<b>Total equity and liabilities</b>	<b>7,603.7</b>	<b>7,408.1</b>
	–	–
<b>Net liquidity</b>	<b>333.4</b>	<b>345.1</b>
<b>Gearing ratio as a %</b>	<b>-10.9</b>	<b>-12.8</b>

## RECONCILIATION WITH OPERATING ASSETS 2022

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
<b>Total assets</b>	<b>755.8</b>	<b>3,010.1</b>	<b>2,193.8</b>	<b>324.2</b>	<b>1,319.8</b>	<b>7,603.7</b>
Cash and cash equivalents	–	–	–	–	781.1	781.1
Current and noncurrent derivative instruments, interest-bearing investments	–	–	–	–	44.4	44.4
Other financial assets	6.9	47.0	12.7	0.6	0.3	67.5
<b>Less financial assets</b>	<b>6.9</b>	<b>47.0</b>	<b>12.7</b>	<b>0.6</b>	<b>825.8</b>	<b>893.0</b>
<b>Less other nonoperating assets</b>	<b>0.2</b>	<b>-27.8</b>	<b>-14.6</b>	<b>1.3</b>	<b>198.4</b>	<b>157.5</b>
Deferred tax assets	–	–	–	–	271.8	271.8
Income tax receivables	–	–	–	–	14.9	14.9
<b>Less income tax assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>286.7</b>	<b>286.7</b>
<b>Segment assets</b>	<b>748.7</b>	<b>2,990.9</b>	<b>2,195.7</b>	<b>322.3</b>	<b>8.9</b>	<b>6,266.5</b>
<b>Total liabilities and provisions</b>	<b>466.7</b>	<b>1,755.5</b>	<b>1,331.2</b>	<b>256.8</b>	<b>731.8</b>	<b>4,542.0</b>
Short-term and long-term financial debt	–	–	–	–	447.7	447.7
Payable interest and further financial liabilities	–	–	–	–	3.2	3.2
<b>Less financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>450.9</b>	<b>450.9</b>
Deferred tax liabilities	–	–	–	–	41.2	41.2
Income tax liabilities	–	–	–	–	72.8	72.8
<b>Less income tax liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>114.0</b>	<b>114.0</b>
<b>Less other nonoperating liabilities</b>	<b>84.4</b>	<b>187.1</b>	<b>182.6</b>	<b>2.9</b>	<b>64.6</b>	<b>521.6</b>
<b>Segment liabilities</b>	<b>382.3</b>	<b>1,568.4</b>	<b>1,148.6</b>	<b>253.9</b>	<b>102.3</b>	<b>3,455.5</b>
<b>Operating assets</b>	<b>366.4</b>	<b>1,422.5</b>	<b>1,047.1</b>	<b>68.4</b>	<b>-93.4</b>	<b>2,811.0</b>

## RECONCILIATION WITH OPERATING ASSETS 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
<b>Total assets</b>	<b>614.6</b>	<b>2,886.9</b>	<b>2,173.7</b>	<b>412.8</b>	<b>1,320.1</b>	<b>7,408.1</b>
Cash and cash equivalents	–	–	–	–	614.0	614.0
Current and noncurrent derivative instruments, interest-bearing investments	–	–	–	–	40.9	40.9
Other financial assets	2.0	38.6	9.3	0.5	–	50.4
<b>Less financial assets</b>	<b>2.0</b>	<b>38.6</b>	<b>9.3</b>	<b>0.5</b>	<b>654.9</b>	<b>705.3</b>
<b>Less other nonoperating assets</b>	<b>0.3</b>	<b>3.7</b>	<b>1.8</b>	<b>0.6</b>	<b>362.4</b>	<b>368.8</b>
Deferred tax assets	–	–	–	–	269.3	269.3
Income tax receivables	–	–	–	–	29.1	29.1
<b>Less income tax assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>298.4</b>	<b>298.4</b>
<b>Segment assets</b>	<b>612.3</b>	<b>2,844.6</b>	<b>2,162.6</b>	<b>411.7</b>	<b>4.4</b>	<b>6,035.6</b>
<b>Total liabilities and provisions</b>	<b>456.2</b>	<b>1,933.9</b>	<b>1,491.4</b>	<b>280.5</b>	<b>557.9</b>	<b>4,719.9</b>
Short-term and long-term debt	–	–	–	–	268.9	268.9
Payable interest and further financial liabilities	–	–	–	–	–	–
<b>Less financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>268.9</b>	<b>268.9</b>
Deferred tax liabilities	–	–	–	–	57.0	57.0
Income tax liabilities	–	–	–	–	83.2	83.2
<b>Less income tax liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>140.2</b>	<b>140.2</b>
<b>Less other nonoperating liabilities</b>	<b>89.1</b>	<b>382.5</b>	<b>307.5</b>	<b>2.8</b>	<b>60.9</b>	<b>842.8</b>
<b>Segment liabilities</b>	<b>367.1</b>	<b>1,551.4</b>	<b>1,183.9</b>	<b>277.7</b>	<b>87.9</b>	<b>3,468.0</b>
<b>Operating assets</b>	<b>245.2</b>	<b>1,293.2</b>	<b>978.7</b>	<b>134.0</b>	<b>-83.5</b>	<b>2,567.6</b>

## DEVELOPMENTS IN ELECTRIFICATION TECHNOLOGY

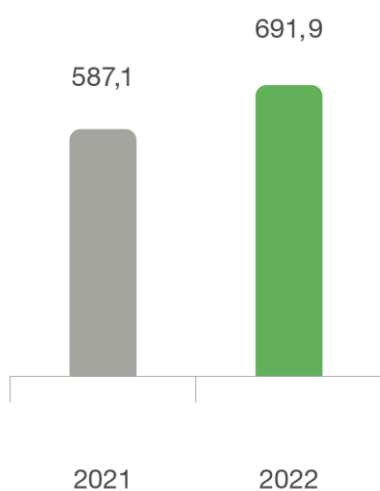
- > Sales increased by 17.9%
- > When adjusted for changes in the scope of consolidation and exchange rate effects, sales increased by 17.6%
- > Adjusted EBIT was up by 5.6%

### Sales volumes

The sales volumes in the Electrification Technology business unit in the 2022 fiscal year were up on the previous year. In the High-Voltage Drive, Mild Hybrid Drive, and Battery product lines, sales volumes increased year over year, while sales volumes in the High-Voltage Electronics product line remained under the previous year's level. The increase in sales volumes in the aforementioned product lines are the result of the increasing expansion of electrification in vehicle drivetrains.

### Sales

Sales in the Electrification Technology business unit in the 2022 fiscal year rose by 17.9% to €691.9 million (previous year: €587.1 million). When adjusted for changes in the scope of consolidation and exchange rate effects, the increase was 17.6%.



### Increase in adjusted EBIT

Adjusted EBIT for the Electrification Technology business unit in the 2022 fiscal year increased by €15.3 million, or 5.6%, to -€257.7 million (previous year: -€273.0 million), which corresponds to -37.2% (previous year: -46.5%) of adjusted sales.

### Decrease in EBIT

In the 2022 fiscal year, the Electrification Technology business unit saw its EBIT decrease by €36.6 million, or 15.7%, to -€270.3 million (previous year: -€233.7 million). By contrast, its return on sales improved slightly to -39.1% (previous year: -39.8%).

Total expense from special topics for the Electrification Technology business unit in the 2022 fiscal year was €12.6 million. In the previous year, it recorded income of €39.3 million from this source. For further details, please refer to our comments about the special topics in 2022 and 2021 in the Earnings chapter.

ROCE was -85.1% (previous year: -635.1%).

### Procurement

Electrification Technology faced a challenging procurement market in the 2022 fiscal year. Continuously rising commodity prices had a negative effect on the cost structure for the past year. This particularly affected rare earths, copper, steel, and chip components.

### Research and development

Compared to the previous year, research and development expenses (net) increased by €2.9 million, or 1.2%, to €242.2 million (previous year: €239.3 million), which amounted to 35.0% of sales (previous year: 40.8%).

### Depreciation, amortization, and impairment

Compared to the 2021 fiscal year, depreciation, amortization, and impairment increased by €100.5 million to €68.0 million (previous year: decrease of €32.5 million), which amounts to 9.8% of sales (previous year: -5.5%). The main element in the increase is a reversal of €121.7 million calculated based on the annual impairment testing pursuant to IAS 36 Impairment of Assets in the previous year.

### Operating assets

As at December 31, 2022, operating assets for the Electrification Technology business unit had increased over the previous year by €121.2 million to 366.4 million (previous year: €245.2 million).

The negative working capital increased by €61.8 million to €0.0 million (previous year: -€61.8 million). Inventories went down by €19.8 million to €71.4 million (previous year: €91.2 million). Operating receivables increased by €88.5 million to

€200.8 million (previous year: €112.3 million). Operating liabilities went up by €7.0 million to €272.2 million (previous year: €265.2 million).

Noncurrent operating assets were recognized at €454.4 million (previous year: €374.9 million), an increase of €79.5 million from the previous year. Property, plant, and equipment amounted to €401.4 million, an increase of €40.8 million over the previous year's figure of €360.6 million. Other intangible assets climbed by €36.8 million to 38.5 million (previous year: €1.7 million).

Electrification Technology in € million	2022	2021	Δ as a %
Sales	691.9	587.1	17.9
EBITDA	-202.3	-266.2	24.0
as % of sales	-29.2	-45.3	
EBIT	-270.3	-233.7	-15.7
as % of sales	-39.1	-39.8	
Research and development expenses (net)	242.2	239.3	1.2
as % of sales	35.0	40.8	
Depreciation and amortization <sup>1</sup>	68.0	-32.5	-309.2
of which impairment <sup>2</sup>	10.5	-57.2	-118.4
Operating assets as at December 31	366.4	245.2	49.4
Operating assets (average)	317.5	36.8	762.8
ROCE in %	-85.1	-635.1	
Capital expenditure <sup>3</sup>	111.9	135.6	-17.5
as % of sales	16.2	23.1	
Number of employees as at December 31 <sup>4</sup>	4,811	4,025	19.5
Adjusted sales <sup>5</sup>	691.9	587.1	17.9
Adjusted operating result (adjusted EBIT) <sup>6</sup>	-257.7	-273.0	5.6
as % of adjusted sales	-37.2	-46.5	

1) Excluding impairment of investments.

2) Impairment also includes any required reversal of impairment losses.

3) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.

4) Excluding apprentices/trainees.

5) Adjusted for changes in the scope of consolidation.

6) Adjusted for amortization of intangible assets from purchase price allocation, changes in the scope of consolidation, and special topics.

Foreign exchange effects increased the total operating assets of the Electrification Technology business unit in the 2022 fiscal year by 0.5 million (previous year: €8.4 million).

Compared to the 2021 fiscal year, average operating assets in the Electrification Technology business unit went up by €280.7 million to €317.5 million (previous year: €36.8 million).

### Capital expenditure (additions)

Additions to the Electrification Technology business unit decreased by €23.7 million to €111.9 million (previous year: €135.6 million).

The capital expenditure ratio amounted to 16.2% (previous year: 23.1%). The expansion of production capacity for all product lines represents the principal investment activity.

#### Employees

The number of employees in the Electrification Technology business unit increased by 786 to 4,811 (previous year: 4,025 ). The increased head count is mainly attributable to a growing demand for development staff due to the higher number of projects for customer applications.

## DEVELOPMENTS IN THE ELECTRONIC CONTROLS

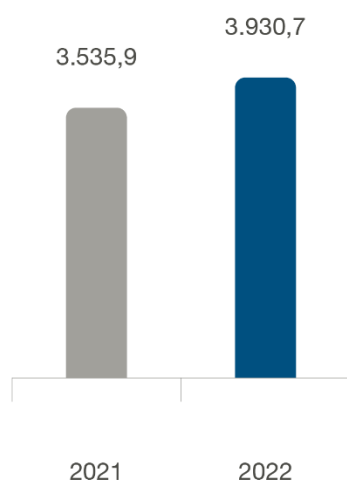
- > Sales increased by 11.2%
- > When adjusted for changes in the scope of consolidation and exchange rate effects, sales were up by 6.5%
- > Adjusted EBIT was up by 39.5%

### Sales volumes

In the Electronic Controls business unit, sales volumes were down on the previous year's levels in the Hydraulics and Nonautomotive product lines due to the global chip shortage. Sales volumes in the Electronics, Turbocharger, and Drivetrain product lines successfully increased year over year.

### Sales

Sales in the Electronic Controls business unit in the 2022 fiscal year rose by 11.2% to €3,930.7 million (previous year: €3,535.9 million). When adjusted for changes in the scope of consolidation and exchange rate effects, sales increased by 6.5%.



### Increase in adjusted EBIT

Adjusted EBIT for the Electronic Controls business unit in the 2022 fiscal year increased by €47.1 million or 39.5% to €166.2 million (previous year: €119.1 million), which corresponds to 4.2% (previous year: 3.4%) of adjusted sales.



## Increase in EBIT

In the 2022 fiscal year, the Electronic Controls business unit saw its EBIT increase by €65.1 million to €128.9 million (previous year: €63.8 million). Return on sales improved to 3.3% (previous year: 1.8%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €0.4 million (previous year: €1.1 million).

Total expense from special topics for the Electronic Controls business unit in the 2022 fiscal year was €36.9 million (previous year: €52.3 million). For further details, please refer to our comments about the special topics in 2022 and 2021 in the Earnings chapter.

ROCE was 9.5% (previous year: 5.4%).

## Procurement

The procurement market that Electronic Controls operated in during the 2022 fiscal year was influenced primarily by the crisis-level shortage of chip components. This resulted in increased material prices, procurement costs, and logistics costs, which subsequently had a negative effect on the variable cost structure for the past year.

## Research and development

Compared to the previous year, research and development expenses (net) fell by €40.1 million or 15.4% to €220.3 million (previous year: €260.4 million), which amounted to 5.6% of sales (previous year: 7.4%).

## Depreciation, amortization, and impairment

Compared to the 2021 fiscal year, depreciation, amortization, and impairment decreased by €9.9 million to €265.7 million (previous year: €275.6 million), which amounts to 6.8% of sales (previous year: 7.8%). In the 2022 fiscal year, this figure included impairment losses totaling €3.5 million (previous year: €18.1 million).

## Operating assets

As at December 31, 2022, operating assets for the Electronic Controls business unit had increased over the previous year by €129.3 million to €1,422.5 million (previous year: €1,293.2 million).

Working capital decreased by €1.4 million to €240.5 million (previous year: €241.9 million). Inventories went down by €31.9 million to €343.1 million (previous year: €311.2 million). Operating receivables increased by €59.7 million to €788.0 million (previous year: €728.3 million). Operating liabilities went up by €93.0 million to €890.6 million (previous year: €797.6 million).

Electronic Controls in € million	2022	2021	Δ as a %
Sales	3,930.7	3,535.9	11.2
EBITDA	394.6	339.4	16.3
as % of sales	10.0	9.6	
EBIT	128.9	63.8	102.0
as % of sales	3.3	1.8	
Research and development expenses (net)	220.3	260.4	-15.4
as % of sales	5.6	7.4	
Depreciation and amortization <sup>1</sup>	265.7	275.6	-3.6
of which impairment <sup>2</sup>	3.5	18.1	-80.7
Operating assets as at December 31	1,422.5	1,293.2	10.0
Operating assets (average)	1,361.8	1,191.1	14.3
ROCE in %	9.5	5.4	
Capital expenditure <sup>3</sup>	209.3	271.3	-22.9
as % of sales	5.3	7.7	
Number of employees as at December 31 <sup>4</sup>	15,224	15,685	-2.9
Adjusted sales <sup>5</sup>	3,930.7	3,511.3	11.9
Adjusted operating result (adjusted EBIT) <sup>6</sup>	166.2	119.1	39.5
as % of adjusted sales	4.2	3.4	

1) Excluding impairment of investments.

2) Impairment also includes any required reversal of impairment losses.

3) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.

4) Excluding apprentices/trainees.

5) Adjusted for changes in the scope of consolidation.

6) Adjusted for amortization of intangible assets from purchase price allocation, changes in the scope of consolidation, and special topics.

Noncurrent operating assets were recognized at €1,757.1 million (previous year: €1,758.3 million), a decrease of €1.2 million from the previous year. Foreign exchange rates caused goodwill to increase by €8.7 million to €492.4 million (previous year: €483.7 million). Property, plant and equipment fell by €18.0 million to €1,075.6 million (previous year: €1,093.6 million). Other intangible assets climbed by €7.2 million to €161.1 million (previous year: €153.9 million).

Foreign exchange effects increased the total operating assets of the Electronic Controls business unit in the 2022 fiscal year by €6.7 million (previous year: €61.7 million).

Compared to the 2021 fiscal year, average operating assets in the Electronic Controls business unit went up by €170.7 million to €1,361.8 million (previous year: €1,191.1 million).

### Capital expenditure (additions)

Additions to the Electronic Controls business unit decreased by €62.0 million to €209.3 million (previous year: €271.3 million). The capital expenditure ratio was 5.3% (previous year: 7.7%). This decline was mainly the result of long-term leases (IFRS 16 Leases) that were taken on as special topics in the previous year for Continental's development and office buildings.

## Employees

The number of employees in the Electronic Controls business unit shrank by 461 to 15,224 (previous year: 15,685 ). The drop in employee numbers mainly resulted from transformation activities, capacity adjustments, and increases in efficiency.

## DEVELOPMENTS IN THE SENSING & ACTUATION

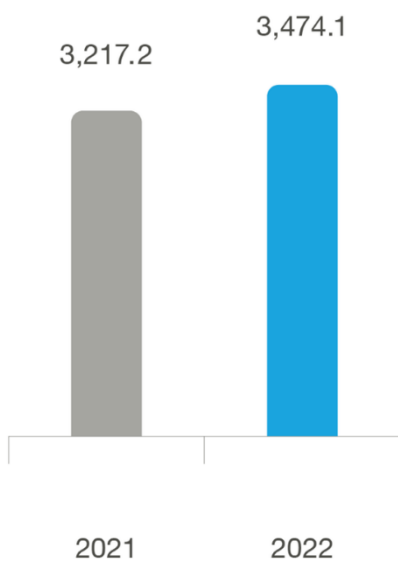
- > Sales increased by 8.0%
- > When adjusted for changes in the scope of consolidation and exchange rate effects, sales were up by 3.3%
- > Adjusted EBIT was up by 22.8%

### Sales volumes

In the 2022 fiscal year, sales volumes in the Sensing & Actuation business unit were significantly up on the previous year. While the sales figures for NOx sensors in the Exhaust & Emission Sensors product line were slightly down year over year, sales volumes were up for pressure, knock, and door handle sensors in the Transmission & Engine Sensors product line. The Actuators product line was able to sell considerably more products for thermal management in electric and plug-in hybrid vehicles in the past fiscal year. In the Catalysts & Filters product line, sales figures were slightly up on the previous year while sales in the Aftermarket product line increased significantly.

### Sales

Sales in the Sensing & Actuation business unit in the 2022 fiscal year rose by 8.0% to €3,474.1 million (previous year: €3,217.2 million). When adjusted for changes in the scope of consolidation and exchange rate effects, sales increased by 3.3%.



## Increase in adjusted EBIT

Adjusted EBIT for the Sensing & Actuation business unit in the 2022 fiscal year increased by €60.8 million or 22.8% to €328.0 million (previous year: €267.2 million), which corresponds to 9.4% (previous year: 8.4% ) of adjusted sales.

## Increase in EBIT

In the 2022 fiscal year, the Sensing & Actuation business unit saw its EBIT increase by €84.9 million to €321.4 million (previous year: €236.5 million). Return on sales improved to 9.3% (previous year: 7.4% ).

Amortization of intangible assets from purchase price allocation (PPA) amounted to €0.0 million (previous year: expense of €1.6 million).

Total expense from special topics for the Sensing & Actuation business unit in the 2022 fiscal year was €6.6 million (previous year: €31.1 million). For further details, please refer to our comments about the special topics in 2022 and 2021 in the Earnings chapter.

ROCE was 31.0% (previous year: 22.5% ).

## Procurement

The procurement market for the Sensing & Actuation business unit was very challenging in the 2022 fiscal year. Continuously rising commodity prices had a negative effect on the cost structure for the past fiscal year. In particular, the very high demand worldwide for electronic components and the simultaneous limited availability of these components led to supply shortages and additional expenditure for procurement.

## Research and development

Compared to the previous year, research and development expenses (net) increased by €4.6 million or 2.4% to €197.9 million (previous year: €193.3 million), which amounted to 5.7% (previous year: 6.0% of sales).

## Depreciation, amortization, and impairment

Compared to the 2021 fiscal year, depreciation, amortization, and impairment decreased by €3.7 million to €182.7 million (previous year: €186.4 million), which amounts to 5.3% of sales (previous year: 5.8% ). In the 2022 fiscal year, this figure included impairment losses totaling €1.3 million (previous year: €10.7 million).

## Operating assets

As at December 31, 2022, operating assets for the Sensing & Actuation business unit had increased over the previous year by €68.4 million to €1,047.1 million (previous year: €978.7 million).

Working capital increased by €5.9 million to €160.8 million (previous year: €154.9 million). Inventories went down by €12.2 million to €313.3 million (previous year: €301.1 million). Operating receivables decreased by €25.4 million to €545.9 million (previous year: €571.3 million). Operating liabilities went down by €19.2 million to €698.4 million (previous year: €717.6 million).

Noncurrent operating assets were recognized at €1,166.6 million (previous year: €1,247.7 million), a decrease of €81.1 million. Foreign exchange rates caused goodwill to increase by €4.4 million to €323.7 million (previous year: €319.3 million). Property, plant, and equipment amounted to €817.8 million, a decrease of €78.0 million from the previous year's figure of €895.8 million. Other intangible assets fell by €6.0 million to 11.6 million (previous year: €17.6 million). Amortization of intangible assets from purchase price allocation (PPA) amounted to €0.0 million (previous year: 1.6 million).

Sensing & Actuation in € million	2022	2021	Δ as a %
Sales	3,474.1	3,217.2	8.0
EBITDA	504.1	422.9	19.2
as % of sales	14.5	13.1	
EBIT	321.4	236.5	35.9
as % of sales	9.3	7.4	
Research and development expenses (net)	197.9	193.3	2.4
as % of sales	5.7	6.0	
Depreciation and amortization <sup>1</sup>	182.7	186.4	-2.0
of which impairment <sup>2</sup>	1.3	10.7	-87.9
Operating assets as at December 31	1,047.1	978.7	7.0
Operating assets (average)	1,037.9	1,050.1	-1.2
ROCE in %	31.0	22.5	
Capital expenditure <sup>3</sup>	163.1	182.8	-10.8
as % of sales	4.7	5.7	
Number of employees as at December 31 <sup>4</sup>	15,641	15,004	4.2
Adjusted sales <sup>5</sup>	3,474.1	3,198.5	8.6
Adjusted operating result (adjusted EBIT) <sup>6</sup>	328.0	267.2	22.8
as % of adjusted sales	9.4	8.4	

1) Excluding impairment of investments.

2) Impairment also includes any required reversal of impairment losses.

3) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.

4) Excluding apprentices/trainees.

5) Adjusted for changes in the scope of consolidation.

6) Adjusted for amortization of intangible assets from purchase price allocation, changes in the scope of consolidation, and special topics.

Foreign exchange effects increased the total operating assets of the Sensing & Actuation business unit in the 2022 fiscal year by €11.9 million (previous year: €56.9 million).

Compared to the 2021 fiscal year, average operating assets in the Sensing & Actuation business unit went down by €12.2 million to €1,037.9 million (previous year: €1,050.1 million).

### Capital expenditure (additions)

Additions to the Sensing & Actuation business unit decreased by €19.7 million to €163.1 million (previous year: €182.8 million). The capital expenditure ratio was 4.7% (previous year: 5.7% ). This decline was mainly the result of long-term leases (IFRS 16 Leases) that were taken on as special topics in the previous year for Continental's development and office buildings.

### Employees

The number of employees in the Sensing & Actuation business unit grew by 637 to 15,641 (previous year: 15,004 ). This mainly resulted from the expansion of production capacity.

## DEVELOPMENTS IN THE CONTRACT MANUFACTURING

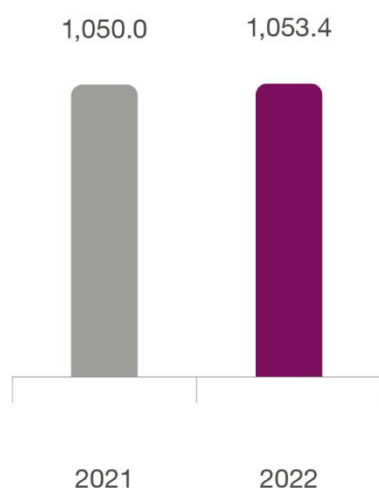
- > Sales increased by 0.3%
- > When adjusted for changes in the scope of consolidation and exchange rate effects, sales were down by 6.8%
- > Adjusted EBIT decreased by 67.7%

### Sales volumes

Sales volumes in the Contract Manufacturing business unit fell significantly during the 2022 fiscal year. The background to this fall is the further discontinuation of various products for the Continental Group.

### Sales

Sales in the Contract Manufacturing business unit in the 2022 fiscal year rose by 0.3% to €1,053.4 million (previous year: €1,050.0 million). When adjusted for changes in the scope of consolidation and exchange rate effects, sales decreased by 6.8% .





## Adjusted EBIT down

Adjusted EBIT for the Contract Manufacturing business unit in the 2022 fiscal year decreased by €28.9 million or 67.7% to €13.8 million (previous year: €42.7 million), which corresponds to 1.3% (previous year: 4.1% ) of adjusted sales.

## Decrease in EBIT

In the 2022 fiscal year, the Contract Manufacturing business unit saw its EBIT decrease by €90.0 million or 86.8% to €13.7 million (previous year: €103.7 million). Return on sales dropped to 1.3% (previous year: 9.9% ).

Total expense from special topics for the Contract Manufacturing business unit in the 2022 fiscal year amounted to €0.1 million (previous year: revenue of €61.0 million). For further details, please refer to our comments about the special topics in 2022 and 2021 in the Earnings chapter.

ROCE was 13.1% (previous year: 45.4% ).

## Procurement

The procurement market in the 2022 fiscal year was characterized by low availability of electronic components. Increased material prices to ensure delivery to customers could be charged to the Continental Group.

## Research and development

The Contract Manufacturing business unit did not have any expenditure on research and development (net) in the 2022 fiscal year. In the previous year, it generated a small amount of revenue (€0.3 million).

## Depreciation, amortization, and impairment

Compared to the 2021 fiscal year, depreciation, amortization, and impairment decreased by €11.3 million to €43.5 million (previous year: €54.8 million), which amounts to 4.1% of sales (previous year: 5.2% ). This item did not include any impairment in the 2022 fiscal year (previous year: €0.0 million).

## Operating assets

As at December 31, 2022, operating assets for the Contract Manufacturing business unit had decreased from the previous year by €65.6 million to €68.4 million (previous year: €134.0 million).

Working capital increased by €18.8 million to €61.0 million (previous year: €42.2 million). Inventories went down by €2.8 million to €99.3 million (previous year: €102.1 million). Operating receivables decreased by €10.6 million to €96.4 million (previous year: €107.0 million). Operating liabilities went down by €32.2 million to €134.7 million (previous year: €166.9 million).

Noncurrent operating assets were recognized at €120.7 million (previous year: €196.1 million), a decrease of €75.4 million). Property, plant, and equipment amounted to €119.7 million, a decrease of €75.2 million from the previous year's figure of €194.9 million). Other intangible assets fell by €0.1 million to €0.2 million (previous year: €0.3 million).

Contract Manufacturing in € million	2022	2021	Δ as a %
Sales	1,053.4	1,050.0	0.3
EBITDA	57.2	158.5	-63.9
as % of sales	5.4	15.1	
EBIT	13.7	103.7	-86.8
as % of sales	1.3	9.9	
Research and development expenses (net)	–	-0.3	–
as % of sales	–	–	
Depreciation and amortization <sup>1</sup>	43.5	54.8	-20.6
of which impairment <sup>2</sup>	–	–	–
Operating assets as at December 31	68.4	134.0	-49.0
Operating assets (average)	104.8	228.2	-54.1
ROCE in %	13.1	45.4	
Capital expenditure <sup>3</sup>	8.3	9.7	-14.4
as % of sales	0.8	0.9	
Number of employees as at December 31 <sup>4</sup>	2,311	2,759	-16.2
Adjusted sales <sup>5</sup>	1,053.4	1,050.0	0.3
Adjusted operating result (adjusted EBIT) <sup>6</sup>	13.8	42.7	-67.7
as % of adjusted sales	1.3	4.1	

1) Excluding impairment of investments.

2) Impairment also includes any required reversal of impairment losses.

3) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.

4) Excluding apprentices/trainees.

5) Adjusted for changes in the scope of consolidation.

6) Adjusted for amortization of intangible assets from purchase price allocation, changes in the scope of consolidation, and special topics.

Foreign exchange effects increased the total operating assets of the Contract Manufacturing business unit in the 2022 fiscal year by €7.8 million (previous year: €12.1 million).

Compared to the 2021 fiscal year, average operating assets in the Contract Manufacturing business unit went down by €123.4 million to €104.8 million (previous year: €228.2 million).

### Capital expenditure (additions)

Additions to the Contract Manufacturing business unit decreased by €1.4 million to €8.3 million (previous year: €9.7 million). The capital expenditure ratio was 0.8% (previous year: 0.9% ). There were major additions relating to the maintenance and selective expansion of production capacity.

## Employees

The number of employees in the Contract Manufacturing business unit went down by 448 to 2,311 (previous year: 2,759 ). This mainly resulted from the ongoing separation of relations with the Continental Group.

## VITESCO TECHNOLOGIES GROUP AG – SHORT VERSION IN ACCORDANCE WITH HGB

### BACKGROUND INFORMATION RELEVANT TO HGB

The management report of Vitesco Technologies Group AG and the Group management report are combined in accordance with HGB § 315(5) in conjunction with HGB § 298(2).

The annual financial statements of Vitesco Technologies Group AG, unlike the consolidated financial statements, are compiled according to the rules of the German Commercial Code (*Handelsgesetzbuch*, HGB) and Stock Corporation Act (*Aktiengesetz*, AktG), and not IFRS.

### BUSINESS AND BUSINESS ENVIRONMENT

In addition, the following presentation of the parent company's business performance, including its earnings, assets, and finances, provides a basis for understanding the Executive Board's proposal for the distribution of retained earnings.

Vitesco Technologies Group AG is a holding company that exercises a governance role within the Vitesco Technologies Group. In the 2022 fiscal year, there was an average of 10.0 people (previous year: 7.5) who were employed at Vitesco Technologies Group AG.

Vitesco Technologies Group AG holds direct or indirect interests in 37 companies, including noncontrolling interests. The economic conditions experienced by Vitesco Technologies Group AG are broadly the same as those experienced by the Vitesco Technologies Group and are described in the chapters focusing on the development of each business unit.

## EARNINGS

## Vitesco Technologies Group AG Income Statement per HGB

Performance of Vitesco in € million	2022	2021
Sales	18.2	2.3
Cost of sales	-17.6	-2.3
<b>Gross margin on sales</b>	<b>0.6</b>	<b>–</b>
General administrative expenses	-28.0	-7.2
Other operating income	7.1	3.8
Other operating expenses	–	-38.6
Interest and similar expenses	12.3	0.1
Write-downs of financial assets	–	-1,000.0
Other interest and similar income	-7.7	-0.1
Taxes from income	-0.5	0.0
<b>Result before taxes</b>	<b>-16.2</b>	<b>-1,042.0</b>
Other taxes	-0.7	-8.4
<b>Net loss</b>	<b>-16.9</b>	<b>-1,050.4</b>

The revenue mainly consists of transferred costs for administrative services and income from leasing buildings to affiliated companies. Accordingly, the cost of sales results from these administrative services and from leasing buildings. The Company started exercising its function as the holding company managing the Vitesco Technologies Group at the time of the spin-off and IPO in September 2021. For this reason, there is only limited comparability between the years 2021 and 2022.

The change in the general administrative costs, much like the change in gross profit, results from the start of business activity in September 2021 with the Company's IPO. The general administrative costs in the 2022 fiscal year were affected by the costs for the governance role exercised by Vitesco Technologies Group AG for the Vitesco Technologies Group, with personnel expenses, expenses for the D&O insurance beginning with the spin-off, and expenses for the Annual General Meeting, Supervisory Board, the auditor's audit of the annual and consolidated financial statements, and the auditor's review of the interim financial reports.

The rise in other operating income is attributable firstly to the result of accruing Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, Germany and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Regensburg, Germany to Vitesco Technologies Group AG at €3.0 million and, secondly, by charging insurance-related expenditure to the corresponding Group companies at an amount of €3.6 million.

Other operating expenses fell by €38.6 million. This change is mainly the result of the spin-off and IPO costs that Vitesco Technologies Group AG had to pay according to the Group separation agreement in the last year.

The change in interest income and expenses mainly results from the loan granted to affiliated companies and from the Group-wide Vitesco Cash Management at Vitesco Technologies GmbH.

The decline in other taxes is attributable to the land transfer tax incurred in 2021.

## ASSETS AND FINANCIAL

Vitesco Technologies Group AG Statement of Financial Position per HGB (Short Version)

in € million	December 31, 2022	December 31, 2021
<b>Assets</b>		
Investments	3,012.3	3,655.2
<b>Non-current assets</b>	<b>3,012.3</b>	<b>3,655.2</b>
Receivables and other current assets	659.4	44.2
<b>Current assets</b>	<b>659.4</b>	<b>44.2</b>
<b>Prepaid expenses and deferred charges</b>	<b>2.6</b>	<b>2.1</b>
<b>Total assets</b>	<b>3,674.3</b>	<b>3,701.5</b>
<b>Shareholders' equity and liabilities</b>		
<b>Shareholders' equity</b>	<b>3,587.9</b>	<b>3,604.8</b>
<b>Provisions</b>	<b>30.2</b>	<b>23.1</b>
<b>Liabilities</b>	<b>56.2</b>	<b>73.6</b>
<b>Total equity and liabilities</b>	<b>3,674.3</b>	<b>3,701.5</b>

The 642.9 million change in noncurrent assets is the result of the accrual of Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, Germany and of Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Regensburg, Germany. This accrual makes Vitesco Technologies Group AG the sole shareholder of Vitesco Technologies GmbH, Regensburg.

Receivables and other assets increased by €615.2 million. This increase is primarily due to the issuing of a loan and the resulting €645.5 million in interest receivables from affiliated companies. The €35.5 million decline in VAT receivables from the previous year partly countered that increase.

Equity went down by €16.9 million, which stemmed from the fiscal year's net loss of €16.9 million.

The change in provisions results from, firstly, the €6.3 million increase in bonus commitments and, secondly, the €3.5 million increase in provisions for pensions and similar obligations.

The €17.4 million drop in liabilities is the result of two counteracting effects. The first is the loss of a liability from 2021 from the transfer of the VAT receivable to the respective subsidiaries and the settlement of the services connected to the IPO by Vitesco Technologies GmbH, Regensburg. The second is the existence of a €54.0 million liability to affiliated companies from the Group-wide Vitesco Cash Management at Vitesco Technologies GmbH at the end of the reporting period.

### Opportunities and risks

Business development at Vitesco Technologies Group AG is subject to the same opportunities and risks as the Vitesco Technologies Group. The stake that Vitesco Technologies Group AG has in the risks of its subsidiaries and investments generally corresponds with the size of its interest in each investment.

Vitesco Technologies Group AG, as the parent of the Vitesco Technologies Group, is integrated into the Group-wide risk management system. The description required under HGB § 289(4) of the internal control system for Vitesco Technologies Group AG is provided in the Risk and Opportunity Report chapter.

## Outlook

The expectations for Vitesco Technologies Group AG are reflected in the Group's forecast owing to its close integration with the Group's companies. The earnings, assets, and finances of Vitesco Technologies Group AG are connected with the business development of and distributions from the Group's companies. Based on our current planning, we expect that our net profit will improve significantly compared to the current fiscal year.



## OTHER DISCLOSURES

### DEPENDENT COMPANY REPORT

Final declaration from the Executive Board's report on relations with affiliated companies pursuant to AktG § 312

In fiscal 2022, Vitesco Technologies Group AG was a dependent company of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, as defined under AktG § 312. In line with AktG § 312(1), the Executive Board of Vitesco Technologies Group AG has prepared a report on relations with affiliated companies, which contains the following final declaration:

"We declare that the company received an appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies from January 1 to December 31, 2022, under the circumstances known to us at the time the transactions were made or the measures taken or not taken. To the extent the company suffered any detriment thereby, the company was granted the right to an appropriate compensation before the end of the 2022 fiscal year. The Company did not suffer any detriment because of taking or omitting to take measures."

### ADDITIONAL DISCLOSURES AND NOTES PURSUANT TO HGB §§ 289A AND 315A

#### Composition of subscribed capital

The Company's subscribed capital amounted to €100.1 million at the end of the reporting period. It is divided into 40,021,196 registered no-par shares. These shares are, without exception, common shares; different classes of shares have not been issued and have not been provided for in the Articles of Incorporation. Each share bears voting and dividend rights from the time it is issued. Each share entitles the holder to one vote at Annual General Meetings (Article 20(1) of the Articles of Incorporation). There are no shares with privileges.

#### Shareholdings exceeding 10% of voting rights

For details of the equity interests exceeding 10% of the voting rights (reported level of equity interest), please refer to the notice in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*, WpHG) in the List of Shareholdings of the Group chapter of the notes.

#### Bearers of shares with privileges

There are no shares with privileges granting control.

## Type of voting right control for employee shareholdings

The Company is not aware of any employees with shareholdings not directly exercising control of their voting rights.

## Provisions for the appointment and dismissal of members of the Executive Board and for the amendment of the Articles of Incorporation

- > In accordance with the Articles of Incorporation, the Executive Board consists of at least two members; beyond this the number of members of the Executive Board is determined by the Supervisory Board. Members of the Executive Board are appointed and dismissed in accordance with AktG § 84 in conjunction with MitbestG § 31. In line with this, the Supervisory Board is responsible for the appointment and dismissal of members of the Executive Board. These decisions require a majority of two-thirds of its members in order to be passed. If this majority is not reached in the event of an appointment, the Conciliation Committee must submit a nomination to the Supervisory Board for the appointment within one month of the vote. Other nominations can also be submitted to the Supervisory Board in addition to the Conciliation Committee's nomination. A simple majority of the votes is sufficient when voting on these nominations submitted to the Supervisory Board. In the event that the vote results in a tie, a new vote takes place in which the Chairman of the Supervisory Board casts a tie-breaking vote in accordance with MitbestG § 31(4).
- > Amendments to the Articles of Incorporation are made at the Annual General Meeting. In Article 13 of the Articles of Incorporation, a resolution was passed at the Annual General Meeting to exercise the option granted in AktG § 179(1) second sentence to confer on the Supervisory Board the power to make amendments affecting only the wording of the Articles of Incorporation. In accordance with Article 20(2) of the Articles of Incorporation, resolutions at Annual General Meetings to amend the Articles of Incorporation are usually adopted based on a simple majority and, insofar as a capital majority is required, by a simple majority of the capital represented unless otherwise stipulated by mandatory law or particular provisions of the Articles of Incorporation. The law prescribes a mandatory majority of three-fourths of the share capital represented when resolutions are made, for example, for amendments to the Articles of Incorporation involving substantial capital measures, such as resolutions concerning the creation of authorized or contingent capital.

## Powers of the Executive Board, particularly with regard to its options for issuing or withdrawing shares

- > The Executive Board can issue new shares only on the basis of resolutions at Annual General Meetings. As at the end of the reporting period, the Executive Board had not been authorized to issue new shares in connection with a capital increase (authorized capital) or to issue convertible bonds, warrant-linked bonds, or other financial instruments that could entitle the bearers to subscribe to new shares.
- > The Executive Board may only buy back shares under the conditions codified in AktG § 71. Resolutions have not been passed at an Annual General Meeting to authorize the Executive Board to acquire treasury shares in line with AktG § 71(1)(8).

## Material agreements of the Company subject to a change-of-control clause following a takeover bid and their consequences

The following material agreements are subject to a change-of-control clause at Vitesco Technologies Group AG:

- > The agreement concluded on March 24, 2021, for a syndicated revolving credit facility of €1,000.0 million grants each creditor the right to terminate the agreement prematurely and to demand repayment of the loans granted by it if one person or several persons acting in concert acquire control of Vitesco Technologies Group AG and subsequent negotiations concerning a continuation of the loan do not lead to an agreement. The term "control" is defined as holding more than 50% of the voting rights or if Vitesco Technologies Group AG concludes a domination agreement within the meaning of AktG § 291 with Vitesco Technologies Group AG as the company dominated.

Compensation agreements of the Company with members of the Executive Board or employees in the event of a takeover bid

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

## REMUNERATION OF THE EXECUTIVE BOARD

The total remuneration of the members of the Executive Board comprises a number of remuneration components. These include a fixed, non-performance-based component, including specific fringe benefits and an entitlement to a retirement plan, and variable, performance-based remuneration consisting of a short-term remuneration component and long-term remuneration components. Further information, including personal earnings, is provided in the remuneration report, which can be found in the Remuneration Report chapter of the corporate governance report. Neither of these reports forms part of the management report.

## CORPORATE GOVERNANCE STATEMENT PURSUANT TO HGB § 289F

The corporate governance statement pursuant to HGB § 289f is available to shareholders in the “Investors”/“Corporate Governance” section of the Company’s website ([ir.vitesco-technologies.com](http://ir.vitesco-technologies.com)).

## RISK AND OPPORTUNITY REPORT

### RISK AND OPPORTUNITY MANAGEMENT IS PRACTICED TO ANALYZE AND MANAGE THE OVERALL SITUATION ACROSS THE GROUP.

Business management at Vitesco Technologies is done in such a way that it aims for sustainable growth and permanent increases in the Group's value. We evaluate risks and opportunities responsibly and on an ongoing basis in order to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Vitesco Technologies is exposed to a number of different risks that could impair business and, in extreme cases, threaten the Company's existence. At the same time, there are also opportunities that we intend to consistently seize, as described in the Group Strategy chapter. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. For us, growth in value means achieving a permanent return on capital employed that exceeds the weighted average cost of capital.

### RISK AND OPPORTUNITY MANAGEMENT AND INTERNAL CONTROL SYSTEM

(Includes the report required under HGB §§ 289(4) and 315(4))

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness and efficiency of operational business activities (business processes), the effectiveness, efficiency, and propriety of accounting, and compliance with applicable legal and sublegislative provisions, Vitesco Technologies has created a governance system that encompasses all relevant business processes. The governance system comprises the internal control system, the risk management system, and the compliance management system, which is described in detail in the corporate governance statement. The risk management system in turn also includes the early risk detection system in accordance with AktG § 91(2).

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

In this chapter, we outline the objectives for risk management, explain the structure of risk management and the Vitesco Technologies Group's internal control system, and describe these systems. Then, we lay out the material risks and opportunities that arise as part of our business activity.

Vitesco Technologies strives for a risk culture that is practiced actively and shaped by an open response to risk, transparency regarding the risk situation, and targeted risk management. Vitesco Technologies' business management and the risk strategy derived from it are designed to ensure the Company's long-term viability and increase the Company's value in a sustainable manner. The primary objective of risk management is not to prevent all risks, but rather to respond to them in a controlled and effective way in day-to-day operations. The priority in risk management is to create levels of freedom that enable a conscious acceptance of risk based on extensive knowledge of the risk and its context. A coordinated, controlled

response to risk is intended to contribute to the achievement of our Company's strategic and operational targets and increase the Company's value.

The internal control system, being the total of all systematically defined controls and monitoring activities, aims to ensure security and efficiency of operational processes, the reliability of financial and non-financial reporting, and compliance with the law and guidelines in all activities. An effective and efficient internal control system is critical in order to manage risks in our business processes successfully. The internal control system at Vitesco Technologies is designed to incorporate all material business processes and extends beyond controls in the financial reporting.

Key elements of the Group-wide control systems are the clear allocation of responsibilities and controls inherent in the system. The two-person rule and separation of functions are fundamental principles of this organization.

An organizational structure with clearly defined interfaces, roles, and responsibilities is vitally important for the success of control systems. At Vitesco Technologies, this structure is supported by a concept with three "lines of defense." Continuously faced with business risks, operations management forms the first line of defense. It is responsible for identifying and analyzing these risks at the earliest possible stage and for setting up effective control measures in the value creation process that are designed to manage the risks. The second line of defense is formed by central management and is designed to control and supervise the first line of defense for optimum effectiveness. And finally, Group Audit forms the third line of defense in its role as an objective and independent auditing and advisory body. It supports the Executive Board in the performance of its supervisory role and monitors the regularity, safety, appropriateness, and effectiveness of the implemented processes and the internal controls.

In addition, the executive management at Vitesco Technologies ensures accounting that complies with the requirements of law by issuing guidelines on the preparation of financial statements and on accounting, access authorizations for IT systems, and regulations on the involvement of internal and external specialists.

The effectiveness of the financial-reporting internal control system (financial-reporting ICS) is assessed in key areas of the business by means of quarterly process-independent effectiveness tests of the reporting units; the test results for the reporting units are supervised and evaluated at Group level. If any weaknesses are identified, the Group's management initiates the necessary measures.

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

## Governance, Risk & Compliance (GRC)

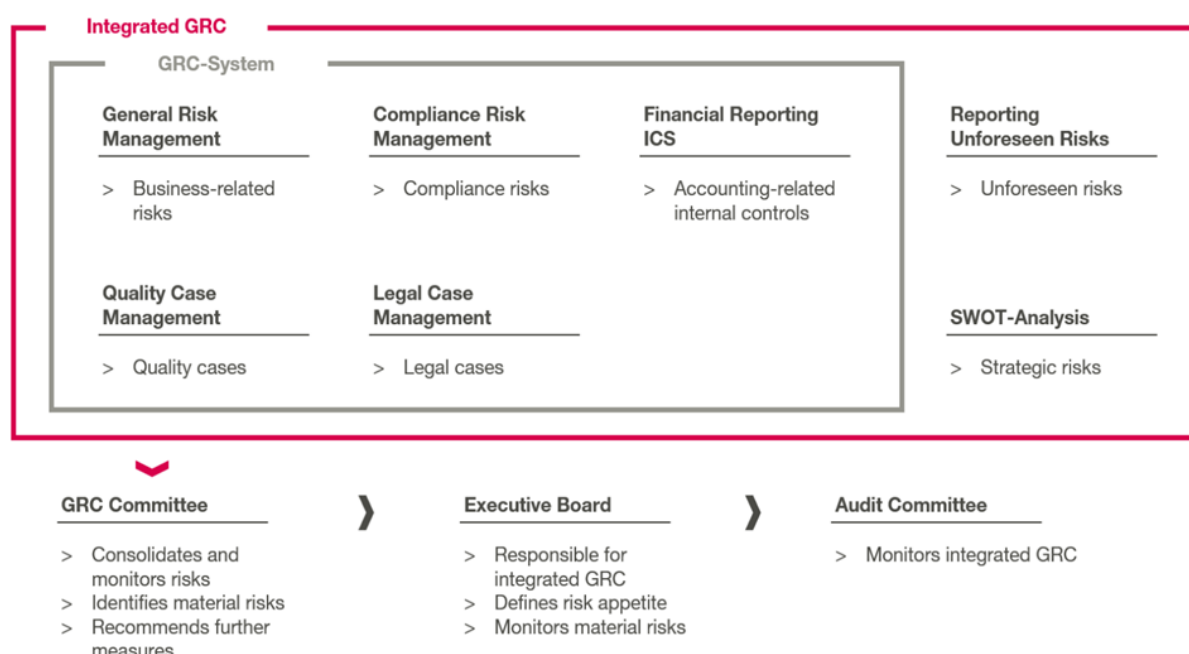
In its Governance, Risk & Compliance (GRC) Group Policy, Vitesco Technologies defines the general conditions for integrated GRC as a key element of the risk management system, which regulates the identification, assessment, reporting, and documentation of risks. In addition, this also further increases Group-wide risk awareness and establishes the framework for a consistent risk culture. The GRC Committee ensures that this policy is adhered to and implemented.

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

the identified risks. A multistage assessment process is used to involve the higher-level organizational units as well. The GRC system thus includes all reporting levels, from the Company level to the top Group level.

## Risk reporting

### Risk reporting



At Group level, the responsibilities of the GRC Committee – chaired by the Chief Financial Officer – include identifying material risks for the Group. The GRC Committee regularly informs the Executive Board and the Audit Committee of the Supervisory Board of the material risks, any weaknesses in the control system, and measures taken. Moreover, the auditor is required to report to the Audit Committee of the Supervisory Board regarding any material weaknesses in the financial-reporting ICS that they identified as part of their audit activities.

## Risk assessment and reporting

An observation period of one year is always applied when evaluating risks and opportunities. The risks and their effects are assessed primarily according to quantitative criteria and assigned to different categories in line with the net principle, i. e., after risk-mitigation measures. If a risk cannot be assessed quantitatively, then it is assessed qualitatively based on the potential negative effects its occurrence would have on achieving corporate goals and based on other qualitative criteria such as the impact on Vitesco Technologies' reputation.

Material risks for the Group are identified from all the reported risks based on the probability of occurrence and the amount of damage that would be caused during the observation period.

The individual risks that Vitesco Technologies has classified as material and the aggregated risks that have been assigned to risk categories are all described in the risk and opportunity report, provided the potential negative profit effect of an individual risk or of the sum of individual risks included in a category exceeds €20.0 million in the observation period or there is a significant negative impact on the Group's targets.

To evaluate the risk to the Group as a going concern, the risks are aggregated every six months, taking into account any correlation effects, and compared with the Group's risk bearing capacity. Vitesco Technologies uses a method of expected loss addition including adjustment factors to aggregate risk. Risk bearing capacity is calculated using a liquidity-based approach.

Local management can utilize various instruments for risk assessment, such as centrally defined, Group-wide risk categories (e.g., exchange rate risks, product-liability risks, and legal risks) and assessment criteria as well as the process and control descriptions in the financial-reporting ICS. The key controls in business processes (purchase to pay, order to cash, asset management, human relations, authorization, and closing the books) are thus tested with respect to their effectiveness.

Business-related risks are assessed by all major subsidiaries and organizational units in the GRC system's IT-aided risk management application every six months. Any quality or legal cases that have actually occurred are also taken into account when assessing these risks. The financial-reporting ICS is conducted every quarter.

Furthermore, the GRC Committee identifies and assesses strategic risks, for example as part of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). Any new material risks arising unexpectedly between regular reporting dates have to be reported immediately and considered by the GRC Committee.

Vitesco Technologies has set up a global whistleblower system (Integrity Line) to give employees and third parties outside the Vitesco Technologies Group the opportunity to report violations of legal regulations, its fundamental values, and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, as well as accounting manipulations, can be reported anonymously, where permissible by law, using this line. Tips received through the system are examined, pursued, and dealt with by the Group Audit and Compliance departments, as required, with the assistance of other departments.

## Risk management

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

Based on this independent audit and monitoring of risk management and the internal control system by Group Audit, and based on other external audits – especially a voluntary one performed as an audit of the appropriateness and effectiveness

of the risk management system during the period from January 1, 2022 to December 31, 2022 in accordance with IDW PS 981 – the Executive Board does not see any indications of these systems not being appropriate or effective.

## MATERIAL RISKS

Material risks are classified according to their likelihood of occurrence and their possible negative effects. The risks are presented and evaluated according to net principle – i.e., after risk-mitigation measures. The evaluation is based on an observation period of one year. The order in which the risk categories and individual risks are presented within the four risk groups reflects the current assessment of the relative risk exposure for Vitesco Technologies and thus provides an indication of the current significance of these risks. The relative risk exposure is based on the likelihood of occurrence and the possible negative effects during the observation period. The risks pertain to all organizational units unless otherwise stated explicitly.

For classification of the likelihood of occurrence, the following categories apply:

<u>Class</u>	<u>Percentage range</u>
Very low	Below 10 percent
Low	10 to 20 percent
Medium	Above 20 to 50 percent
High	Above 50 percent

The possible negative effects of quantitatively evaluated risks are divided into categories as follows:

<u>Class</u>	<u>Amount of damage</u>
Minor	< € 50 million
Moderate	€ 50 – 100 million
Major	> € 100 – 200 million
Substantial	> € 200 million

Qualitatively evaluated risks are classified as follows on the basis of their possible negative effects upon occurring on factors such as the attainment of corporate goals and the reputation of the Company:

<u>Class</u>
Low
Medium
High
Very high

The following table sets out our estimates of the likelihood of occurrence of risks and their possible effects in the event of occurrence.



## Likelihood of occurrence and possible effects

	<u>Likelihood of occurrence</u>	<u>Possible effect</u>
Financial risks		
Default risks in connection with cash and cash equivalents	Very low	Substantial
Exchange rate changes and hedging	Low	Minor
Financing agreements	Very low	Medium
Market risks		
Global financial and economic crisis	Medium	Substantial
Cyclical industry and customer dependence	Medium	Major
Geopolitical volatility and political upheaval	High	High
Accelerated change within the automotive industry	Medium	Moderate
Ongoing negative impacts of COVID-19 pandemic	Medium	Minor
Operational risks		
Passing on costs to customers	Medium	Substantial
IT risks	Medium	Major
Recruitment and turnover	Medium	Minor
Loss of property, plant, and equipment and business interruption	Medium	High
Climate change	High	Medium
Additional onerous environmental or safety regulations	Medium	Medium
Legal and tax risks		
Compensation payments and costs from official investigations	Medium	Moderate
Warranty and product-liability claims	Low	Moderate
Fines and claims for damages due to unlawful conduct	Medium	High
Legal disputes	Low	High
Tax returns	Very low	Moderate
Sufficient protection of intellectual property and technical expertise	Low	Minor
Infringement of third-party industrial property rights	Low	Minor
Changes in tax laws or their application	Very low	Minor

## FINANCIAL RISKS

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

In order to minimize the default risk for cash and cash equivalents, derivative instruments, and interest-bearing investments, the banks that are used are generally ones that at least have an investment grade credit rating from one of the global rating agencies. The creditworthiness of the banks is monitored on an ongoing basis. In addition, Vitesco Technologies sets investment limits for each bank and limits on the fair value of derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank as determined by the rating agencies. Compliance with these limits is continuously monitored.

Vitesco Technologies is exposed to risks associated with changes in foreign exchange rates and hedging.

Vitesco Technologies operates worldwide and is therefore exposed to financial risks that arise from changes in exchange rates. This could result in losses if assets denominated in currencies with a falling exchange rate lose value and/or liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in exchange rates could intensify or reduce fluctuations for procurement in euros, as Vitesco Technologies sources part of its required materials in foreign currency. As a result of these factors, fluctuations in exchange rates can influence the earnings of Vitesco Technologies. External and internal transactions involving the delivery of products and services to third parties and companies of the Vitesco Technologies Group can result in cash inflows and outflows that are denominated in currencies other than the functional currency of the respective subsidiary of the Vitesco Technologies Group (transaction risk). To the extent that cash outflows of the respective subsidiary of the Vitesco Technologies Group in any one foreign currency are not offset by cash flows resulting from operational business in the same currency, the remaining net exchange rate risk is hedged against on a case-by-case basis using the appropriate derivative instruments, particularly currency forwards and currency swaps. Moreover, Vitesco Technologies is exposed to exchange rate risks arising from internal loan agreements that result in cash inflows and outflows denominated in currencies other than the functional currency of the respective subsidiary of the Vitesco Technologies Group. These exchange rate risks are in general hedged against by using appropriate derivative instruments, particularly currency forwards and currency swaps. Internal credit agreements denominated in a foreign currency generally have hedges with the same maturity. In addition, a number of Vitesco Technologies' consolidated companies report their results in currencies other than the euro, which requires Vitesco Technologies to convert the relevant items into euros when preparing the Group's consolidated financial statements (translation risk). Translation risks are generally not hedged.

Vitesco Technologies is exposed to risks associated with financing agreements.

Vitesco Technologies is exposed to risks associated with existing credit agreements. The financing agreements include conditions that could make it difficult or potentially impermissible for Vitesco Technologies to draw down on the credit line if the conditions are not upheld or if a change of control is not approved. Due to the current market risks and operational and legal risks to which Vitesco Technologies is exposed, it cannot be ruled out that Vitesco Technologies might breach the covenants stipulated in the existing credit agreements if circumstances were to become tense. Covenants that have been stipulated are monitored on an ongoing basis and are the subject of regular reporting to the lenders. Vitesco Technologies has so far consistently complied with its covenants in accordance with the provisions of its credit agreements. The requirements for and consequences of a change in control in accordance with the terms of the syndicated loan agreements are described in detail in the chapter Additional Disclosures and Notes Pursuant to HGB §§ 289a and 315a. The committed

volume of the syndicated credit line that was reissued in the 2022 fiscal year is €800 million. This facility is scheduled to run until 2027 and includes two options to extend for a further year each time. Additionally, there is a fixed credit agreement with the European Investment Bank (EIB) for €250.0 million. Neither credit agreement had been utilized as at the end of fiscal 2022. Furthermore, Vitesco Technologies completed a transaction for a bond-like loan against a promissory note (German: 'Schuldscheindarlehen' or SSD) of €200 million in the 2022 fiscal year.

## MARKET RISKS

Vitesco Technologies might be exposed to significant risks associated with a global financial and economic crisis and impacts from it on relevant markets.

As a global automotive supplier, Vitesco Technologies has a high degree of exposure to fluctuating sales from OEM automobile manufacturers and fluctuating automotive production globally, which is in turn strongly dependent on the global economic situation. The main factors influencing global automotive demand are disposable income and the consumer expenditure and preferences of private households as well as fuel costs and the availability and costs of consumer credit. The automotive markets in the key Europe, North America, and Asia regions in particular are currently developing much more weakly than in the past, while also displaying increasing volatility and uncertainty. If this market weakness continues permanently and is intensified by a general economic downturn, it would likely further adversely affect the sales and earnings of Vitesco Technologies. Worldwide trends toward protectionism in the form of duties, trade embargoes, and sanctions or a recession, triggered for example by a potential collapse of China's real estate sector or by inflation, could likewise have a negative impact on Vitesco Technologies' sales. There can also be risks from disadvantageous changes in the geographic distribution of global automotive demand. If the demand in one of the key regions where Vitesco Technologies generates its sales collapses without being offset by sales in other markets or regions, this could produce a considerable negative impact on the Group's sales. It is currently difficult to forecast how the markets will develop in the future.

Vitesco Technologies operates in a cyclical industry and generates a high proportion of its sales with a small number of OEMs.

Global production of vehicles, and therefore sales to OEMs, are subject to major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income, and changes in consumption patterns, which can be affected by a number of factors including fuel prices and the cost of consumer financing. Since the volume of automotive production fluctuates, the demand for Vitesco Technologies' products is also irregular. It is difficult to predict future developments in the markets that Vitesco Technologies serves. This might lead to losses of sales and earnings. Vitesco Technologies generates a large proportion of its sales through business with OEMs. The majority of these sales is concentrated on a small number of OEMs. If one or more of Vitesco Technologies' OEM customers is lost or terminates a supply contract prematurely, the original investments made by Vitesco Technologies to provide such products could be wholly or partially lost. Due to the heavy proportion of fixed costs in the cost structure at Vitesco Technologies, there is also a risk of fixed costs not being fully covered in the event that demand falls strongly and the Group's plants are underutilized as a result. Conversely, if the markets in which Vitesco Technologies operates grow faster than anticipated, there could be insufficient capacity to meet customer demand.

Vitesco Technologies can face risks arising from geopolitical volatility and political upheaval.

Given the prevailing geopolitical and political environment, including international relationships and conflicts, we believe there are considerable uncertainty and challenges in relation to the global economic prospects. The already tangible impacts of the war in Ukraine, materializing in the form of disrupted supply chains and high inflation, hinder Vitesco Technologies' business activity indirectly through the higher prices for commodities and components and through increased labor, energy, and freight costs. The tension between China and Taiwan may also result in significant negative impacts on global growth prospects and further increase the likelihood of recession. Increased costs and a decline in sales volumes associated with any economic downturn could have significant negative consequences for the sales and profit of Vitesco Technologies. In addition, Vitesco Technologies is a company with global operations and has business activities with customers and suppliers in countries that are subject to export-control regulations, embargoes, economic sanctions, exclusion policies, and other forms of trade restrictions. Increased impediments to trade, protectionism, and new or expanded sanctions have the potential to restrict existing business activities in these countries or indirectly in other countries. If Vitesco Technologies becomes unable to fulfill its supply obligations in countries subject to sanctions, Vitesco Technologies might be exposed to claims from customers or suffer other losses. Furthermore, the reputation of Vitesco Technologies can suffer from business done with counterparties based in or affiliated with these countries.

Vitesco Technologies might potentially be unable to keep up with the accelerated change within the automotive industry.

The markets in which Vitesco Technologies operates are characterized by rapidly changing technologies (e.g., switching from combustion engines to electric vehicles), changes to technical and regulatory standards, and shifting customer preferences. Due to increasingly stringent consumption and emission standards throughout the industrial world, including the EU and Asia, car manufacturers are increasingly being forced to develop environmentally friendly technologies aimed at lowering fuel consumption as well as carbon and particulate emissions. Since emission standards in Europe and other countries will consist of increasingly stringent reduction targets in the future, the number of hybrid and pure-electric vehicles is expected to increase significantly over the next few years. With the rising dynamism comes a risk that it might not be possible to exhaust all potential sales fully. The accelerated trend toward electrification is continuing to lead to higher frequency and shorter time to market for new products. Consequently, there exists a risk that Vitesco Technologies cannot keep up with the increased requirements for completion dates, costs, and quality when carrying out the projects for which it has gained contracts. This could cause higher development costs and capital expenditure as well as lower sales than planned or penalties.

Vitesco Technologies might be affected by ongoing negative impacts of the COVID-19 pandemic.

Despite the abatement of the COVID-19 pandemic and the resulting recovery of the economy, there remains a risk of negative impacts on Vitesco Technologies' business activities. Measures such as regional lockdowns, particularly in China, could again lead to disruptions in the markets in which Vitesco Technologies sells and procures products. Such disruptions could materialize as limited availability or higher prices for commodities and components or in the form of lower sales volumes. Further, there exists a risk of claims for damages from Vitesco Technologies' customers if products are not provided by the agreed time, in the agreed quantity, or of the agreed quality. Simultaneously, it is possible that Vitesco Technologies might not be reimbursed for costs from its suppliers or contractors if they cannot fulfill their contractual obligations. The potential extent of the impacts on our business is difficult to gauge and is principally dependent on the duration of these restrictive measures. While Vitesco Technologies has applied measures aimed, for example, at improving its cost structure and safeguarding supply chains, there is still a risk of negative effects on Vitesco Technologies' earnings.

## OPERATIONAL RISKS

Vitesco Technologies is exposed to risks in the multi-tier supplier network of being unable to pass on massively increased costs proportionately to its customers.

The crises of the last two years have hit German businesses hard, and there were already global shortages and immense price rises as a consequence of the COVID-19 pandemic, which was particularly the case for chips as well as other materials needed for production. These price rises were fueled further in the course of Russia's invasion of Ukraine and there is no relaxation of the situation in sight. Vitesco Technologies is affected to a special extent by price rises for commodities and components and by the immense increases in labor, energy, and freight costs. The price rises eat into Vitesco Technologies' margins. Numerous measures have been taken, such as adjusted purchasing strategies, pushing long-term supplier agreements, and continuous negotiations with our customers. If the Company is not able to pass the enormous increases in costs on to customers, this could pose a risk of significant negative effects to Vitesco Technologies' earnings.

Vitesco Technologies is exposed to IT risks.

With regard to business and production processes, products, and internal and external communication, Vitesco Technologies is highly dependent on centralized and standardized information technology systems and networks. These systems and networks are potentially exposed to the risk of various forms of cybercrime as well as damage and disruption that can have a wide range of other causes. In hacker attacks, third parties could attempt to gain unauthorized access to confidential information and data that is stored, processed, or communicated in the systems and networks. In addition, data and systems could be blocked, damaged, controlled, or destroyed as a result of becoming infected with viruses or malware. Although Vitesco Technologies has taken appropriate precautions to manage the risks associated with system and network disruptions and corresponding attacks, an outage in a data center or telecommunication network or a comparable incident could result in systems or networks abruptly becoming temporarily unavailable. The measures taken to minimize such risks include technical and organizational precautions such as duplicated data storage and contingency plans, as well as suitable training measures that are continuously expanded, particularly to raise awareness of the growing threat from cybercrime. In addition, Vitesco Technologies concluded a cyber-insurance policy. If the precautions taken prove insufficient to adequately protect the systems, networks, and information, Vitesco Technologies could suffer considerable damage and disadvantages as a result of outages or the knowledge and use of information by third parties.

Vitesco Technologies is exposed to staff turnover risks due to the intense competition for well-qualified, skilled workers.

To ensure Vitesco Technologies' innovation in the long term, our employees' skills and commitment, along with employee recruitment and loyalty, will be critical to the Company's success. The labor markets that are relevant to us, particularly the US, Germany, Romania, France, and the Czech Republic, are characterized by intense competition for well-qualified, skilled workers, specialists, and talented people. As a result, there is a risk of not being able to fill vacancies with decision-makers and skilled workers to a sufficient extent or with the requisite qualifications as well as a risk of losing existent competent workers due to career changes. Vitesco Technologies counters these risks with a large number of programs, including for example employer branding initiatives, competitive remuneration packages, and country-specific measures to increase the efficiency of the recruitment process.

Vitesco Technologies could be adversely affected by property loss and business interruption as a result of natural events.

Natural hazards such as earthquakes, floods, storms, hail, volcanic eruption, lightning, fire, power failures, or other disturbances at the production facilities or within the supply chain of Vitesco Technologies – at the premises of customers and suppliers – can result in severe damage and loss. Climate change might cause these risks and their impacts to heighten significantly as time goes by. The risks arising from business interruption, loss of production, or the financing of facilities are insured up to levels considered commercially reasonable by Vitesco Technologies, but its insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or damage individuals, third-party property, or the environment, which could, among other things, lead to considerable financial costs for Vitesco Technologies.

Vitesco Technologies is exposed to risks from climate change.

The risk of climate change is a risk to which businesses, governments, and society as a whole are all exposed equally. Climate change impacts natural, human, and economic systems. The risks of climate change include physical risks, process risks, reputational risks, shareholder risks, regulatory risks, competitive risks, and transitory risks. The impacts of climate change depend strongly on the type of event (e.g., heat wave, heavy rain) that results from climate change. In particular, the extent, severity, and frequency of natural catastrophes can have a very large physical influence. Secondary effects such as long-term infrastructure deficits, lasting negative impacts on living conditions, higher resource consumption, and regulatory effects cannot be ruled out.

Additional onerous environmental or safety regulations might have an effect on Vitesco Technologies, and new regulations could adversely affect demand for products and services.

As a corporation that operates worldwide, Vitesco Technologies must observe a large number of different regulatory systems in numerous countries that change frequently and are continuously evolving and becoming more stringent, particularly with respect to the environment, chemicals and hazardous materials, as well as health regulations. This also applies to regulations about air, water, and soil pollution and to waste legislation, all of which have recently become more stringent through new laws, particularly in the EU and the US. Moreover, the sites and operations of Vitesco Technologies demand various permits and the conditions imposed on them must be complied with. In the past, adjusting to new requirements has necessitated significant investments and Vitesco Technologies assumes that further significant investments in this regard will be required in the future.

## LEGAL AND TAX RISKS

Vitesco Technologies is required to pay compensation and refunds as part of investigation proceedings in connection with alleged usage of illegal defeat devices in diesel engines.

The Hanover district attorney is conducting an investigation due to the alleged usage of illegal defeat devices. There is no accusation in the investigation of Vitesco Technologies being complicit. Vitesco Technologies is cooperating fully with the Hanover district attorney's office. The Executive Board of Vitesco Technologies, based on its assessment of the current status of the investigation being conducted by the Hanover district attorney, expects that the Continental Group companies

that are party to the proceedings will be issued fines. The district attorney in Frankfurt am Main conducted investigation proceedings due to an allegation of using illegal defeat devices in Mitsubishi vehicles. As part of these proceedings, a fine totaling €3.6 million was issued to Continental AG, Continental Automotive GmbH, and Continental Automotive France SAS. This fine has full legal effect. While Vitesco Technologies was not itself party to the investigation proceedings by the Frankfurt am Main district attorney and is not itself party to the investigation proceedings by the Hanover district attorney, it is generally subject to an obligation under the agreements made with Continental AG as part of the spin-off (the Group separation agreement) to indemnify companies within the Continental Group for costs and liabilities attributable to the business units that were transferred to Vitesco Technologies. These costs and liabilities can include (potential) fines and other expenses associated with the aforementioned proceedings. On top of that, Vitesco Technologies must pay its own costs for the proceedings. In light of these circumstances, Vitesco Technologies has set aside €104.2 million in total for potential indemnification obligations to the Continental Group and for other expenses associated with the case, defense, and investigation. These funds are composed as follows: €22.2 million is a provision within the meaning of IAS 37/IAS 19 and €82.0 million is recognized as other financial liabilities within the meaning of IAS 32 owed to Continental AG based on the Group separation agreement. €7.1 million has been claimed from these funds in the intervening period. In particular, the other financial liability toward companies in the Continental Group covers the risk of a potential obligation from the current status of the proceedings. There is a risk that further payment obligations will arise as the investigation goes on.

Vitesco Technologies is exposed to warranty and product liability claims.

Vitesco Technologies is subject to claims and proceedings alleging violations of due care, violation of warranty obligations, and/or product defects, and claims arising from breaches of contract due to recalls or government proceedings. Any such lawsuits, proceedings, and other claims could result in increased costs for Vitesco Technologies. Moreover, defective products could result in loss of sales and loss of customer and market acceptance. Such risks are insured up to levels considered commercially reasonable by Vitesco Technologies, but its insurance coverage could prove insufficient in individual cases. Additionally, any defect in a product from Vitesco Technologies could also have a considerable adverse effect on the Company's reputation and market perception. This could in turn have a negative impact on the sales and income of Vitesco Technologies. Moreover, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty, and recall claims. In addition, Vitesco Technologies is subject to continuing efforts by its customers to change contract terms and conditions concerning the contribution to warranty and recall cost, which is disadvantageous to Vitesco Technologies. Furthermore, Vitesco Technologies manufactures many products pursuant to OEM-customer specifications and quality requirements. If the products manufactured and delivered by Vitesco Technologies do not meet the requirements stipulated by its OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Under certain circumstances, this could lead to losses of sales and earnings. Furthermore, Vitesco Technologies' OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time.

Vitesco Technologies could be threatened with fines and claims for damages for alleged or actual unlawful conduct.

Vitesco Technologies has a comprehensive compliance management system in place. However, despite all the measures implemented to ensure compliance, it cannot be fully ruled out that Vitesco Technologies Group AG or one of its subsidiaries may be on the receiving end of fines or claims for damages based on alleged or actual unlawful conduct.



Vitesco Technologies is exposed to risks from legal disputes.

Companies in the Vitesco Technologies Group are involved in a number of legal and arbitration proceedings and could become involved in other such proceedings in the future. These proceedings could involve significant claims for damages or payments, particularly in the US. Further information about legal disputes can be found in the Litigation and Compensation Claims chapter of the notes.

Vitesco Technologies is exposed to risks from tax returns.

Vitesco Technologies Mexico has built up claims against the Mexican tax authorities based on an input-tax surplus beginning in the February 2019 VAT period. The refund forms that must be submitted separately for each calendar month were largely approved by the Mexican tax authorities and the VAT refunded. All these claims are valid and enforceable in the view of Vitesco Technologies and its tax advisors. However, there is a risk that these claims – particularly those connected to the carve-out – will not be fully satisfied as expected and will need to be written off. Vitesco Technologies Mexico is further exposed to a risk that certain input-tax amounts from its business activities with Mexican suppliers will not be tax-deductible if these suppliers do not meet all the requirements for Mexico's e-invoicing system.

Vitesco Technologies might be unsuccessful in adequately protecting its intellectual property and technical expertise.

The products of Vitesco Technologies are highly dependent upon its technological know-how and the scope and limitations of its proprietary rights related to them. Vitesco Technologies has obtained or applied for a large number of patents and other industrial property rights that are of considerable importance to its business. The process of obtaining patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide Vitesco Technologies with meaningful protection or commercial advantage. In addition, although there is a presumption that patents are valid, this does not necessarily mean that the patent concerned is effective or that possible patent claims can be enforced to the degree necessary or desired. Part of Vitesco Technologies' know-how and trade secrets is not patented or cannot be protected through industrial property rights. Consequently, there is a risk that certain parts of Vitesco Technologies' know-how and trade secrets could be transferred to collaboration partners, customers, or suppliers, including Vitesco Technologies' machinery suppliers or plant vendors. Competitors could potentially copy this know-how without incurring any expenses of their own. Moreover, Vitesco Technologies has concluded a number of license, cross-licensing, collaboration, and development agreements with its customers, competitors, and other third parties under which Vitesco Technologies is granted rights to industrial property and/or know-how belonging to such third parties. It is possible that license agreements could be terminated under certain circumstances in the event of the licensing partner's insolvency or bankruptcy and/or in the event of a change of control in either party, leaving Vitesco Technologies with reduced access to intellectual property rights to commercialize its own technologies.

There is a risk that Vitesco Technologies could infringe on the industrial-property rights of third parties.

There is a risk that Vitesco Technologies could infringe on the industrial-property rights of third parties, since its competitors, suppliers, and customers also submit a large number of inventions for industrial-property protection. It is not always possible to determine with certainty whether there are effective and enforceable third-party industrial-property rights to certain processes, methods, or applications. Therefore, third parties could assert claims (including illegitimate ones) of



alleged infringements of industrial-property rights against Vitesco Technologies. As a result, Vitesco Technologies could be required to cease manufacturing, using, or marketing the relevant technologies or products in certain countries or be forced to make changes to manufacturing processes and/or products. In addition, Vitesco Technologies could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. In addition, Vitesco Technologies is subject to continuing efforts by its customers to change contract terms and conditions concerning its contribution to disputes based on alleged IP violations, which is disadvantageous to Vitesco Technologies.

Vitesco Technologies might be affected by changes in tax laws or the application or interpretation of such laws.

Certain Vitesco Technologies Group companies in China have a privileged tax status owing to their classification as a High and New Technology Enterprise (HNTE). HNTEs are businesses that have met specific criteria set by the Chinese government and are thus deemed worthy of support for the development of the Chinese economy. The main advantage to recognition as an HNTE is a reduction of corporation tax from 25% to 15%. Consequently, it should be expected that the Chinese tax authority will reinforce its annual checks on the companies' fulfillment of the HNTE requirements. If Vitesco Technologies were to lose its classification as an HNTE and retroactively or prospectively lose its entitlement to the tax benefits that result from it, this would produce a tax burden increase.

## MATERIAL OPPORTUNITIES

Unless there is an emphasis placed on a specific business unit, the opportunities apply to all business units. The Contract Manufacturing business unit was not included in this assessment due to the nature of its business doing purely contract manufacturing for Continental AG and due to its decreasing volumes.

There are opportunities for Vitesco Technologies if the economy performs better than anticipated.

If the economy in our major sales regions develops better than we have anticipated, we expect that demand for vehicles will also develop better than we have anticipated. Due to the increased demand for Vitesco Technologies' products among vehicle manufacturers and in the spare parts business that would be expected as a consequence, our sales could rise more significantly than expected and there could thus be positive effects with regard to fixed cost coverage.

There are opportunities for Vitesco Technologies if the sales markets develop better than anticipated.

If demand for automobiles were to develop better than we have anticipated, this would have positive effects on the sales and earnings of Vitesco Technologies. Particular importance is attached to the European market due to the high share of sales Vitesco Technologies generates in this region (about 45%).

Vitesco Technologies would have opportunities if chip availability would increase.

The continued tense situation in the global chip markets has had a significant impact on vehicle production numbers. Higher chip availability would mean that more vehicles could be manufactured. As a result, our sales would be able to rise more strongly than expected, with positive effects on the earnings of Vitesco Technologies.

There would be opportunities for Vitesco Technologies if there were changes in legal frameworks.

A further tightening of the regulatory provisions for fuel consumption and emission standards for motor vehicles could trigger higher demand for products from Vitesco Technologies. With our comprehensive portfolio, we already provide solutions that enable compliance with these changes in legal frameworks. Our portfolio includes in particular systems and components for hybrid and electric drive systems and for clean and more efficient combustion engines. Any rise in installation rates for these products due to increased regulatory provisions would have a positive influence on our sales and earnings.

Vitesco Technologies would have opportunities if vehicles worldwide were to become electrified more quickly.

Not only the number of vehicles manufactured worldwide, but also the mix of electrification in this vehicle production is what determines Vitesco Technologies' potential sales. Electrified vehicles offer greater potential sales than vehicles fitted with an internal-combustion engine. Accordingly, a stronger penetration of electrified drive systems in the world's vehicles would provide a potential opportunity for extra growth in Vitesco Technologies' sales.

Vitesco Technologies has opportunities from the electrification of commercial vehicles.

Increasing regulation in the truck market means that drivetrains for commercial vehicles increasingly need to be made more efficient and less polluting. The electrification of truck drive systems could make a contribution to this and this would simultaneously offer greater potential sales for Vitesco Technologies.

There are opportunities for Vitesco Technologies if prices fall in the commodity markets relevant to us.

The earnings of Vitesco Technologies are affected to a significant extent by the cost of commodities, electronic components, and energy. The cost of metals and plastics are also especially relevant for us. If prices decreased, there would be corresponding opportunities for earnings.

## STATEMENT ON OVERALL RISK AND OPPORTUNITIES SITUATION

In the Executive Board's assessment, the risk faced by the Vitesco Technologies Group has increased slightly compared to the previous year.

However, the current analysis in the Group-wide risk management system has still not identified any risks that would pose a threat to the Company as a going concern either individually or in combination with other risks. In the opinion of the Executive Board, there are also no discernible risks to the Group as a going concern in the foreseeable future.

When considering the material opportunities, which remain unchanged since the previous year, there appears to be an appropriate overall risk and opportunities situation with which the risk-mitigating measures and Group strategy of Vitesco Technologies are aligned accordingly.

## REPORT ON EXPECTED DEVELOPMENTS

### FUTURE GENERAL CONDITIONS

#### FORECAST OF MACROECONOMIC DEVELOPMENT

In its World Economic Outlook Update (WEO Update) from January 2023, the IMF forecast growth of 2.9% for the global economy in 2023. This percentage growth signifies a weaker recovery than in 2022. The particular reasons stated for this are the rising energy prices, high inflation, the escalation of conflict in Ukraine, and supply chain disruptions.

In the eurozone, the IMF expects GDP to increase slightly by 0.7% in 2023. This includes GDP growth in the German economy of 0.1%. For the United Kingdom, the IMF anticipates that GDP will fall by 0.6%.

For the United States, it predicts GDP growth of 1.4% for 2023. Meanwhile, the prediction for Mexico is 1.7%.

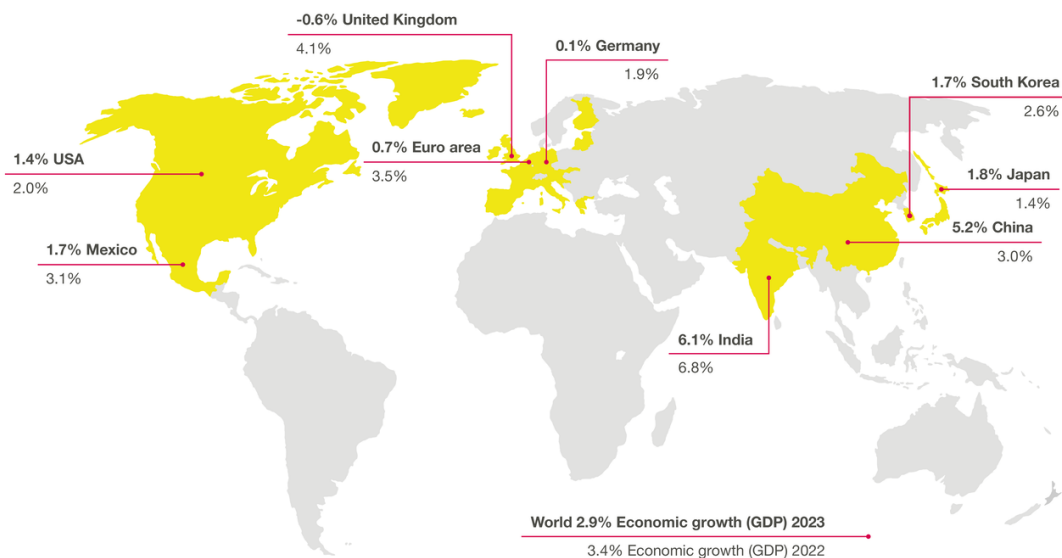
The IMF predicts that India will experience particularly strong growth of 6.1%. And for China, it anticipates growth of 5.2%. The IMF also expects growth to increase in other emerging and developing economies in 2023. In the case of Japan, the IMF believes that the government's fiscal policy initiatives will have positive effects, justifying a growth prediction of 1.8% in 2023. A GDP increase of 1.7% was estimated for South Korea in 2023.

Overall, the IMF sees the risk-and-opportunity ratio in its outlook as skewed somewhat toward risk. On the positive side, the pent-up demand in many economies and the faster fall in inflation will provide boost.

On the other hand, problems in the health sector could slow down the upturn in China. Russia's war of aggression in Ukraine could further escalate. A strong increase in globally relevant interest rates could worsen debt issues. This would lead to a reevaluation by financial markets. Moreover, further geopolitical fragmentation could hinder economic progress.

Lasting deflation remains the priority in most economies amid persistently high inflation rates. Furthermore, strong multilateral cooperation is needed to mitigate climate change.

## ECONOMIC GROWTH IN 2023 COMPARED TO 2022 (FOR SELECTED COUNTRIES AND THE WORLD)



Source: IMF, World Economic Outlook Update, January 2023.

## FORECAST OF DEVELOPMENTS IN GLOBAL VEHICLE PRODUCTION

### Forecast for production of passenger cars and light commercial vehicles

Vitesco Technologies currently anticipates that global production of passenger cars and light commercial vehicles in 2023 will recover moderately and increase by a total of 3% to 5% compared to 2022. This estimate takes into account the currently expected impact of the ongoing energy issues on production volumes in 2023 and the ongoing shortages of goods, especially chips. Vitesco Technologies expects a slight improvement in the situation in the second half of 2023.

The current events in Ukraine cannot yet be quantified as they are still ongoing and have therefore only partially been incorporated into this forecast of developments in global vehicle production. For example, the conflict could lead to further goods shortages and higher energy prices, which would subsequently result in vehicle manufacturers adjusting their production levels at short notice. Such adjustments would be able to affect the expectations described below. Far-ranging consequences for the entire economy cannot be ruled out, either.

In Europe, Vitesco Technologies expects a 5% to 7% increase in the production of passenger cars and light commercial vehicles in 2023. Volumes of electrified cars are likely to see another substantial increase as a result of the more stringent carbon-emissions standards in the EU and government incentives.

In the North American market, Vitesco Technologies currently anticipates that the volume of passenger cars and light commercial vehicles produced will reach just under four million units per quarter in 2023. This will likely represent a 5% to 7% increase year over year, as the previous year was deeply affected by supply shortages.

In China, Vitesco Technologies expects slight 1% to 3% growth in the production volumes of passenger cars and light commercial vehicles in 2023 due to the increasing relaxation of COVID-19 restrictions.

## FORECAST OF CHANGES IN VEHICLE PRODUCTION IN 2023 (VERSUS 2022)

	Europe	North America	China	Worldwide
Vehicle production in %	5 to 7	5 to 7	1 to 3	3 to 5

Source: Own estimated based on IHS Markit, Light Vehicle Production Forecast, 01/2023.

## OUTLOOK FOR VITESCO TECHNOLOGIES

### Forecast methodology

Each year, Vitesco Technologies forecasts the key performance indicators for the Group in the new fiscal year. They include the Group's sales and adjusted EBIT margin. In addition, Vitesco Technologies provides information about its assessment of important factors that influence its adjusted EBIT. These factors include the expected development of special topics such as the amount of the write-downs from purchase price allocation or restructuring. This enables the reconciliation with the reportable EBIT expected from Vitesco Technologies.

Moreover, Vitesco Technologies publishes a forecast for the capital expenditure planned for the current year and its expected free cash flow. Its forecast is based on Vitesco Technologies' assessment of the most important production and sales markets in the new fiscal year.

In addition to the aforementioned information pertaining to the overall Group, it also publishes quality-based comparative forecast of the business development expected in its individual business units. Vitesco Technologies provides information about the expected developments in sales and adjusted EBIT in individual business units as well as a comparison with the previous year's figures.

Vitesco Technologies announces its forecast through its financial press conference and publication of its annual report. It is continually reviewed over the course of the fiscal year. Possible changes to the forecast are described no later than the report for the relevant quarter.

### Comparison against previous year's forecast

The outlook for the 2022 fiscal year was based on an assumption that the global production of passenger cars and light commercial vehicles would recover compared to the previous year. Vitesco Technologies expects that developments will vary widely between different regions. In China, production is anticipated to increase by approximately 0% to 2%. The European market is expected to have its automobile production increase by about 17% to 19% compared to 2021. Growth of 15% to 17% is a prospect for North American vehicle production. Outside these three key regions, vehicle production is expected to grow by about 8% to 10% compared to the previous year.

Vitesco Technologies issued a forecast on March 25, 2022 predicting that its consolidated sales would be between €8.6 billion and €9.1 billion in the 2022 fiscal year, underpinned by the production assumptions published at that time. Given that

production volumes remain relatively low and additional expenditure is needed, especially because of the global chip shortage, Vitesco Technologies predicted an adjusted EBIT margin of between 2.2% and 2.7% for the 2022 fiscal year. This margin also assumed an adjustment for special topics of between €100 million and €150 million.

The forecast predicted that the capital expenditure planned for the year under review, excluding right-of-use assets within the meaning of IFRS 16 Leases, would constitute a capital expenditure ratio of about 6% of planned sales in the 2022 fiscal year. The Group anticipated on March 25, 2022 that free cash flow for 2022 as a whole would be greater than €50 million.

On November 14, 2022, Vitesco Technologies precised the forecast based on updated production assumptions and currency and price effects. Based on the later time, Vitesco Technologies expected Group sales of between €9.0 billion and €9.2 billion for the 2022 fiscal year. The Group predicted an adjusted EBIT margin of 2.3% to 2.5% for the 2022 fiscal year. This margin also assumed an adjustment for special topics of €50 million to €100 million. The forecast predicted that the capital expenditure planned for the year under review, excluding right-of-use assets within the meaning of IFRS 16 Leases, would constitute a capital expenditure ratio of about 5% of planned sales in the 2022 fiscal year. The Group anticipated on November 14, 2022, that free cash flow for 2022 as a whole would be greater than €75 million.

The actual sales of €9,070.0 million that were achieved for the 2022 fiscal year were therefore within the range provided in the outlook. The adjusted EBIT margin, which was 2.5% in the 2022 fiscal year, was therefore at the upper end of the predicted bracket. The actual margin included special topics of €79.6 million, which were within the predicted range of €50 million to €100 million for special topics.

Capital expenditure, excluding right-of-use assets under IFRS 16 Leases, came to €446.6 million, equivalent to a ratio of 4.9% of the Group's sales. It therefore aligned with the target forecast on November 14, 2022. Free cash flow, which ran at €123.2 million for 2022 as a whole, corresponded to our guidance of a value greater than €75 million.

## COMPARISON OF 2022 FISCAL YEAR AGAINST FORECAST

	Sales (€ mn)	Adjusted EBIT margin (as % of sales)	Negative special effects (€ mn)	Investments (as % of sales)	Group Free cash flow (€ mn)
2021 annual report on March 25, 2022	8,600 - 9,100	2.2 - 2.7	100 - 150	~ 6	> 50
Q3 Financial Statement on November 14, 2022	9,000 - 9,200	2.3 - 2.5	50 - 100	~ 5	> 75
2022 annual report	9,070.0	2.5	79.6	4.9	123.2

## Order situation

The order situation at Vitesco Technologies became stronger again in fiscal 2022 on the back of the 2021 fiscal year that had been weakened by the fallout of the COVID-19 pandemic. In total, the three business units Electrification Technology, Electronic Controls, and Sensing & Actuation acquired orders that add up to roughly €14.0 billion of lifetime sales (i.e., during the lifetime of the supply arrangements). This includes orders for approximately €10.4 billion of sales related to electrification business.

These lifetime sales are based primarily on assumptions regarding production volumes of the respective vehicle or engine platforms, the contractually agreed price developments, and the expected development of key commodity prices.

### Outlook for 2023 fiscal year

As mentioned in the forecast report, Vitesco Technologies expects that the production of passenger cars and light commercial vehicles will recover slightly in the 2023 fiscal year. The recovery will take place in our key markets and also at a global level. This expectation is based on uncertainty which is described in detail in the Forecast of Developments in Global Vehicle Production section.

The outlook on the 2023 fiscal year takes into account current geopolitical uncertainties such as Russia's invasion of Ukraine and side-effects of the COVID-19 pandemic on production volumes in the 2023 fiscal year. Because of insufficient knowledge on the part of Vitesco Technologies, the resulting consequences are not fully quantifiable and could further dampen the outlook. Possible further material shortages resulting from the events, for example, could lead to vehicle manufacturers adjusting their production levels at short notice. Far-ranging consequences for the entire economy cannot be ruled out, either. Moreover, Vitesco Technologies thinks that the additional expenditure caused by increased procurement, energy, personnel, and logistics costs will be at a significantly higher level in 2023 than in 2022. Meanwhile, the gradual, moderate recovery of semiconductor supply is easing slowly.

Based on all of the above assumptions, and taking into account the exchange rates at the beginning of the fiscal year, Vitesco Technologies expects the following key financial figures for fiscal 2023.

Considering the rising production numbers and the favorable trend toward electrification, Vitesco Technologies forecasts sales of €9.2 billion to €9.7 billion.

Vitesco Technologies assumes that its adjusted EBIT margin will be between 2.9% and 3.4%. This margin accounts for the additional expenditure currently expected for Vitesco Technologies due to the chip shortage, wage inflation, rising material costs, and the passing on of additional expenditure.

Capital expenditure, excluding right-of-use assets under IFRS 16, is estimated to comprise roughly 5% to 6% of sales in the 2023 fiscal year.

Vitesco Technologies plans to generate positive free cash flow of roughly €50 million in the 2023 fiscal year.

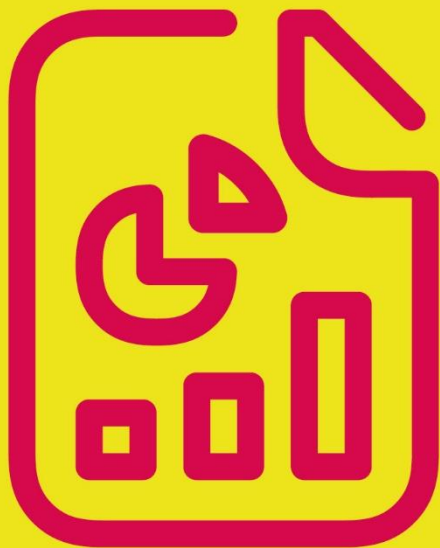
### Outlook for developments in business units in the 2023 fiscal year

As of January 1, 2023, Vitesco Technologies will position itself with a clear focus on the electrification business through the future Powertrain Solutions and Electrification Solutions divisions. By means of this adjustment, Vitesco Technologies is seeking to intensify its strategic focus on drive system electrification further and, in doing so, operate in the market for sustainable drive technologies in an even more effective, efficient, and flexible manner.

The predicted slight improvement in chip availability is expected to cause an increase in sales in the Powertrain Solutions division. The predicted rise in sales in 2023 will be disproportionately less than Group sales performance. The greater utilization of production capacity and planned operational improvements will lead to a disproportionately high increase in adjusted EBIT in 2023 compared to the Group overall.

In its Electrification Solutions division, Vitesco Technologies anticipates a disproportionately high increase in sales in 2023 compared to expectations for Group sales performance due to increasing electrification of the world's vehicles. Adjusted EBIT, and therefore profitability, is expected to increase further during the coming fiscal year due to growing economies of scale, while the improvement in adjusted EBIT is expected to be disproportionately lower than the adjusted EBIT performance of the Vitesco Technologies Group.





# CONSOLIDATED FINANCIAL STATEMENTS

## STATEMENT OF THE EXECUTIVE BOARD

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

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

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, Germany, was engaged as the auditor for fiscal 2022 at the Annual General Meeting of Vitesco Technologies Group AG. The audit engagement was officialized by the Supervisory Board/Audit Committee of the Supervisory Board. KPMG audited the consolidated financial statements prepared in accordance with IFRS and the management report for the Company and Group. The auditor will issue the independent auditor's opinion.

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

Regensburg, March 6, 2023

Andreas Wolf    Werner Volz    Ingo Holstein    Klaus Hau    Thomas Stierle

The Executive Board



# CONSOLIDATED STATEMENT OF INCOME

€ million	See note	2022	2021
<b>Revenues</b>	6	<b>9,070.0</b>	<b>8,348.5</b>
Cost of sales		-7,912.9	-7,228.1
<b>Gross margin</b>		<b>1,157.1</b>	<b>1,120.4</b>
Research and development costs	7	-1,005.2	-1,031.8
Distribution and logistics costs		-141.5	-143.6
General administrative costs		-211.6	-213.6
Other income	8	592.1	809.3
Other expenses	8	-248.9	-502.3
Income from equity-accounted investees	10	1.3	1.1
<b>EBIT</b>		<b>143.3</b>	<b>39.5</b>
Interest income	11	44.4	16.6
Interest expense	11	-41.8	-28.1
Effects from currency translation	11	-53.5	13.7
Effects from changes in the fair value of derivative instruments, and other measurement effects	11	5.6	-8.1
<b>Financial income</b>	11	<b>-45.3</b>	<b>-5.9</b>
<b>Earnings before tax</b>		<b>98.0</b>	<b>33.6</b>
Income tax	12	-74.4	-155.6
<b>Net income</b>		<b>23.6</b>	<b>-122.0</b>
Basic earnings per share in €	39	0.59	-3.05
Diluted earnings per share in €	39	0.59	-3.05

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	2022	2021
<b>Net income</b>	<b>23.6</b>	<b>-122.0</b>
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement of defined benefit plans	364.1	113.0
Fair value adjustments	364.6	113.7
Currency translation	-0.5	-0.7
Other investments	–	0.2
Tax on other comprehensive income	-20.3	-3.7
<b>Items that may be reclassified subsequently to profit or loss</b>		
Currency translation	10.5	173.2
Cash flow hedges	9.1	–
Tax on other comprehensive income	-2.7	–
<b>Other comprehensive income</b>	<b>360.7</b>	<b>282.7</b>
<b>Comprehensive income</b>	<b>384.3</b>	<b>160.7</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ASSETS

€ million	Chapter	December 31, 2022	December 31, 2021
Goodwill	14	816.1	803.0
Other intangible assets	14	211.4	173.5
Property, plant, and equipment	15, 16	2,414.6	2,544.9
Investments in equity-accounted investees	17	18.2	16.9
Other investments	18	23.8	23.8
Deferred tax assets	19	271.8	269.3
Defined-benefit assets	27	10.8	6.3
Noncurrent derivatives and interest-bearing investments	32	24.5	14.4
Other noncurrent financial assets	20	9.9	18.7
Other noncurrent assets	21	8.7	8.3
<b>Noncurrent assets</b>		<b>3,809.8</b>	<b>3,879.1</b>
Inventories	22	827.2	805.7
Trade receivables	23	1,631.4	1,518.9
Current contract assets	6	0.5	1.2
Other current financial assets	20	76.2	63.6
Other current assets	21	320.9	470.0
Income tax receivables		14.9	29.1
Current derivatives and interest-bearing investments	32	19.9	26.5
Cash and cash equivalents	24	781.1	614.0
Assets held for sale	25	121.8	–
<b>Current assets</b>		<b>3,793.9</b>	<b>3,529.0</b>
<b>Total assets</b>		<b>7,603.7</b>	<b>7,408.1</b>

## EQUITY AND LIABILITIES

€ million	Chapter	December 31, 2022	December 31, 2021
Subscribed capital	26	100.1	100.1
Capital reserves	26	3,487.8	3,504.7
Retained earnings	26	-761.6	-791.2
Accumulated other comprehensive income	26	235.4	-125.3
<b>Equity</b>	26	<b>3,061.7</b>	<b>2,688.3</b>
Long-term employee benefits	27	524.3	866.4
Deferred tax liabilities	19	41.2	57.0
Noncurrent provisions for other risks and obligations	29	243.9	273.1
Long-term debt	31	392.8	199.1
Other noncurrent financial liabilities	33	–	7.3
Noncurrent contract liabilities	6	89.4	5.9
Other noncurrent liabilities	35	6.5	93.6
<b>Noncurrent liabilities</b>		<b>1,298.1</b>	<b>1,502.4</b>
Short-term employee benefits	27	274.1	244.1
Trade payables	34	2,003.4	1,958.2
Current contract liabilities	6	53.5	54.5
Income tax liabilities	30	72.8	83.2
Current provisions for other risks and obligations	29	423.2	504.5
Short-term debt	31	54.9	69.8
Other current financial liabilities	33	201.9	205.1
Other current liabilities	35	82.1	98.0
Liabilities held for sale	25	78.0	–
<b>Current liabilities</b>		<b>3,243.9</b>	<b>3,217.4</b>
<b>Equity and liabilities</b>		<b>7,603.7</b>	<b>7,408.1</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	See note	2022	2021
<b>Net income</b>		<b>23.6</b>	<b>-122.0</b>
Income tax expense	12	74.4	155.6
Financial result	11	45.3	5.9
<b>EBIT</b>		<b>143.3</b>	<b>39.5</b>
Interest paid		-14.0	-37.1
Interest received		38.4	13.6
Income tax paid	12, 30	-106.3	-151.2
Depreciation, amortization, impairment and reversal of impairment losses	8, 14, 15, 16	560.0	484.4
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	10, 17	-1.3	-1.1
Gains/losses from the disposal of assets, companies and business operations		-11.1	-75.3
Changes in			
inventories	22	-32.7	-221.6
trade accounts receivable	23	-178.3	554.4
trade accounts payable	34	56.2	-340.6
employee benefits and other provisions	27, 29	-34.4	52.0
other assets and liabilities		172.3	101.9
<b>Cash flow arising from operating activities</b>		<b>592.1</b>	<b>418.9</b>
Cash flow from the disposal of assets	14, 15	44.6	71.2
Capital expenditure on property, plant and equipment, and software	14, 15	-446.6	-441.3
Capital expenditure on intangible assets from development projects and miscellaneous	14	-75.8	-31.0
Cash flow from the disposal of companies and business operations	5	11.4	104.1
Acquisition of companies and business operations	5, 18	–	-8.6
Cash outflow other investments		-2.5	–
<b>Cash flow arising from investing activities</b>		<b>-468.9</b>	<b>-305.6</b>
<b>Cash flow before financing activities (free cash flow)</b>		<b>123.2</b>	<b>113.3</b>
Cash outflow equity transactions	5	–	-121.0
Cash inflow short-term and long-term debt	31	200.0	–
Cash outflow short-term and long-term debt	31	-99.0	-30.4
Payment lease liabilities		-48.7	-34.0
Financial transactions with Continental Group	42	–	410.6
<b>Cash flow arising from financing activities</b>		<b>52.3</b>	<b>225.2</b>
<b>Change in cash and cash equivalents</b>		<b>175.5</b>	<b>338.5</b>
Cash and cash equivalents as at January 1		614.0	255.0
Effect of exchange-rate changes on cash and cash equivalents		-1.1	20.5
Classification assets held for sale	25	-7.3	–
<b>Cash and cash equivalents as at December 31</b>	<b>24</b>	<b>781.1</b>	<b>614.0</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Subscribed capital <sup>1</sup>	Capital reserves	Retained earnings	Invested equity attributable to Continental Group	Remeasurement of defined benefit plans <sup>3</sup>	Currency translation	Financial instruments	Total
<b>As at January 1, 2021</b>	–	–	–	<b>3,056.6</b>	<b>-410.8</b>	<b>-3.7</b>	<b>6.5</b>	<b>2,648.6</b>
Spin-off	100.1	4.555	-1,598.7	-3,056.6	–	–	–	–
Net income	–	–	-122.0	–	–	–	–	<b>-122.0</b>
Comprehensive income	–	–	–	–	109.5	173.2	–	<b>282.7</b>
<b>Net profit for the period</b>	<b>–</b>	<b>–</b>	<b>-122.0</b>	<b>–</b>	<b>109.5</b>	<b>173.2</b>	<b>–</b>	<b>160.7</b>
Successive purchases	–	–	-121.0	–	–	–	–	<b>-121.0</b>
Other changes <sup>2</sup>	–	-1,050.5	1,050.5	–	–	–	–	–
<b>As at December 31, 2021</b>	<b>100.1</b>	<b>3,504.7</b>	<b>-791.2</b>	<b>–</b>	<b>-301.3</b>	<b>169.5</b>	<b>6.5</b>	<b>2,688.3</b>
<b>Amendment to IAS 37 provision</b>	<b>–</b>	<b>–</b>	<b>-10.8</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>-10.8</b>
<b>As at January 1, 2022</b>	<b>100.1</b>	<b>3,504.7</b>	<b>-802.1</b>	<b>–</b>	<b>-301.3</b>	<b>169.5</b>	<b>6.5</b>	<b>2,677.4</b>
Net income	–	–	23.6	–	–	–	–	<b>23.6</b>
Comprehensive income	–	–	–	–	343.8	10.5	6.4	<b>360.7</b>
<b>Net profit for the period</b>	<b>–</b>	<b>–</b>	<b>23.6</b>	<b>–</b>	<b>343.8</b>	<b>10.5</b>	<b>6.4</b>	<b>384.3</b>
Other changes <sup>2</sup>	–	-16.9	16.9	–	–	–	–	–
<b>As at December 31, 2022</b>	<b>100.1</b>	<b>3,487.8</b>	<b>-761.6</b>	<b>–</b>	<b>42.5</b>	<b>180.0</b>	<b>12.9</b>	<b>3,061.7</b>

1) Divided into 40,021,196 shares outstanding.

2) Withdrawal from capital reserves.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. SEGMENT REPORTING

### Notes to segment reporting

In accordance with the provisions of IFRS 8 Operating Segments, the segment reporting of Vitesco Technologies Group AG is based on the management approach in relation to segment identification. According to this approach, the information that is regularly provided to the chief operating decision maker for decision-making purposes is considered decisive.

Certain products have a similar nature and have been combined as segments. This can mainly be seen in product requirements, market trends, customer categories, and distribution channels.

The activities of the Vitesco Technologies Group are divided into the following segments:

**Electrification Technology** concentrates on the electrification of drivetrains. It offers technologies and products for hybrids, plug-in hybrids, and battery-electric vehicles as well as 48-volt mild hybrids.

**Electronic Controls** concentrates on technologies, products, and services that ensure the efficiency, performance, and comfort of drivetrains. The segment offers products and services for vehicles with internal-combustion engines, hybrid vehicles, and electric vehicles in the passenger-car, commercial-vehicle, and two-wheeled markets.

**Sensing & Actuation** focuses on technologies and products related to precision sensor control and actuation in the drivetrain. It offers a broad product portfolio for IC engines, hybrid technology, and electrification of the entire drivetrain.

**Contract Manufacturing** is a byproduct of the spin-off of the Powertrain business area from the Continental Group and transfer to the Vitesco Technologies Group. It covers the business relationship between the Vitesco Technologies Group and the Continental Group for certain products within the Continental Group's business that are manufactured at sites belonging to the Vitesco Technologies Group.

**Other/holding company/consolidation** This comprises centrally managed subsidiaries and affiliates, such as holding, financing, and insurance companies, as well as the holdings function of Vitesco Technologies Group AG and 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 any operating unit.

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

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

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

Noncash expenses/income mainly include the changes in pension provisions – 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 customers; in contrast, capital expenditure and segment assets are allocated on the basis of the domicile of the respective companies.

During the 2022 fiscal year, sales of greater than 10% were generated with three different customers across the Electrification Technology, Electronic Controls, and Sensing & Actuation segments; €1,155.9 million (previous year: €1,126.9 million), €1,008.7 million (previous year: €868.3 million), and €835.1 million (previous year: less than 10% of sales at €712.9 million). In addition, sales of €893.1 million (previous year: €771.3 million) were generated with a further customer, which in the previous year represented more than 10% of total sales. Please refer to Chapter 42, Transactions with Related Parties, for information regarding sales to the Continental Group that have been identified as transactions with related parties.

In the 2022 fiscal year, 19.2% (previous year: 17.6% ) of sales were generated in the United States, 18.2% (previous year: 16.1% ) were generated in Germany, and 14.7% (previous year: 17.9% ) in China. Beyond that, there were no other countries in which more than 10% of sales were made, which was also the case in previous years.

## SEGMENT REPORTING 2022

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
External sales	691.7	3,913.6	3,412.8	1,052.5	-0.6	9,070.0
Intercompany sales	0.2	17.1	61.3	0.9	-79.5	–
<b>Sales (total)</b>	<b>691.9</b>	<b>3,930.7</b>	<b>3,474.1</b>	<b>1,053.4</b>	<b>-80.1</b>	<b>9,070.0</b>
EBIT (segment result)	-270.3	128.9	321.4	13.7	-50.4	143.3
As % of sales	-39.1	3.3	9.3	1.3	–	1.6
Of which income from equity-accounted investees	–	1.1	0.2	–	–	1.3
Capital expenditure <sup>1</sup>	111.9	209.3	163.1	8.3	0.1	492.7
As % of sales	16.2	5.3	4.7	0.8	–	5.4
Depreciation, amortization, and impairment <sup>2</sup>	68.0	265.7	182.7	43.5	0.1	560.0
Of which impairment <sup>3</sup>	10.5	3.5	1.3	–	–	15.3
Internally generated intangible assets	36.7	39.0	–	–	–	75.7
Significant noncash expenses/income	-18.2	-14.8	-13.3	0.1	-1.6	-47.8
Segment assets	748.8	2,990.9	2,195.7	322.2	8.9	6,266.5
Of which investments in equity-accounted investees	–	7.0	11.2	–	–	18.2
Segment liabilities	382.3	1,568.4	1,148.6	253.9	102.3	3,455.5
Operating assets (as at Dec. 31)	366.4	1,422.5	1,047.1	68.4	-93.4	2,811.0
Operating assets (average)	317.5	1,361.8	1,037.9	104.8	-80.8	2,741.2
ROCE as a %	-85.1	9.5	31.0	13.1	–	5.2
Number of employees (as at Dec. 31) <sup>4</sup>	4,811	15,224	15,641	2,311	56	38,043
Adjusted sales <sup>5</sup>	691.9	3,930.7	3,474.1	1,053.4	-80.1	9,070.0
Adjusted EBIT <sup>6</sup>	-257.7	166.2	328.0	13.8	-27.4	222.9
As % of adjusted sales	-37.2	4.2	9.4	1.3	–	2.5

1) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.

2) Excluding impairment of investments.

3) Impairment also includes any required reversal of impairment losses.

4) Excluding apprentices/trainees.

5) Adjusted for changes in the scope of consolidation.

6) Adjusted for amortization of intangible assets from purchase price allocation, changes in the scope of consolidation, and special topics.

## SEGMENT REPORTING 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
External sales	586.4	3,531.9	3,180.8	1,049.3	0.1	8,348.5
Intercompany sales	0.7	4.0	36.4	0.7	-41.8	–
<b>Sales (total)</b>	<b>587.1</b>	<b>3,535.9</b>	<b>3,217.2</b>	<b>1,050.0</b>	<b>-41.7</b>	<b>8,348.5</b>
EBIT (segment result)	-233.7	63.8	236.5	103.7	-130.8	39.5
As % of sales	-39.8	1.8	7.4	9.9	–	0.5
Of which income from equity-accounted investees	–	1.3	-0.3	–	0.1	1.1
Capital expenditure <sup>1</sup>	135.6	271.3	182.8	9.7	0.1	599.5
As % of sales	23.1	7.7	5.7	0.9	–	7.2
Depreciation, amortization, and impairment <sup>2</sup>	-32.5	275.6	186.4	54.8	0.1	484.4
Of which impairment <sup>3</sup>	-57.2	18.1	10.7	–	0.0	-28.4
Internally generated intangible assets	–	28.5	–	–	–	28.5
Significant noncash expenses/income	-5.5	-10.6	-6.2	0.2	-6.9	-29.0
Segment assets	612.3	2,844.6	2,162.6	411.7	4.3	6,035.5
Of which investments in equity-accounted investees	–	5.9	11.0	–	–	16.9
Segment liabilities	367.1	1,551.4	1,183.9	277.7	87.9	3,468.0
Operating assets (as at Dec. 31)	245.2	1,293.2	978.7	134.0	-83.5	2,567.6
Operating assets (average)	36.8	1,191.1	1,050.1	228.2	-57.5	2,448.7
ROCE as %	-635.1	5.4	22.5	45.4	–	1.6
Number of employees (as at Dec. 31) <sup>4</sup>	4,025	15,685	15,004	2,759	15	37,488
Adjusted sales <sup>5</sup>	587.1	3,511.3	3,198.5	1,050.0	-41.7	8,305.2
Adjusted EBIT <sup>6</sup>	-273.0	119.1	267.2	42.7	-7.5	148.5
As % of adjusted sales	-46.5	3.4	8.4	4.1	–	1.8

1) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.

2) Excluding impairment of investments.

3) Impairment also includes any required reversal of impairment losses.

4) Excluding apprentices/trainees.

5) Adjusted for changes in the scope of consolidation.

6) Adjusted for amortization of intangible assets from purchase price allocation, changes in the scope of consolidation, and special topics.

## RECONCILIATION OF SALES WITH ADJUSTED SALES AND OF EBITDA WITH ADJUSTED EBIT IN 2022

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
<b>Sales</b>	<b>691.9</b>	<b>3,930.7</b>	<b>3,474.1</b>	<b>1,053.4</b>	<b>-80.1</b>	<b>9,070.0</b>
Changes in the scope of consolidation <sup>1</sup>	–	–	–	–	–	–
<b>Adjusted sales</b>	<b>691.9</b>	<b>3,930.7</b>	<b>3,474.1</b>	<b>1,053.4</b>	<b>-80.1</b>	<b>9,070.0</b>
<b>EBITDA</b>	<b>-202.3</b>	<b>394.6</b>	<b>504.1</b>	<b>57.2</b>	<b>-50.3</b>	<b>703.3</b>
Depreciation, amortization, and impairment <sup>2</sup>	-68.0	-265.7	-182.7	-43.5	-0.1	-560.0
<b>EBIT</b>	<b>-270.3</b>	<b>128.9</b>	<b>321.4</b>	<b>13.7</b>	<b>-50.4</b>	<b>143.3</b>
Amortization of intangible assets from purchase price allocation (PPA)	–	0.4	–	–	–	0.4
Changes in the scope of consolidation <sup>1</sup>	–	–	–	–	–	–
Special topics						
Impairment <sup>3</sup>	9.8	3.5	1.3	–	–	14.6
Restructuring <sup>4</sup>	-0.4	17.9	-9.8	–	–	7.7
Restructuring-related expenses	–	6.6	1.4	–	–	8.0
Severance payments	1.0	3.8	1.0	0.1	–	5.9
Gains and losses from disposals of companies and business operations	–	-2.1	4.1	–	-1.2	0.8
Spin-off costs	2.2	7.2	7.4	–	–	16.8
Expenses from obligations associated with defeat devices	–	–	–	–	24.2	24.2
Other <sup>5</sup>	–	–	1.2	–	–	1.2
<b>Adjusted EBIT</b>	<b>-257.7</b>	<b>166.2</b>	<b>328.0</b>	<b>13.8</b>	<b>-27.4</b>	<b>222.9</b>

1) Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions during the fiscal year and for disposals in the year-over-year comparison period.

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 of property, plant, and equipment of €0.7 million for Electrification Technology.

5) The item "Other" includes expenses for preparing the sale of the catalyst and exhaust filter business.

## RECONCILIATION OF SALES WITH ADJUSTED SALES AND OF EBITDA WITH ADJUSTED EBIT IN 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
<b>Sales</b>	<b>587.1</b>	<b>3,535.9</b>	<b>3,217.2</b>	<b>1,050.0</b>	<b>-41.7</b>	<b>8,348.5</b>
Changes in the scope of consolidation <sup>1</sup>	–	-24.6	-18.7	–	–	-43.3
<b>Adjusted sales</b>	<b>587.1</b>	<b>3,511.3</b>	<b>3,198.5</b>	<b>1,050.0</b>	<b>-41.7</b>	<b>8,305.2</b>
<b>EBITDA</b>	<b>-266.2</b>	<b>339.4</b>	<b>422.9</b>	<b>158.5</b>	<b>-130.7</b>	<b>523.9</b>
Depreciation, amortization, and impairment <sup>2</sup>	32.5	-275.6	-186.4	-54.8	-0.1	-484.4
<b>EBIT</b>	<b>-233.7</b>	<b>63.8</b>	<b>236.5</b>	<b>103.7</b>	<b>-130.8</b>	<b>39.5</b>
Amortization of intangible assets from purchase price allocation (PPA)	–	1.1	1.6	–	–	2.7
Changes in the scope of consolidation <sup>1</sup>	–	1.9	-2.0	–	–	-0.1
Special topics						
Impairment <sup>3</sup>	-56.8	10.2	10.9	–	–	-35.7
Restructuring <sup>4</sup>	-0.4	-5.9	-1.7	–	–	-8.0
Restructuring-related expenses	–	11.8	0.7	–	–	12.5
Severance payments	1.1	4.4	2.3	–	–	7.8
Gains and losses from disposals of companies and business operations	–	–	-5.4	-61.0	–	-66.4
Spin-off costs	5.8	27.7	23.2	–	39.5	96.2
Expenses from obligations associated with defeat devices	–	–	–	–	80.0	80.0
Other <sup>5</sup>	11.0	4.1	1.1	–	3.8	20.0
<b>Adjusted EBIT</b>	<b>-273.0</b>	<b>119.1</b>	<b>267.2</b>	<b>42.7</b>	<b>-7.5</b>	<b>148.5</b>

1) Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions during the fiscal year and for disposals in the year-over-year comparison period.

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 of property, plant, and equipment of €7.3 million (reversal of impairment losses: Electrification Technology €0.4 million, Sensing & Actuation: €0.2 million, impairment: Electronic Controls €7.9 million).

5) "Other" includes expenses incurred from the takeover of parts of production at the Continental Group.



## RECONCILIATION OF EBIT AND NET INCOME

€ million	2022	2019
Electrification Technology	-270.3	-233.7
Electronic Controls	128.9	63.8
Sensing & Actuation	321.4	236.5
Contract Manufacturing	13.7	103.7
Other/Holding/Consolidation	-50.4	-130.8
<b>EBIT</b>	<b>143.3</b>	<b>39.5</b>
Financial result	-45.3	-5.9
<b>Earnings before tax</b>	<b>98.0</b>	<b>33.6</b>
Income tax expense	-74.4	-155.6
<b>Net income</b>	<b>23.6</b>	<b>-122.0</b>

## RECONCILIATION WITH OPERATING ASSETS 2022

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ Holding/ Consolidation	Vitesco Technologies Group
<b>Total assets</b>	<b>755.8</b>	<b>3,010.1</b>	<b>2,193.8</b>	<b>324.2</b>	<b>1,319.8</b>	<b>7,603.7</b>
Cash and cash equivalents	–	–	–	–	781.1	781.1
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	44.4	44.4
Other financial assets	6.9	47.0	12.7	0.6	0.3	67.5
<b>Less financial assets</b>	<b>6.9</b>	<b>47.0</b>	<b>12.7</b>	<b>0.6</b>	<b>825.8</b>	<b>893.0</b>
<b>Less other non-operating assets</b>	<b>0.2</b>	<b>-27.8</b>	<b>-14.6</b>	<b>1.3</b>	<b>198.4</b>	<b>157.5</b>
Deferred tax assets	–	–	–	–	271.8	271.8
Income tax receivables	–	–	–	–	14.9	15
<b>Less income tax assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>286.7</b>	<b>287</b>
<b>Segment assets</b>	<b>748.7</b>	<b>2,990.9</b>	<b>2,195.7</b>	<b>322.3</b>	<b>8.9</b>	<b>6,266.5</b>
<b>Total liabilities and provisions</b>	<b>466.7</b>	<b>1,755.5</b>	<b>1,331.2</b>	<b>256.8</b>	<b>731.8</b>	<b>4,542.0</b>
Short- and long-term indebtedness	–	–	–	–	447.7	447.7
Interest payable and other financial liabilities	–	–	–	–	3.2	3.2
<b>Less financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>450.9</b>	<b>450.9</b>
Deferred tax liabilities	–	–	–	–	41.2	41.2
Income tax payables	–	–	–	–	72.8	72.8
<b>Less income tax liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>114.0</b>	<b>114.0</b>
<b>Less other non-operating liabilities</b>	<b>84.4</b>	<b>187.1</b>	<b>182.6</b>	<b>2.9</b>	<b>64.6</b>	<b>521.6</b>
<b>Segment liabilities</b>	<b>382.3</b>	<b>1,568.4</b>	<b>1,148.6</b>	<b>253.9</b>	<b>102.3</b>	<b>3,455.5</b>
<b>Operating assets</b>	<b>366.4</b>	<b>1,422.5</b>	<b>1,047.1</b>	<b>68.4</b>	<b>-93.4</b>	<b>2,811.0</b>

## RECONCILIATION WITH OPERATING ASSETS 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ Holding/ Consolidation	Vitesco Technologies Group
<b>Total assets</b>	<b>614.6</b>	<b>2,886.9</b>	<b>2,173.7</b>	<b>412.8</b>	<b>1,320.1</b>	<b>7,408.1</b>
Cash and cash equivalents	–	–	–	–	614.0	614.0
Current and noncurrent derivative instruments, interest-bearing investments	–	–	–	–	40.9	40.9
Other financial assets	2.0	38.6	9.3	0.5	–	50.4
<b>Less financial assets</b>	<b>2.0</b>	<b>38.6</b>	<b>9.3</b>	<b>0.5</b>	<b>654.9</b>	<b>705.3</b>
<b>Less other non-operating assets</b>	<b>0.3</b>	<b>3.7</b>	<b>1.8</b>	<b>0.6</b>	<b>362.4</b>	<b>368.8</b>
Deferred tax assets	–	–	–	–	269.3	269.3
Income tax receivables	–	–	–	–	29.1	29.1
<b>Less income tax assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>298.4</b>	<b>298.4</b>
<b>Segment assets</b>	<b>612.3</b>	<b>2,844.6</b>	<b>2,162.6</b>	<b>411.7</b>	<b>4.4</b>	<b>6,035.6</b>
<b>Total liabilities and provisions</b>	<b>456.2</b>	<b>1,933.9</b>	<b>1,491.4</b>	<b>280.5</b>	<b>557.9</b>	<b>4,719.9</b>
Short- and long-term indebtedness	–	–	–	–	268.9	268.9
Interest payable and other financial liabilities	–	–	–	–	–	–
<b>Less financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>268.9</b>	<b>268.9</b>
Deferred tax liabilities	–	–	–	–	57.0	57.0
Income-tax payables	–	–	–	–	83.2	83.2
<b>Less income tax liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>140.2</b>	<b>140.2</b>
<b>Less other nonoperating liabilities</b>	<b>89.1</b>	<b>382.5</b>	<b>307.5</b>	<b>2.8</b>	<b>60.9</b>	<b>842.8</b>
<b>Segment liabilities</b>	<b>367.1</b>	<b>1,551.4</b>	<b>1,183.9</b>	<b>277.7</b>	<b>87.9</b>	<b>3,468.0</b>
<b>Operating assets</b>	<b>245.2</b>	<b>1,293.2</b>	<b>978.7</b>	<b>134.0</b>	<b>-83.5</b>	<b>2,567.6</b>

## 2. GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

Vitesco Technologies Group Aktiengesellschaft (Vitesco Technologies Group AG), domiciled at Siemensstrasse 12, Regensburg, Germany, is the parent company of the Vitesco Technologies Group (also referred to below as Vitesco Technologies) and a publicly listed joint-stock company. It is entered in the commercial register of the Regensburg local court (Amtsgericht) under HRB 18842. Vitesco Technologies Group AG, along with its subsidiaries, is a supplier to the automotive industry with worldwide operations. The areas of business and main activities in which Vitesco Technologies Group AG and its subsidiaries are engaged are described in more detail in Chapter 1 (Segment Reporting). The consolidated financial statements of Vitesco Technologies Group AG for the 2022 fiscal year were prepared by a resolution of the Executive Board on March 6, 2023, and will be submitted to and published in the German Federal Gazette. Vitesco Technologies Group AG is included in the consolidated financial statements of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, which are published in the German Federal Gazette.

The consolidated financial statements of Vitesco Technologies Group AG as at December 31, 2022, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, pursuant to EU Regulation (EC) No. 1606/2002 in conjunction with HGB § 315e(1). The term IFRS also includes the International Accounting Standards (IAS), the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) or its predecessor the International Financial Reporting Interpretations Committee (IFRIC), and those of the former Standing Interpretations Committee (SIC). All International Financial Reporting Standards mandatory for the 2022 fiscal year have been applied, subject to endorsement by the EU.

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

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

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

### Effects of the COVID-19 pandemic and geopolitical uncertainty on accounting in the reporting period

Due to the COVID-19 pandemic and geopolitical uncertainties such as Russia's war of aggression in Ukraine, the 2022 fiscal year was subject to an exceptional level of uncertainty in connection with the economic environment, with factors including the continued lockdowns, the ongoing emergence of new virus variants, and the danger of these new variants. On top of that, there was greater, and less predictable, volatility within the goods and finance markets, materializing in the form of rising interest rates and inflation, along with shortages of chips. A continuous review was carried out during the fiscal year based on the information available to identify if adjustments were needed in the various areas. The analysis of the effects on the accounting of the Vitesco Technologies Group as at December 31, 2022, resulted in the following findings:

- > Financial instruments: An increase in insolvencies and associated credit losses as a result of the COVID-19 pandemic and geopolitical uncertainty cannot be ruled out. The Vitesco Technologies Group has made allowances in cases where

there are reasons in the assessment of credit management that lead to the assumption that it is more probable that the receivables are not collectible. The Vitesco Technologies Group regularly reviews the expected credit loss model pursuant to IFRS 9 Financial Instruments in order to identify potential effects on the model and make any necessary adjustments. A review based on the information currently available did not reveal any need for adjustment as at December 31, 2022.

- > Leases: As a result of the COVID-19 pandemic, changes to lease payments may have led to differing accounting treatment of individual leases. All relevant matters were reviewed and accounted for in accordance with the requirements of IFRS 16 Leases by June 30, 2022. As at December 31, 2022, there was no material need for adjustment.
- > Employee benefits: The review of the defined actuarial assumptions for employee benefits, including the interest rate, did not result in any adjustments due to the COVID-19 pandemic as at December 31, 2022.

## Companies consolidated

All major subsidiaries that Vitesco Technologies Group AG controls in accordance with the provisions of IFRS 10 Consolidated Financial Statements have been included in the consolidated financial statements and are fully consolidated. To meet this definition, Vitesco Technologies Group AG must have the decision-making power to control the relevant activities and a right to variable returns from the associated company. Furthermore, it must be able to use its decision-making power to determine the amount of these returns. The companies consolidated may therefore also include companies that are controlled by Vitesco Technologies Group AG irrespective of the share of voting rights by way of other substantial rights such as contractual agreements; there are currently no structured units included in the consolidated financial statements.

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

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

Noncontrolling interests in the net assets of subsidiaries that are not attributable to the Group are shown under “noncontrolling interests” as a separate component of total equity.

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

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

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

Companies that are dormant or have only a low level of business activity and therefore no significant impact on the earnings, finances, and assets of the Vitesco Technologies Group are not included in the consolidated financial statements. These are accounted for as other investments at fair value (FVOCI).

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

## Currency translation

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

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

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

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

Currencies		Closing rate		Average rate for the year	
		Dec. 31, 2022	Dec. 31, 2021	2022	2021
€ 1 in					
China	CNY	7.37	7.19	7.08	7.63
Czech Rep.	CZK	24.15	24.87	24.56	25.65
Hungary	HUF	400.86	369.63	390.88	358.46
Japan	JPY	140.74	130.38	138.04	129.87
South Korea	KRW	1,344.72	1,347.48	1,357.90	1,353.75
Mexico	MXN	20.82	23.14	21.22	24.00
Romania	RON	4.95	4.95	4.93	4.92
United States	USD	1.07	1.13	1.05	1.18

## Revenue recognition

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

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

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

## Description of sales revenue in automotive original equipment business

The type of performance obligations to customers in the automotive original equipment business is linked to the diverse and predominantly customer-specific products of Vitesco Technologies. Please refer to the descriptions of the business units in the Group Structure section of the combined management report. Invoices are generally prepared once a month, while the payment terms average 60 days and differ principally depending on the region. Payments are made by bank transfer in most cases. No significant discounts on the invoice amount are granted; however, customer bonuses and other price reductions are included in the transaction price as variable price components in line with expectations. The customers do not usually make any significant advance payments. Revenue is almost always recognized over time using an output-based

measurement method, and sales revenue is measured based on the products that leave the production plant, as the products are produced and delivered just in time. There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

#### **Description of sales revenue in Contract Manufacturing segment**

The Contract Manufacturing segment mainly brings together products that are directly connected to the business of the Continental Group. They are manufactured exclusively on behalf of the Continental Group, in the plants of the Vitesco Technologies Group, and sold to the Continental Group. These transactions and revenues are the result of the spin-off of the Vitesco Technologies Group from the Continental Group.

The type of performance obligations to the Continental Group in the Contract Manufacturing segment relates to the diverse and predominantly customer-specific products that are manufactured by the Vitesco Technologies Group and have been sold to the customer by Vitesco Technologies since its spin-off. Invoices are usually issued at the time the product is shipped. These invoices are paid 30 days after delivery. Payments are made by bank transfer in most 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 Continental Group does not usually make any significant prepayments, though during the 2021 fiscal year it did make a one-time prepayment of an amount equivalent to US\$100.0 million. Revenue is almost always recognized over time using an output-based measurement method, and sales revenue is measured based on the products that leave the production plant, as the products are produced and delivered just in time. There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

#### **Description of sales revenue in industrial and spare parts business**

The type of performance obligations to customers in the industrial and spare parts business is of secondary importance to Vitesco Technologies; please refer to the descriptions of the business units in the combined management report. Invoices are generally prepared once a month, while the payment terms average 60 days and differ primarily depending on the region and/or product group. Payments are made by bank transfer in most 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 revenue in smaller business activities**

Revenue in smaller business activities is included in the sales of the automotive original equipment business, in the sales of the industrial and spare parts business, and in other revenues. Services are provided and, further, 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 revenue from research and development, these smaller business activities are only of minor importance for Vitesco Technologies. For this revenue, there are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.



The largest component of this revenue relates to revenue from research and development, which is recognized at a point in time, either when the entire development is completed or when identifiable milestones within a development are reached. The invoicing of research and development expenses requires that a contractual agreement has been made with the customer. 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 most cases. No significant discounts on the invoice amount are granted. The customers do not usually make any significant advance payments.

In addition, and in smaller amounts, services that are performed alongside the main business lead to revenue recognition over time. Both input- and output-based measurement methods are used and sales are measured either based on the hours or days worked or the costs incurred (input), or based on the goods or services provided (output). Invoices are generally prepared at least once a month and payments are made by bank transfer in the 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 largely measured using input-based measurement methods, taking account of the costs incurred. Invoices are mostly issued as contractually agreed. Advance payments averaging 30% are usually made by the customers before the start of a project. Payments are made by bank transfer in most cases. No significant discounts on the invoice amount are granted.

## Research and development costs

Research and development expenses comprise expenditure on research and development and expenses for customer-specific applications, prototypes, and testing. Where refunds from customers for research and development expenses are provided for, these costs are recognized in inventories until control is transferred. Once control is transferred, they are stated under other income. In addition, the expenses are reduced by the amount relating to the application of research results from the development of new or substantially improved products, if the related activity fulfills the recognition criteria for internally generated intangible assets set out in IAS 38 Intangible Assets. This portion of the expenses is capitalized as an asset and amortized over a period of three to five 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 the Vitesco Technologies Group has been nominated as the supplier for the particular vehicle platform or model and, furthermore, has successfully fulfilled preproduction release stages. Moreover, these release stages serve as the prerequisite to demonstrate the technical feasibility of the product, especially given the high demands imposed on safety and comfort technology. Accordingly, development costs are recognized as an asset only as at the date of nomination as supplier and upon fulfillment of a specific preproduction release stage. The development is considered to be completed once the final approval for the unlimited production is granted.

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

## Product-related expenses

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

## Financial result and investment income

Interest income and expenses are recognized for the period to which they relate. Distributions are recognized at the time of payment.

Dividends receivable are recognized upon the legal entitlement to payment.

## Earnings per share

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

## Statement of financial position classification

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

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

## Intangible assets

Purchased intangible assets are carried at acquisition costs and internally generated intangible assets at their production costs, provided that the conditions for recognition of an internally generated intangible asset are met in accordance with IAS

38. If intangible assets have finite useful lives, they are amortized on a straight line basis over a useful life of three to eight years in general. Intangible assets with indefinite useful lives are tested at least annually for impairment and, if necessary, impaired.

The details of the annual impairment testing are described in the Impairment chapter.

### Property, plant, and equipment

Property, plant, and equipment is measured at cost less straight line depreciation. If necessary, additional impairment is recognized if there are indicators of impairment.

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.

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 gain or loss in other operation income or expense respectively.

### Government grants

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

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

### Leases

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

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

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

Vitesco Technologies leases property, plant, and equipment, especially buildings.

As a lessor, Vitesco Technologies classifies leases as operating leases or finance leases. For this classification, Vitesco Technologies 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 the 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 Vitesco Technologies Group applies the exemption described above, 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 nonlease.

## Impairment

The Vitesco Technologies Group immediately reviews intangible assets, property, plant, and equipment; 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 and property, plant, and equipment.

Capitalized goodwill is also tested for impairment at the level of the cash-generating units (CGUs) once per year as at November 30. CGUs are units that come below the segments and are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This represents the lowest level at which goodwill is monitored for internal management purposes. The impairment test is performed by comparing the carrying amount of the 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 the future, impairment losses on goodwill are not reversed.

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

and Low Voltage & Control Unit Applications CGUs, stability is not expected even after the end of the detailed five-year planning period. Vitesco Technologies has accounted for this by adjusting to the expected business development when stability is achieved.

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

Annual impairment testing was performed on the basis of the bottom-up business plan for the next five years approved by management in the period under review. The cash flows of the CGUs were discounted using a pretax rate of 13.3% (previous year: 11.2%). This pretax WACC is based on the capital structure of the relevant peer group on average over the last five years. The risk-free rate is a uniform 1.8% (previous year: 0.1%) and the market risk premium a uniform 8.0% (previous year: (8.0%). Borrowing costs were calculated as the total of the risk-free rate plus the credit spreads of peer group companies rated by Standard & Poor's, Moody's, or Fitch.

For the annual impairment testing, the growth rate during the detailed planning period averaged 23.9% for the CGUs in the Electronic Technology High Voltage Power Applications segment, 31.9% for the CGUs in the Low Voltage & Control Unit Applications segment, 1.2% for the Electronic Controls segment, -0.9% for the Sensing & Actuation segment, and -100.0% for the Contract Manufacturing segment. The long-term growth rate was 1.0% for the CGUs in the Electronic Controls, Electrification Technology, and Sensing & Actuation segments. These growth rates do not exceed the long-term average growth rates for the markets in which the CGUs operate.

The annual impairment testing of goodwill found no need for write-downs in the 2022 fiscal year.

Assuming a 0.5 percentage point increase in the discount rate would not result in any impairment of goodwill. Reducing the long-term growth rate by 0.5 percentage points would not result in any impairment of goodwill. If sales in perpetuity would decline by 5.0%, consequently reducing free cash flow as a key planning parameter, this would not result in any impairment of goodwill. Moreover, none of the sensitivities described here for the key parameters would result in asset impairment.

### Assets held for sale and related liabilities

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

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

On subsequent remeasurement of a disposal group, the carrying amounts and liabilities that are not within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, though are included in a disposal group classified as held for sale, must be measured in accordance with applicable IFRS and then at fair value less costs to sell.

## Financial instruments

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

At the Vitesco Technologies Group, a purchase or sale of financial assets or financial liabilities is recognized or derecognized at the settlement date.

## Financial assets

Financial assets are recognized in the statement of financial position as at the date Vitesco Technologies becomes a contractual party to the financial instrument. At the acquisition date, 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 the assets are managed and on their cash flow characteristics. These conditions are cumulative criteria whose audit sequence is irrelevant.

It is therefore necessary to analyze the business model in which the asset to be classified is held. This relates to the investigation of the way in which financial assets held in order to collect cash flows are managed. The 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. This model occurs in the Vitesco Technologies Group in connection with recognized trade accounts receivable from third parties which will probably be sold under a true sale-of-receivables factoring agreement; however, it is fundamentally of subordinate importance in the 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 (SPPI [solely payments of principal and interest] criterion). The SPPI criterion is met when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

On the basis of 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 finance income using the effective-interest method. Gains or losses arising from derecognition are recognized in profit or loss together with the foreign-exchange gains and losses. Impairment losses are likewise recognized separately in the income statement.
- > Measured at fair value through other comprehensive income with reclassification (FVOCIwR): The financial asset, which constitutes a debt instrument, is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Furthermore, the contractual cash flows can be characterized as payments of principal and interest on the principal amount outstanding. Changes in the fair value are recognized in

other comprehensive income. Income or expenses from impairment, interest income, and foreign-exchange gains and losses are recognized in profit or loss. The cumulative gain or loss stated in other comprehensive income is reclassified from equity to the income statement when the financial asset is derecognized. Interest income is recognized in the finance income using the effective-interest method. Foreign-exchange 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 within 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 expense from a financial asset measured at fair value through profit or loss is recognized in the income statement.
- > 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 fair value are recognized in other comprehensive income. The Vitesco Technologies Group regularly exercises its option to recognize changes in fair value in other comprehensive income without later reclassification. The cumulative gain or loss in other comprehensive income is not reclassified to the income statement 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, the 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 an expense in the income statement.

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

Loss allowances are measured on the basis of 12-month expected credit losses or on the basis of lifetime expected credit losses. Twelve-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 is generally considered to have 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 uncollectability, the financial asset is derecognized. If creditworthiness improves, the allowance is reversed.

## Financial liabilities

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

Financial liabilities are generally measured at amortized cost using the effective-interest method. Instruments that are held for trading are classified as “financial liabilities measured at fair value through profit or loss.” For financial liabilities not held for trading, the fair value option can be exercised in certain circumstances. If the fair value option is used, the portion of the change in the fair value due to changes in the credit risk of the liability is recognized in other comprehensive income. The fair value option is not currently exercised within the Vitesco Technologies Group. In the consolidated financial statements of Vitesco Technologies Group AG, all nonderivative 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. Liabilities from leases are recognized at the present value of the lease installments based on the interest rate applied when concluding the lease agreement. Financial obligations with fixed or determinable payments that comprise neither financial liabilities nor derivative financial liabilities and are not quoted in an active market are reported in the statement of financial position under other financial liabilities in accordance with their term.

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

## Derivative financial instruments and hedge accounting

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

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

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

To calculate the fair value of interest rate swaps and cross-currency interest rate swaps, the future cash flows are discounted with the interest rates for the respective maturities, with primarily deposit or IBOR rates used as short-term interest rates while long-term interest rates are based on the swap rates in the respective currency. Future cash flows are



forecast using interest rate curves with an appropriate payment tenor. When discounting, currency basis spreads or, if applicable, tenor basis spreads are taken into account.

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

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

Hedge accounting is applied using derivative instruments as hedges, provided the conditions for this are met. The Vitesco Technologies Group prepares documentation on the designation of the hedges and on the documentation of the fulfillment of the conditions for the application of hedge accounting.

When hedging against risks that statement items change in value (with fair value hedges), the hedging instrument as well as the secured, effective risk share of the item are measured at fair value. Changes in the measurement of hedge and hedged transactions are recognized through profit or loss.

Changes in the fair values of derivative instruments that are designated to hedge cash flows where effectiveness is demonstrated are recognized in the cash flow hedge reserve in the difference from financial instruments in equity. If these cumulative fair-value changes from inception of the hedge exceed the cumulative present-value changes of the hedged items, the excess amounts are recognized directly in the income statement. The cash flow hedge reserve is reclassified to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss.

If the hedged cash flows are no longer expected to occur, that amount is immediately reclassified from the reserve to profit or loss.

Hedge accounting under these separate rules is discontinued if the criteria for this are no longer met or the hedging instrument expires or is sold, terminated, or exercised. In this case, the cash flow hedge reserve in place at the time of discontinuation is reclassified to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss, as long as the hedged future cash flows are still expected to occur. If they are not expected to occur, the cash flow hedge reserve is reclassified to profit or loss immediately.

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

### **Embedded derivatives**

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

The Vitesco Technologies Group regularly inspects nonderivative host contracts, with the exception of financial assets, 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 financial characteristics and risks of the embedded derivative are not closely related to the financial characteristics and risks of the host contract, a

separate instrument with the same terms would meet the definition of a derivative and the 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 IFRS requirements. The embedded derivative is recognized at fair value through profit or loss (FVPL).

## Inventories

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

## Other assets

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

## Accounting for income taxes

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

Current taxes owed on income are recognized as expenses when they are incurred.

Deferred taxes include expected tax payments and refunds from temporary differences between the carrying amounts in the consolidated financial statements and the related tax bases, as well as from the utilization of loss carryforwards. No deferred tax is recognized for non-tax-deductible goodwill. The deferred tax assets and liabilities are measured at the applicable tax rates related to the period when the temporary differences are expected to reverse. Changes in tax rates are normally recognized once the rate has been finalized with legal effect or 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.

Potential risks from uncertain tax items are recognized in the statement of financial position using the amount of the best estimate possible for the expected tax payment (expected value or most likely value) and following IFRIC 23.

The companies in the Vitesco Technologies Group are subject to income tax in a large number of countries worldwide. In particular, interpretations of tax regulations can be associated with uncertainty when assessing global income tax entitlements and liabilities. It cannot be ruled out that the relevant tax authority adopts a different perspective when it comes to interpreting tax standards correctly. Changes in assumptions about the correct interpretation of tax standards are incorporated into the accounting treatment of uncertain income tax entitlements and liabilities.

## Employee benefits

The retirement benefits offered by the Vitesco Technologies Group comprise both defined-benefit and defined-contribution plans.

Pension provisions under defined-benefit plans are actuarially measured pursuant to IAS 19 Employee Benefits (revised 2011) using the projected-unit credit method which reflects salary, pension, and employee-fluctuation trends. The discount rate used to calculate the present value of the obligations is generally calculated based on the yields for high-quality, fixed-interest corporate bonds for the relevant currency area. Actuarial gains and losses are recognized in other comprehensive income. Expenses from interest cost on pension liabilities and income from plan assets are reported in the finance income. Accordingly, the interest effects of other long-term employee benefits are reported in the finance income.

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 statement of financial position.

The other postemployment benefits also shown under the employee benefits relate to obligations to pay for healthcare and life-insurance benefits for retired workers in the US 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 held 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. In Germany, the Company continues to have subsidiary liability based on the country's Corporate Pension Act (BetrAVG).

## Share-based payment

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

## 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. Noncurrent 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 finance income, including an effect from a change in interest.

## Non-financial liabilities

Current non-financial liabilities are carried at their payable amount. Noncurrent non-financial liabilities are measured at amortized cost.

## Estimates

Proper and complete preparation of the consolidated financial statements requires management to make estimates and assumptions affecting the assets, liabilities, and disclosures in the notes, as well as the income and expenses for the reporting 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 noncurrent assets, in particular the underlying cash flow forecasts and discount rates; the recoverability of amounts receivable, other assets, and income tax receivable; the financial-modeling parameters for share-based payments, the recognition and measurement of liabilities and provisions, especially the actuarial parameters for pensions and other postemployment obligations; the parameters for measuring restructuring provisions, and the probabilities of claims and amounts of settlements for warranty, litigation, or environmental risks.

Climate-related matters were incorporated into the estimates in the 2022 fiscal year and in previous years. There were no material impacts on the consolidated financial statements of the Vitesco Technologies Group.

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

## Consolidated statement of cash flows

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

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the 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 payable on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents.

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

## 3. NEW ACCOUNTING RULES

In accordance with EU Regulation (EC) No. 1606/2002 in conjunction with HGB § 315e(1), Vitesco Technologies Group AG has prepared its consolidated financial statements in compliance with IFRS as adopted by the European Commission under the European Union endorsement procedure. Accordingly, IFRS are only required to be applied following endorsement of the new standards by the European Commission.

The following endorsed standards, interpretations issued in relation to published standards, and amendments that were applicable to the consolidated financial statements of Vitesco Technologies Group AG became effective during the 2022 fiscal year and have been adopted accordingly:

Standard/interpretation	Applicable for fiscal years beginning on or after
IAS 37	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract) (published by the IASB in May 2020) January 1, 2022
IAS 16	Amendments to IAS 16 Property, Plant and Equipment (Proceeds before Intended Use) (published by the IASB in May 2020) January 1, 2022
IFRS 3	Amendments to IFRS 3 Business Combinations (Reference to the Conceptual Framework) (published by the IASB in May 2020) January 1, 2022
IFRS 1, IFRS 9, IFRS 16, and IAS 41	Collective standard 2018-2020 – amendments from the IASB's annual improvement process (published by the IASB in May 2020) January 1, 2022

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments to IAS 37 Provisions specify that a company must consider costs that relate directly to a contract, including incremental costs, when evaluating if a contract is onerous or not. General or administrative costs do not relate to a contract and are not considered unless these costs are explicitly invoiced as part of the contract.

The Vitesco Technologies Group applied the amendment of IAS 37 Provisions to contracts for which not yet all obligations had been fulfilled as at January 1, 2022. The Vitesco Technologies Group had not identified any contracts as onerous prior to application of the amendment. Before the amendment took effect, the unavoidable costs included the incremental costs that were taken into account for the identification. As a consequence of the amendment, certain other directly attributable costs were considered by the Vitesco Technologies Group when determining the contract fulfillment costs. The Vitesco Technologies Group established a €10.8 million provision for onerous contracts with effect from January 1, 2022.

In accordance with the transitional provisions, the Vitesco Technologies Group applied the amendments for the first time for all contracts with outstanding performance obligations with effect from January 1, 2022, and did not adjust its comparison data.

The first-time adoption of the other amendments did not and do not have any material impacts for the consolidated financial statements of Vitesco Technologies Group AG.

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

Standard/interpretation		Applicable for fiscal years beginning on or after
IAS 1	Amendments to IAS 1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current) (published by the IASB in January 2020 and July 2020)	January 1, 2024
IAS 1	Amendments to IAS 1 Presentation of Financial Statements and the Materiality Practice Statement (published by the IASB in February 2021)	January 1, 2023
IAS 8	Amendments of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates) (published by the IASB in February 2021)	January 1, 2023
IAS 12	Amendments to IAS 12 Income Taxes (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction) (published by the IASB in May 2021)	January 1, 2023

The amendments are not expected to have any significant effect on the future consolidated financial statements of Vitesco Technologies Group AG.

The following standards, interpretations issued in relation to published standards and amendments have not yet been adopted by the EU and will only take effect at a future point in time:

Standard/interpretation		Applicable for fiscal years beginning on or after
IAS 1	Non-current Liabilities with Covenants (published by the IASB in October 2022)	January 1, 2024 (subject to adoption in EU law)
IFRS 16	Lease Liability in a Sale and Leaseback (published by the IASB in September 2022)	January 1, 2024 (subject to adoption in EU law)

The amendments are not expected to have any significant effect on the future consolidated financial statements of Vitesco Technologies Group AG.

## 4. COMPANIES CONSOLIDATED AND INFORMATION ON SUBSIDIARIES AND INVESTMENTS

### Companies consolidated

The consolidated financial statements of Vitesco Technologies Group AG incorporate all material companies that are controlled by Vitesco Technologies Group AG.

The scope of consolidation changed as follows in the 2022 fiscal year:

	2022	2021
<b>Number of fully consolidated entities (subsidiaries)</b>	<b>32</b>	<b>40</b>
Domestic	9	11
Foreign	23	29
<b>Number of joint ventures</b>	<b>1</b>	<b>1</b>
Domestic	–	–
Foreign	1	1
<b>Number of associated entities</b>	<b>1</b>	<b>1</b>
Domestic	–	–
Foreign	1	1

As in the previous year, there was one subsidiary that was not fully consolidated. Its assets, liabilities, earnings, and expenses are of minor importance to the earnings, finances, and assets of the Vitesco Technologies Group.

This company, Vitesco Technologies Delavan LLC, Delavan, United States, was sold during the 2022 fiscal year. Two companies were liquidated during the 2022 fiscal year. Five companies were merged as part of a simplification of the Group's structure.

Vitesco Technologies Faulquemont SAS, Faulquemont, France was sold during the 2021 fiscal year.

### Information on subsidiaries and investments

There were no noncontrolling interests that existed for the Vitesco Technologies Group as at December 31, 2022, as was the case in the previous year. There were no significant restrictions in terms of access to or the use of assets of the Group due to statutory, contractual, or regulatory restrictions or property rights of noncontrolling interests.

Further information about the investments is provided in Chapter 43, List of Shareholdings of the Group.

## 5. ACQUISITIONS AND DISPOSAL OF COMPANIES AND BUSINESS OPERATIONS

A company was sold in the Electronic Controls segment on February 22, 2022. The sale produced a gain of €3.1 million, composed as follows:

€ million	2022
Purchase price	11.0
Carrying amount of the net assets sold	-8.9
<b>Gain on sale before income taxes and reclassification of currency-conversion reserve</b>	<b>2.1</b>
Reclassification of currency-conversion reserve	1.2
Attributable income-tax expense	-0.2
<b>Gain on sale after income taxes</b>	<b>3.1</b>

There were no material impacts on the earnings, finances, or assets of the Vitesco Technologies Group in connection with the sale of the company as at December 31, 2022.

The contract for the sale of the catalyst and exhaust filter operations in the Sensing & Actuation segment was concluded on October 5, 2022, for a preliminary purchase price of €34.9 million. It involves the sale of two companies and parts of other companies that affect the catalyst and exhaust filter business operations. The transaction is planned to close in the first half of 2023. There was no material effect on earnings, finances, and assets as at December 31, 2022.

In addition, the contract for the sale of a company belonging to the Electronic Controls, Sensing & Actuation, and Contract Manufacturing segments was concluded on December 16, 2022, for a purchase price of €2.4 million. The transaction was closed in the first quarter of 2023. The fixed assets were tested for impairment when first reclassified as assets held for sale, with an impairment loss of €4.1 million being recognized in other operating expenses. Profit-and-loss effects are expected to arise from the sale and from the recognition of the foreign exchange reserve upon closing of the transaction. There was no material effect on earnings, finances, and assets as at December 31, 2022.

Further information about the sale of companies and business operations where the transaction is still yet to close is provided in Chapter 25 (Assets Held for Sale).

In the Sensing & Actuation segment, a company and other assets were disposed of for a sale price of €15.3 million in March 2021. This transaction resulted in income of €5.4 million. Other than this, there was no effect on earnings, finances, and assets as at December 31, 2021.

In the Contract Manufacturing segment, the business of Vitesco Technologies Korea LLC, Icheon-si, South Korea that was attributable to the Continental Group – mainly consisting of unrecognized customer contracts – was disposed of in the previous year. This produced a cash inflow and income of €61.0 million in the 2021 fiscal year. Other than this, there was no effect on earnings, finances, and assets as at December 31, 2021.



# NOTES TO CONSOLIDATED STATEMENT OF INCOME

## 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

In addition to the comments in Chapter 2 (General Information and Accounting Principles), the disclosure requirements that arise in relation to IFRS 15 Revenue from Contracts with Customers are grouped together in this note.

### Vitesco Technologies Group revenue

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

€ million	2022	2021
Sales	9,070.0	8,348.5
Other revenues from research and development	344.8	339.1
Other revenues	7.6	3.7
<b>Revenues from contracts with customers</b>	<b>9,422.4</b>	<b>8,691.3</b>
Government grants <sup>1</sup>	25.8	26.0
Sale of fixed assets	10.6	14.7
Other ancillary business	7.6	7.0
Sale of energy and scrap	3.4	2.8
<b>Revenues from other sources</b>	<b>47.4</b>	<b>50.5</b>
<b>Total revenues</b>	<b>9,469.8</b>	<b>8,741.8</b>

1) Government grants in connection with the COVID-19 pandemic are not included in this overview. Please refer to Chapter 13 (Grants in Connection with COVID-19 Pandemic) for information about them.

## REVENUE FROM CONTRACTS WITH CUSTOMERS FROM JANUARY 1 TO DECEMBER 31, 2022

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding/ consolidation	Vitesco Technologies Group
Germany	231.3	610.2	785.9	34.3	-14.6	1,647.1
Europe excluding Germany	370.2	974.4	933.2	204.0	-39.6	2,442.2
North America	38.8	978.6	831.6	519.1	-7.6	2,360.5
Asia	51.6	1,326.9	857.6	288.2	-18.3	2,506.0
Other countries	–	40.6	65.8	7.8	–	114.2
<b>Sales by region</b>	<b>691.9</b>	<b>3,930.7</b>	<b>3,474.1</b>	<b>1,053.4</b>	<b>-80.1</b>	<b>9,070.0</b>
Automotive original-equipment business	691.9	3,762.4	3,169.0	1,051.9	-80.1	8,595.1
Industrial/replacement business	–	168.3	305.1	1.5	–	474.9
<b>Sales by customer type</b>	<b>691.9</b>	<b>3,930.7</b>	<b>3,474.1</b>	<b>1,053.4</b>	<b>-80.1</b>	<b>9,070.0</b>

## REVENUE FROM CONTRACTS WITH CUSTOMERS FROM JANUARY 1 TO DECEMBER 31, 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding/ consolidation	Vitesco Technologies Group
Germany	197.0	499.9	627.7	30.1	-9.8	1,344.9
Europe excluding Germany	380.5	895.3	917.0	241.4	-11.5	2,422.7
North America	19.6	794.2	702.8	449.2	-5.0	1,960.8
Asia	-10.0	1,299.0	923.3	321.5	-15.5	2,518.3
Other countries	–	47.5	46.4	7.8	0.1	101.8
<b>Sales by region</b>	<b>587.1</b>	<b>3,535.9</b>	<b>3,217.2</b>	<b>1,050.0</b>	<b>-41.7</b>	<b>8,348.5</b>
Automotive original-equipment business	587.1	3,352.8	3,006.9	1,028.0	-41.7	7,933.1
Industrial/replacement business	–	183.1	210.3	22.0	–	415.4
<b>Sales by customer type</b>	<b>587.1</b>	<b>3,535.9</b>	<b>3,217.2</b>	<b>1,050.0</b>	<b>-41.7</b>	<b>8,348.5</b>

Revenue from research and development is presented in Chapter 7 (Research and Development Expenses) of the notes to the consolidated financial statements.

## Information about contract assets and contract liabilities

Contract assets are mainly the result of customer-specific goods or services produced through projects for customers, though they are of minor importance within the 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 the 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 following table presents the contract assets from contracts with customers:

€ million	December 31, 2022	December 31, 2021
Contract assets	0.5	1.2

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 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 in these cases reduces the level of the associated contract liabilities.

The following table presents the contract liabilities from contracts with customers:

€ million	December 31, 2022	December 31, 2021
Contract liabilities	142.9	60.4

The current contract liabilities of €54.5 million accounted for at the beginning of 2022 were fully recognized as revenue during the fiscal year. In the 2021 fiscal year, all of the current contract liabilities of €98.1 million accounted for at the beginning of the year were recognized as revenue. As a result of performance obligations satisfied in previous years, no material revenue – for example, due to changes in the transaction price – was recognized during the fiscal year.

#### Transaction price for performance obligations not yet satisfied

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

€ million	2023	2024 onward
Revenue from research and development	60.4	24.3

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

## Use of other practical expedients

For contracts for which the time interval between the provision of the service by Vitesco Technologies 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 costs and revenue from research and development are shown in the two tables below. The research and development expenses include government grants totaling €23.3 million (previous year: €25.7 million).

						2022
€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Vitesco Technologies Group	
Research and development expenses	-294.3	-482.1	-228.7	–	-1,005.2	
Revenue from research and development	52.1	261.8	30.8	–	344.8	
<b>Research and development expenses (net)</b>	<b>-242.2</b>	<b>-220.3</b>	<b>-197.9</b>	<b>–</b>	<b>-660.4</b>	

						2021
€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Vitesco Technologies Group	
Research and development expenses	-273.6	-527.7	-230.5	–	-1,031.8	
Revenue from research and development	34.3	267.3	37.2	0.3	339.1	
<b>Research and development expenses (net)</b>	<b>-239.3</b>	<b>-260.4</b>	<b>-193.3</b>	<b>0.3</b>	<b>-692.7</b>	

## 8. OTHER INCOME AND EXPENSES

€ million	2022	2021
Other income	592.1	809.3
Other expenses	-248.9	-502.3
<b>Other income and expenses</b>	<b>343.2</b>	<b>307.0</b>

## OTHER INCOME

€ million	2022	2021
Income from research and development	344.8	339.1
Income from the reversal of provisions	140.0	125.3
Compensation from customers and suppliers	21.4	44.5
Income from the reversal of impairment on financial assets and contract assets	14.4	8.9
Income from the disposal of property, plant and equipment	10.7	16.8
Income from the reimbursement of customer tooling expenses	7.6	3.7
Income from the reversal of provisions for litigation and environmental risks	4.9	0.6
Income from the disposal of companies and business operations	3.4	66.4
Income from the reversal of provisions for severance payments	3.4	1.9
Reversal of impairment losses on property, plant and equipment	0.2	124.8
Miscellaneous	41.3	77.3
<b>Other income</b>	<b>592.1</b>	<b>809.3</b>

In the 2022 fiscal year, reversal of impairment losses on property, plant, and equipment resulted in income of €0.2 million (previous year: €124.8 million). In the 2021 fiscal year, the bulk of this related to reversals for assets, in particular technical equipment and machinery in the High Voltage Power Applications CGU within the Electrification Technology segment, which was calculated based on the annual impairment testing according to IAS 36, Impairment of Assets. The reversal results from the future, positive business development in the High Voltage Power Applications CGU over the next few years, which is reflected in the strategic planning. The potential reversal consists of the difference between the value in use and the carrying amount, while the reversal itself was made for individual assets up to an amount no more than the depreciated cost at the time of the result of the impairment testing.

The miscellaneous item primarily includes revenue from the allocation of costs of services to the Continental Group, revenue from currency translation, insurance provisions and payments, refunds of other taxation, and government grants.

## OTHER EXPENSES

€ million	2022	2021
Additions to specific warranty provisions and provisions for restructuring measures	122.0	150.9
Expenses from obligations associated with defeat devices	24.2	80.0
Expenses from impairment on financial assets and contract assets	18.0	10.6
Impairment on property, plant and equipment, and intangible assets	15.5	96.4
Compensation to customers and suppliers	9.3	14.0
Expenses from severance payments	9.3	9.8
Losses on the disposal of property, plant and equipment, and from scrapping	8.4	8.3
Expenses from customer tooling	6.9	0.7
Additions to provisions for litigation and environment risks	1.1	8.4
Miscellaneous	34.2	123.2
<b>Other expenses</b>	<b>248.9</b>	<b>502.3</b>

Among other things, the miscellaneous item includes expenses for other taxation, allocation of costs of services from the Continental Group, and other expenses for dispositions.

## 9. PERSONNEL EXPENSES

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

€ million	2022	2021
Wages and salaries	1,687.6	1,572.0
Social security contributions	342.6	322.2
Pension and post-employment benefit costs	82.7	80.5
<b>Personnel expenses</b>	<b>2,112.9</b>	<b>1,974.7</b>

Compared to the 2021 fiscal year, personnel expenses increased by €138.2 million to €2,112.9 million (previous year: €1,974.7 million). The average number of employees in the 2022 fiscal year was 37,964 (previous year: 38,958). As at the end of the year, there were 38,043 people (previous year: 37,488) employed in the Vitesco Technologies Group.

Due to the ongoing restructuring in the Sensing & Actuation and Contract Manufacturing segments, the head count in these areas grew smaller, while more staff members were added in the Electrification Technology segment and central functions. This addition of staff members is associated with new roles due to the spin-off and buildup of production capacity. Please also see the comments in the management report.

## 10. INCOME FROM INVESTMENTS

€ million	2022	2021
Income from equity-accounted investees	1.3	1.1

Income from investments includes the share of income from equity-accounted investees in the amount of €1.3 million (previous year: €1.1 million). There was no other income from investments.

## 11. FINANCE INCOME

€ million	2022	2021
Interest and similar income	39.0	12.8
Expected income from long-term employee benefits and from pension funds	5.4	3.8
<b>Interest income</b>	<b>44.4</b>	<b>16.6</b>
Interest and similar expenses	-33.8	-11.8
Interest expenses from lease liabilities	-4.2	-4.1
Interest expense for long-term provisions and liabilities	12.5	-0.1
Interest expense from long-term employee benefits	-16.3	-12.1
<b>Interest expense</b>	<b>-41.8</b>	<b>-28.1</b>
<b>Effects from currency translation</b>	<b>-53.5</b>	<b>13.7</b>
Effects from changes in the fair value of derivative instruments	7.7	-10.2
Other valuation effects	-2.1	2.1
<b>Effects from changes in the fair value of derivative instruments, and other valuation effects</b>	<b>5.6</b>	<b>-8.1</b>
<b>Finance income</b>	<b>-45.3</b>	<b>-5.9</b>

The “Effects from currency translation” item comprises the effects from currency conversion for loans and financial hedging transactions.

The “Interest expense for long-term provisions and liabilities” item contains the effects from discounting as a result of interest rate changes for long-term provisions and liabilities.

## 12. INCOME TAX EXPENSE

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

€ million	2022	2021
Current taxes (domestic)	-22.4	-17.0
Current taxes (foreign)	-86.5	-115.7
Deferred taxes (domestic)	17.5	7.0
Deferred taxes (foreign)	17.0	-29.9
<b>Income tax expense</b>	<b>-74.4</b>	<b>-155.6</b>

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

€ million	2022	2021
<b>Earnings before tax</b>	<b>98.0</b>	<b>33.6</b>
Expected tax expense at the domestic tax rate	-30.1	-10.3
Foreign tax rate differences	21.6	11.3
Non-deductible expenses and non-imputable withholding taxes	-41.4	-56.8
Incentives and tax holidays	43.7	35.7
Taxes for previous years	-3.8	-32.7
Non-recognition of deferred tax assets unlikely to be realized	-62.1	-94.1
Change in permanent differences	-0.4	1.8
Realization of previously non-recognized deferred taxes	10.0	0.7
Tax effect from equity-accounted investees	-0.3	-0.3
Local income tax with different tax base	-11.3	-11.4
Effects from changes in enacted tax rate	-0.2	0.6
Other	-0.1	–
<b>Income tax expense</b>	<b>-74.4</b>	<b>-155.6</b>
<b>Effective tax rate in %</b>	<b>75.9</b>	<b>463.1</b>

The average domestic tax rate in the 2022 fiscal year was 30.7% (previous year: 30.7% ). The calculation of this tax rate factors in a corporation-tax rate of 15.0% (previous year: 15.0% ), a solidarity surcharge of 5.5% (previous year: 5.5% ), and a trade-tax rate of 14.9% (previous year: 14.9% ).

The differences of foreign tax rates led to a significant reduction of the tax burden and are mainly attributable to the extent of business in China and the high-tech status enjoyed by the subsidiaries with active operations.

The tax ratio was substantially impacted by noncash allowances on deferred tax assets totaling -€62.1 million (previous year: expense of -€94.1 million), of which there was countervailing relief of €15.6 million (previous year: expense of €40.1 million) for previous years. The realization of nonrecognized deferred taxes leads to a relief of €10.0 million (previous year: €0.7 million) and relates to the adjustment of tax losses carried forward on account of a tax audit for the 2019 fiscal year that was completed in Hungary in the 2022 fiscal year. Furthermore, as in the previous year, the tax rate was negatively affected by nondeductible expenses and nonimputable foreign withholding taxes.

The tax effects from government incentives and tax holidays increased in comparison to the previous year. In addition to the ongoing utilization of incentives for research and development activities in Europe and Asia, the utilization of government incentives in the US had a further positive impact. In the fiscal year, local income taxes with a different tax base totaling -€11.3 million (previous year: expense of -€11.4 million) led to an increase in tax expenditure. These taxes were mainly the Base Erosion and Anti-Abuse Tax (BEAT) in the US.

An actual tax expense was incurred for previous years in the 2022 fiscal year and amounted to €2.4 million (previous year: expense of €2.7 million). The expenditure for deferred taxes from previous years in the 2022 fiscal year came to €1.4 million (previous year: expense of €30.0 million).



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

€ million	December 31, 2022	December 31, 2021
Income tax expense (acc. to consolidated statement of income)	-74.4	-155.6
Tax income on other comprehensive income	-23.2	-3.5
Remeasurement of defined benefit plans	-20.3	-3.7
Cash flow hedges	-2.7	–
Currency translation	-0.2	0.2
<b>Total income tax expense</b>	<b>-97.6</b>	<b>-159.1</b>

### 13. GRANTS IN CONNECTION WITH COVID-19 PANDEMIC

The government grants paid to the Vitesco Technologies Group because of the COVID-19 pandemic during the fiscal year totaled €1.8 million (previous year: €2.7 million) and were recognized in income. They primarily include reimbursements of social-security contributions in an amount of €1.7 million (previous year: €1.9) million, the majority of which relate to short-time work income.

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## 14. GOODWILL AND OTHER INTANGIBLE ASSETS

€ million	Goodwill	Capitalized development expenses <sup>1</sup>	Other intangible assets	Advances to suppliers	Total other intangible assets
<b>As at January 1, 2021</b>					
Cost	2,190.7	248.6	128.1	0.5	377.2
Accumulated depreciation	-1,405.5	-93.1	-119.6	–	-212.7
<b>Carrying amount</b>	<b>785.2</b>	<b>155.5</b>	<b>8.5</b>	<b>0.5</b>	<b>164.5</b>
<b>Net change in 2021</b>					
<b>Carrying amount</b>	<b>785.2</b>	<b>155.5</b>	<b>8.5</b>	<b>0.5</b>	<b>164.5</b>
Exchange-rate changes	17.8	3.8	0.1	0.1	4.0
Additions	–	28.5	19.3	1.7	49.5
Amounts disposed of through disposal of subsidiaries	–	–	-0.1	–	-0.1
Transfers	–	–	0.3	-0.3	–
Disposals	–	-2.9	-0.1	–	-3.0
Depreciation	–	-32.5	-7.7	–	-40.2
Impairment	–	-1.2	0.0	–	-1.2
<b>Carrying amount</b>	<b>803.0</b>	<b>151.2</b>	<b>20.3</b>	<b>2.0</b>	<b>173.5</b>
<b>As at December 31, 2021</b>					
Cost	2,214.3	276.0	146.8	2.0	424.8
Accumulated depreciation	-1,411.3	-124.8	-126.5	–	-251.3
<b>Carrying amount</b>	<b>803.0</b>	<b>151.2</b>	<b>20.3</b>	<b>2.0</b>	<b>173.5</b>
<b>Net change in 2022</b>					
<b>Carrying amount</b>	<b>803.0</b>	<b>151.2</b>	<b>20.3</b>	<b>2.0</b>	<b>173.5</b>
Exchange-rate changes	13.1	–	–	–	–
Additions	–	75.7	7.7	0.2	83.6
Reclassification to/from assets held for sale	–	-4.8	-0.1	–	-4.9
Transfers	–	–	1.7	-1.7	–
Depreciation	–	-33.3	-7.5	–	-40.8
<b>Carrying amount</b>	<b>816.1</b>	<b>188.8</b>	<b>22.1</b>	<b>0.5</b>	<b>211.4</b>
<b>As at December 31, 2022</b>					
Cost	2,231.5	346.4	134.6	0.5	481.5
Accumulated depreciation	-1,415.4	-157.6	-112.5	–	-270.1
<b>Carrying amount</b>	<b>816.1</b>	<b>188.8</b>	<b>22.1</b>	<b>0.5</b>	<b>211.4</b>

1) Excluding development expenses for internally generated 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 each CGU in line with the current organizational structure:

€ million	Goodwill	
	December 31, 2022	December 31, 2021
Electronic Controls	492.4	483.7
Sensing & Actuation	323.7	319.3
<b>Vitesco Technologies Group</b>	<b>816.1</b>	<b>803.0</b>

Additions to other intangible assets related mainly to software in the amount of €7.6 million (previous year: €16.8 million). The other intangible assets include software at carrying amounts of €20.4 million (previous year: €17.8 million), which is amortized on a straight line basis.

Of the total development costs incurred in the 2022 fiscal year, €75.7 million (previous year: €28.5 million) qualified for recognition as an asset under IAS 38 Intangible Assets.

Amortization of other intangible assets amounted to €40.8 million (previous year: €40.2 million). Of this, €32.6 million (previous year: €32.2 million) is included in the consolidated statement of income under the cost of sales and €8.2 million (previous year: €8.0 million) under administrative expenses.

Please refer to Chapter 2 (General Information and Accounting Principles) and Chapter 8 (Other Income and Expenses) for information regarding impairment.

## 15. PROPERTY, PLANT, AND EQUIPMENT

Additions to property, plant, and equipment, excluding right-of-use assets, increased by €16.0 million year on year to €438.8 million (previous year: €422.8 million).

Government investment grants totaling €13.3 million (previous year: €11.8 million) were deducted directly from cost.

Capital expenditure as a whole decreased from the previous year by €106.8 million to €492.7 million (previous year: €599.5 million). Capital expenditure in total is equivalent to 5.4% (previous year: 7.2%) of sales revenue.

The year-over-year decline in the total capital expenditure should be viewed in connection with the high capital expenditure on rights of use for properties and buildings in the 2021 fiscal year, which was related to the spin-off from the Continental Group. Additions from this quarter amounted to €39.6 million during the fiscal year, while in the previous year they amounted to

€145.4 million. However, the purchase of production facilities from the Continental Group continued to represent a large portion of total capital expenditure in the 2022 fiscal year. There was significant capital expenditure in all the Vitesco Technologies Group's key markets. In Europe, production capacity was expanded further with a heavy focus on the Czech Republic, Hungary, and Romania. A large part went toward expanding production capacity at sites in Asia, especially China and South Korea. Extensive capital expenditure was also incurred in the US and Mexico.

The long-term strategy of winding back capital expenditure on combustion engines and concentrating on electrification business continued to be implemented.

The Electrification Technology segment expanded its production capacity in Asia and Europe further with a continually strong focus on high-voltage electronics and the new generation of electric final drive. Battery management systems saw a significant increase in capital expenditure compared to the previous year, with the North America region also becoming a larger focus alongside Europe.

In the Electronic Controls segment, capital expenditure on electronic motor and drive control systems continued to be driven at a high level in all regions compared to the previous year. This expenditure chiefly included the development of production facilities for a new generation of transmission control units in Asia and Europe. Capital expenditure on hydraulics continued to drop, in line with the strategic decision made in the 2019 fiscal year to move the Vitesco Technologies Group's product portfolio toward innovative and efficient electrification solutions for all vehicle types. On the other hand, investing activities in the extended electrification portfolio, especially in the development and the Czech-Republic-based production of integrated high-voltage boxes, have grown significantly.

In the Sensing & Actuation segment, capital expenditure was principally on transmission and motor sensors as well as actuators. Investing activities in electrification technology grew in relevance in this segment, too. The priority here was on production capacity for intelligent thermal management solutions for hybrid systems and electric drive systems. Capital expenditure on fuel supply systems decreased further in accordance with the strategic shift from the 2019 fiscal year.

Please refer to Chapter 8 (Other Income and Expenses) for information regarding impairment losses and reversals of impairment losses.

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

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

€ million	Land, land rights and buildings <sup>1</sup>	Technical equipment and machinery	Other equipment, factory and office equipment	Advances to suppliers and assets under construction	Total
<b>As at January 1, 2021</b>					
Cost	653.0	4,149.1	550.3	351.8	<b>5,704.2</b>
Accumulated depreciation	-295.6	-2,717.3	-445.3	-3.5	<b>-3,461.7</b>
<b>Carrying amount</b>	<b>357.4</b>	<b>1,431.8</b>	<b>105.0</b>	<b>348.3</b>	<b>2,242.5</b>
<b>Net change in 2021</b>					
Carrying amount	357.4	1,431.8	105.0	348.3	<b>2,242.5</b>
Exchange-rate changes	10.7	70.9	3.4	16.9	<b>101.9</b>
Additions	3.8	136.4	29.8	252.8	<b>422.8</b>
Amounts disposed of through disposal of subsidiaries	-0.5	-1.0	-0.1	-0.2	<b>-1.8</b>
Transfers	31.6	222.1	16.8	-270.5	<b>–</b>
Disposals	-14.9	-39.3	-2.4	-4.8	<b>-61.4</b>
Depreciation	-30.9	-361.5	-38.4	–	<b>-430.8</b>
Impairment <sup>3</sup>	-0.2	29.7	0.2	–	<b>29.7</b>
<b>Carrying amount</b>	<b>357.0</b>	<b>1,489.1</b>	<b>114.3</b>	<b>342.5</b>	<b>2,302.9</b>
<b>As at December 31, 2021</b>					
Cost	681.5	4,449.0	584.0	345.1	<b>6,059.6</b>
Accumulated depreciation	-324.5	-2,959.9	-469.7	-2.6	<b>-3,756.7</b>
<b>Carrying amount</b>	<b>357.0</b>	<b>1,489.1</b>	<b>114.3</b>	<b>342.5</b>	<b>2,302.9</b>
<b>Net change in 2022</b>					
Carrying amount	357.0	1,489.1	114.3	342.5	<b>2,302.9</b>
Exchange-rate changes	3.8	10.4	1.8	-1.4	<b>14.6</b>
Additions	12.2	105.8	24.9	295.9	<b>438.8</b>
Reclassification to/from assets held for sale	-12.5	-33.5	-3.8	-12.8	<b>-62.6</b>
Transfers	7.9	193.3	13.9	-215.1	<b>0.0</b>
Disposals	-0.4	-39.9	-1.6	-0.1	<b>-42.0</b>
Depreciation	-32.4	-386.7	-37.7	–	<b>-456.8</b>
Impairment <sup>3</sup>	-1.9	-10.5	-0.1	-2.6	<b>-15.1</b>
<b>Carrying amount</b>	<b>333.7</b>	<b>1,328.0</b>	<b>111.7</b>	<b>406.4</b>	<b>2,179.8</b>
<b>As at December 31, 2022</b>					
Cost	687.5	4,438.6	575.5	411.2	<b>6,112.8</b>
Accumulated depreciation	-353.8	-3,110.6	-463.8	-4.8	<b>-3,933.0</b>
<b>Carrying amount</b>	<b>333.7</b>	<b>1,328.0</b>	<b>111.7</b>	<b>406.4</b>	<b>2,179.8</b>

1) Impairment also includes any required reversal of impairment losses.

## 16. LEASES

In addition to the comments in Chapter 2 (General Information and Accounting Principles), the disclosure requirements that arise in relation to IFRS 16 Leases are grouped together in this note.

### Vitesco Technologies Group as lessee

#### Right-of-use assets

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

Additions within the right-of-use assets during the fiscal year amounted to €46.0 million (previous year: €158.2 million). These resulted mainly from additions to land and buildings in the amount of €39.6 million (previous year: €145.4 million) and from additions to other equipment and factory and office equipment in the amount of €6.1 million (previous year: €11.1 million).

The right-of-use assets recognized as at December 31, 2022 amounted to €234.8 million (previous year: €242.0 million), which corresponds to 9.7% (previous year: 9.5%) of all property, plant, and equipment of the Vitesco Technologies Group. The weighted average lease term is approximately 8 years (previous year: approx. 8 years) for rights of use for land and buildings, approx. 6 years (previous year: approx. 6 years) for rights of use for technical equipment, and approx. 4 years (previous year: approx. 4 years) for other equipment, factory and office equipment.

Right-of-use assets developed as follows during the fiscal year:

€ million	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
<b>As at January 1, 2021</b>				
Cost	256.0	2.6	13.5	<b>272.1</b>
Accumulated depreciation	-49.3	-0.9	-6.4	<b>-56.6</b>
<b>Carrying amount</b>	<b>206.7</b>	<b>1.7</b>	<b>7.1</b>	<b>215.5</b>
<b>Net change in 2021</b>				
<b>Carrying amount</b>	<b>206.7</b>	<b>1.7</b>	<b>7.1</b>	<b>215.5</b>
Exchange-rate changes	10.5	–	0.2	<b>10.7</b>
Additions	145.4	1.7	11.1	<b>158.2</b>
Amounts disposed of through disposal of subsidiaries	-2.7	–	–	<b>-2.7</b>
Disposals	-96.9	–	-0.9	<b>-97.8</b>
Depreciation	-35.6	-0.6	-5.7	<b>-41.9</b>
<b>Carrying amount</b>	<b>227.4</b>	<b>2.8</b>	<b>11.8</b>	<b>242.0</b>
<b>As at December 31, 2021</b>				
Cost	298.2	3.8	20.2	<b>322.2</b>
Accumulated depreciation	-70.8	-1.0	-8.4	<b>-80.2</b>
<b>Carrying amount</b>	<b>227.4</b>	<b>2.8</b>	<b>11.8</b>	<b>242.0</b>
<b>Net change in 2022</b>				
<b>Carrying amount</b>	<b>227.4</b>	<b>2.8</b>	<b>11.8</b>	<b>242.0</b>
Exchange-rate changes	-0.8	–	0.3	<b>-0.5</b>
Additions	39.6	0.3	6.1	<b>46.0</b>
Reclassification to/from assets held for sale	-0.4	–	-1.2	<b>-1.6</b>
Transfers	–	0.7	-0.7	<b>–</b>
Disposals	-3.4	–	-0.3	<b>-3.7</b>
Depreciation	-41.0	-0.7	-5.5	<b>-47.2</b>
Impairment <sup>1</sup>	-0.2	–	0.0	<b>-0.2</b>
<b>Carrying amount</b>	<b>221.2</b>	<b>3.1</b>	<b>10.5</b>	<b>234.8</b>
<b>As at December 31, 2022</b>				
Cost	330.6	4.8	20.1	<b>355.5</b>
Accumulated depreciation	-109.4	-1.7	-9.6	<b>-120.7</b>
<b>Carrying amount</b>	<b>221.2</b>	<b>3.1</b>	<b>10.5</b>	<b>234.8</b>

1) Impairment also includes any required reversal of impairment losses.

## Lease liabilities

As at the end of the reporting period, lease liabilities amounted to €236.8 million (previous year: €244.5 million). Future cash outflows resulting from leases are shown in the following table:

€ million	2022	2021
Less than one year	46.9	44.2
One to two years	41.1	39.0
Two to three years	35.7	34.5
Three to four years	29.3	30.8
Four to five years	26.1	25.8
More than five years	77.5	90.7
<b>Total undiscounted lease liabilities</b>	<b>256.6</b>	<b>265.0</b>
<b>Lease liabilities as at December 31</b>	<b>236.8</b>	<b>244.5</b>
Current	44.0	45.4
Non-current	192.8	199.1

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

€ million	2022	2021
Interest expenses on lease liabilities	4.2	4.1
Expenses relating to short-term leases	1.7	6.3
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	0.6	2.9
Expenses from variable lease payments not included in the measurement of lease liabilities	619.4	808.8

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

€ million	2022	2021
Cash outflow for leases	674.6	861.0

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, 2022 include options that were not considered reasonably certain as at the reporting date and are not included in the measurement of lease liabilities. These options may result in potential future cash outflows over the coming fiscal years.

The leases in some cases include variable lease payments as well as extension, termination, and purchase options. As a rule, the 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 the control of Vitesco Technologies, 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 €103.7 million (previous year: €102.4 million) from such options were not included in the measurement of lease liabilities. Potential future cash outflows of €619.8 million (previous year: €1,092.0 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 potential future cash outflows for variable lease payments decreased year over year due to the further transfer of production lines in Contract Manufacturing.

The future scope of obligations arising from leases to which Vitesco Technologies is committed but that had not yet commenced as at the end of the reporting period amounts to €6.2 million (previous year: €80.9 million).

#### Contract Manufacturing

There exists a contract-manufacturing agreement between the Continental Group and Vitesco Technologies Group. When the Continental Group manufactures products on behalf of Vitesco Technologies at contract-manufacturing plants, the contract-manufacturing agreement provides for a lease in certain cases. When this is the case, Vitesco Technologies acts as the lessee of the production facilities. Because variable lease payments are made by Vitesco Technologies to the Continental Group depending on the orders placed by the customer, there is no recognition of a right-of-use asset or lease liability. The expenses for variable lease payments based on contract manufacturing amount to €619.4 million (previous year: €808.8 million). The Vitesco Technologies Group expects future cash outflows for variable lease payments based on contract manufacturing to be €619.8 million (previous year: €1,092.0 million) for the remaining lease terms.

#### Vitesco Technologies Group as lessor

The Vitesco Technologies Group acts as lessor in some business relationships. These are operating leases, as the Vitesco Technologies Group retains the material risks and rewards incidental to ownership.

#### Operating leases

For the fiscal year gone by, lease income from operating leases in which the Vitesco Technologies Group acts as lessor amounted to €0.7 million (previous year: €0.6 million). These related primarily to the leasing of land and buildings.

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

€ million	2022	2021
Less than one year	0.1	0.8
One to two years	–	0.1
<b>Total undiscounted lease payments</b>	<b>0.1</b>	<b>0.9</b>

#### Contract Manufacturing

The Vitesco Technologies Group manufactures products for the Continental Group at contract-manufacturing sites as part of a contract-manufacturing agreement. In some cases, the contract-manufacturing agreement establishes a lease where Vitesco Technologies acts as the lessor of the production facilities and carries the investment risk. These leases are

classified as operating leases. The Continental Group makes variable lease payments to the Vitesco Technologies Group depending on the orders that it places as the customer. The income from variable lease payments based on contract-manufacturing agreements amount to €837.6 million (previous year: €871.8 million).

## 17. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

€ million	2022	2021
<b>As at January 1</b>	<b>16.9</b>	<b>15.9</b>
Share of income	1.3	1.0
<b>As at December 31</b>	<b>18.2</b>	<b>16.9</b>

Napino Control Systems Private Limited, Gurgaon, India is an associated company of the Vitesco Technologies Group in the Electronic Controls segment. Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands holds 30% of the voting rights and has a deciding influence over it. The main object of the associated company is the manufacturing of electronic injection valves and associated products.

PV Clean Mobility Techn. Private Ltd. PTC, Gurugram, India is a joint venture of the Vitesco Technologies Group in the Sensing & Actuation segment. This joint venture is run by Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands, which holds 50.0% of the voting rights, and Padmini VNA Mechatronic PVT Ltd., Gurugram, India. The main object of the company is the manufacturing of actuators, valves, brushless DC motors, and water pumps.

The figures taken from the last two available sets of IFRS-compliant financial statements (2021 and 2020) for the equity-accounted investees above are as follows. Amounts are stated at 100.0%. Furthermore, the share of net assets has been reconciled to the respective carrying amount of the investment.

€ million	PV Clean Mobility Techn. Private Ltd. PTC		Napino Control Systems Private Limited	
	2021	2020 <sup>1</sup>	2021	2020 <sup>1</sup>
Current assets	11.2	12.2	26.8	32.0
Of which cash and cash equivalents	1.1	1.6	3.3	1.4
Non-current assets	10.7	9.3	9.0	9.0
<b>Total assets</b>	<b>21.9</b>	<b>21.5</b>	<b>35.8</b>	<b>41.0</b>
Current liabilities	8.1	10.2	14.6	24.4
Of which other short-term financial liabilities	7.5	10.1	13.0	23.5
Non-current liabilities	1.6	0.1	4.1	5.1
Of which long-term financial liabilities	1.4	–	3.9	4.9
<b>Total liabilities</b>	<b>9.7</b>	<b>10.3</b>	<b>18.7</b>	<b>29.5</b>
Sales	19.7	7.1	58.4	74.7
Interest expense	-0.1	-0.1	-0.5	-0.6
Depreciation and amortization	-1.5	-0.7	-1.5	-1.4
Earnings before tax	0.1	-0.4	6.4	5.4
Income tax expense	0.1	0.1	-1.7	-1.4
Earnings after tax	0.2	-0.3	4.7	4.0
<b>Net assets</b>	<b>12.2</b>	<b>11.2</b>	<b>17.1</b>	<b>11.5</b>
<b>Share of net assets</b>	<b>6.1</b>	<b>5.6</b>	<b>5.1</b>	<b>3.4</b>
Goodwill and hidden reserves	4.9	5.6	–	–
Exchange-rate changes	–	0.3	-0.4	–
Change in other comprehensive income for the prior year	–	–	-0.2	-0.2
Share earnings for prior years	–	–	1.4	1.4
<b>Carrying amount</b>	<b>11.0</b>	<b>11.5</b>	<b>5.9</b>	<b>4.6</b>

1) Figures for previous years have been adjusted.

## 18. OTHER INVESTMENTS

€ million	December 31, 2022	December 31, 2021
Investments in unconsolidated affiliated companies	0.1	0.1
Other participations	23.7	23.7
<b>Other investments</b>	<b>23.8</b>	<b>23.8</b>

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

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

## 19. DEFERRED TAXES

Deferred taxes developed as follows:

€ million	December 31, 2022						December 31, 2021
	Deferred tax assets	Deferred tax liabilities	Net	Recognized in profit or loss	Recognized in equity	Recognized in other comprehensive income	Net
Other intangible assets and goodwill	191.2	-339.5	-148.3	45.6	-10.7	-1.0	-182.2
Property, plant and equipment	70.9	-81.9	-11.0	15.8	-0.2	-0.1	-26.5
Inventories	33.0	-0.9	32.1	4.0	–	0.2	27.9
Other assets	60.1	-5.3	54.8	26.0	-0.8	0.4	29.3
Employee benefits less defined benefit assets	44.4	-24.4	20.0	-17.4	-5.4	-110.6	153.5
Provisions for other risks and obligations	142.6	-4.2	138.4	-36.0	1.4	0.9	172.1
Indebtedness and other financial liabilities	49.0	-7.8	41.2	42.2	-0.3	-2.5	1.8
Other differences	3.2	-8.2	-5.0	-30.2	0.3	-0.1	25.1
Allowable tax credits	5.9	–	5.9	-5.8	–	–	11.6
Tax losses carried forward and limitation of interest	338.2	–	338.2	38.6	–	2.4	297.2
Impairment	-235.8	–	-235.8	-67.7	17.7	92.3	-297.5
<b>Deferred taxes (before offsetting)</b>	<b>702.7</b>	<b>-472.1</b>	<b>230.6</b>	<b>34.6</b>	<b>1.9</b>	<b>-18.1</b>	<b>212.3</b>
Offsetting (IAS 12.74)	-430.9	430.9	–				0.0
<b>Net deferred taxes</b>	<b>271.8</b>	<b>-41.2</b>	<b>230.6</b>				<b>212.3</b>

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.

Deferred tax assets were up by a total of €2.5 million to €271.8 million (previous year: 269.3 million). This is mainly attributable to a €41.7 million increase in the deferred tax assets on other intangible assets and goodwill, which is primarily the result of increased capitalization of research and development expenditure in the Czech Republic, the US, and Mexico. The increase in deferred tax assets in “other assets” is mainly attributable to a €38.8 million increase in deferred tax assets connected to the plan assets in the group of entities within Vitesco Technologies GmbH, Regensburg. There was a countereffect resulting from the €133.5 million reduction of deferred tax assets for employee benefits.

Compared to the previous year, deferred tax liabilities decreased by €15.8 million to €41.2 million (previous year: €57.0 million). This was principally caused by a €26.8 million decrease of the deferred tax liabilities included in financial liabilities and a €7.3 million decrease of the deferred tax liabilities included in property, plant, and equipment. A countereffect can be seen in the deferred tax liabilities for employee benefits at an amount of €21.3 million. The drop in deferred tax assets and

rise in deferred tax liabilities for employee benefits is primarily the result of increased interest when calculating pension provisions.

As at December 31, 2022, the corporate tax losses carried forward in the Vitesco Technologies Group, in Germany and abroad, amounted to €1,324.1 million (previous year: €1,352.7 million). Of these losses, €853.4 million (previous year: €1,035.8 million) did not have any deferred tax assets recognized for them as at December 31, 2022. The Vitesco Technologies Group's carried-forward losses totaling €1,019.7 million (previous year: €842.2 million) can be carried forward without time or amount restrictions. Carried-forward losses totaling €304.3 million (previous year: €510.5 million) will expire within the next nine years if they are not used. Temporary differences amounting to €129.0 million (previous year: € 264.8 million) did not have any deferred tax assets recognized for them.

The taxes recognized in other comprehensive income mainly involve deferred taxes that are associated with the sale of catalyst and exhaust filter operations and classified as assets held for sale.

Valuation allowances were down by a total of €61.7 million to €235.8 million (previous year: €297.5 million). The factor driving this effect is primarily the reduced surplus of deferred tax assets in Germany, which was caused by the above effects in the deferred tax assets and liabilities for employee benefits. In total, the allowances for deferred tax assets in Germany fell by €57.7 million. Furthermore, there was a reduction in tax losses carried forward resulting from a tax audit for the 2019 fiscal year that was completed in Hungary during the 2022 fiscal year and a concomitant reduction in valuation allowances on losses carried forward amounting to €19.9 million. Countereffects are spread mainly across allowances for deferred tax assets in Canada of €7.6 million and in Romania of €6.3 million.

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:

€ million	December 31, 2022	December 31, 2021
Temporary differences	-26.3	-74.1
Tax losses carried forward and limitation of interest deduction	-209.5	-223.4
<b>Total unrecognized deferred tax assets</b>	<b>-235.8</b>	<b>-297.5</b>

As at December 31, 2022, some Group companies and tax groups that reported a loss in the current or previous year recognized total deferred tax assets of €65.9 million (previous year: €74.5 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 liabilities were not recognized for the taxable temporary differences from retained profits from Vitesco Technologies Group subsidiaries, which were €11.8 million (previous year: €65.4 million). This is because the profits cannot be distributed within the foreseeable future. Deferred tax liabilities of €1.4 million are recognized as temporary differences from the sale or liquidation of individual subsidiaries may reverse in the future.

## 20. OTHER FINANCIAL ASSETS

€ million	December 31, 2022		December 31, 2021	
	Current	Noncurrent	Current	Noncurrent
Amounts receivable from related parties	4.7	0.1	3.8	1.9
Loans to third parties	–	6.0	–	4.8
Amounts receivable from employees	2.5	–	2.4	–
Other amounts receivable	69.0	3.8	57.4	12.0
<b>Other financial assets</b>	<b>76.2</b>	<b>9.9</b>	<b>63.6</b>	<b>18.7</b>

Amounts receivable from related parties related primarily to loans to associated companies.

Loans to third parties mainly comprise tenants' loans for individual properties and loans to customers with various maturities.

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

In particular, other amounts receivable include as-yet unutilized investment subsidies for research and development expenses and amounts receivable from suppliers. The carrying amounts of the other financial assets are primarily their fair values.

Please see Chapter 32 (Financial Instruments) for information on the default risks in relation to other financial assets.

## 21. OTHER ASSETS

€ million	December 31, 2022		December 31, 2021	
	Current	Noncurrent	Current	Noncurrent
Tax refund claims (incl. VAT and other taxes)	178.5	–	343.5	–
Trade receivable from the sale of customer tools	42.3	–	56.2	–
Prepaid expenses	61.5	–	34.7	–
Miscellaneous	38.6	8.7	35.6	8.3
<b>Other assets</b>	<b>320.9</b>	<b>8.7</b>	<b>470.0</b>	<b>8.3</b>

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

The trade accounts receivable from the sale of customer tools relate 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.

Valuation allowances totaling €11.8 million (previous year: €0.2 million) were recognized for the probable default risk on other assets.

## 22. INVENTORIES

€ million	December 31, 2022	December 31, 2021
Raw materials and supplies	573.9	482.2
Work in progress	128.9	112.7
Finished goods and merchandise	124.4	210.8
<b>Inventories</b>	<b>827.2</b>	<b>805.7</b>

Write-downs recognized on inventories increased by €32.4 million to €164.7 million (previous year: €132.3 million).

## 23. TRADE RECEIVABLES

€ million	December 31, 2022	December 31, 2021
Trade receivable	1,648.3	1,536.2
Allowances for doubtful accounts	-16.9	-17.3
<b>Trade receivable</b>	<b>1,631.4</b>	<b>1,518.9</b>

The carrying amounts of the trade receivables, net of allowances for doubtful accounts, are their fair values. Please see Chapter 32 (Financial Instruments) for information on the default risks in relation to trade receivables.

## 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 end of the reporting period, cash and cash equivalents amounted to €781.1 million (previous year: €614.0 million). Of this total, €750.1 million (previous year: €601.0 million) was unrestricted.

For information on the interest rate risk and the sensitivity analysis for financial assets and liabilities, please see Chapter 32 (Financial Instruments).

## 25. ASSETS HELD FOR SALE

€ million	December 31, 2022	December 31, 2021
Assets held for sale	121.8	–
Liabilities held for sale	78.0	–
<b>Assets held for sale (net)</b>	<b>43.8</b>	<b>–</b>

Assets held for sale, measured at €43.8 million (previous year: –), consist mainly of assets for the production of catalysts and exhaust filters amounting to €29.1 million (previous year: –). These assets are used at the production sites of Vitesco Technologies Emitec GmbH at the Lohmar and Eisenach sites. In addition, the transaction includes the activities in Pune, India; properties, buildings, and brands of Vitesco Technologies Lohmar Verwaltungs GmbH in Lohmar, Germany; and properties and buildings of Vitesco Technologies Eisenach Verwaltungs GmbH in Hörselberg-Hainich, Germany.

The Brazilian company was sold in the first quarter of 2023 for a price of €2.4 million. The corresponding assets of €14.7 million (previous year: –) are recognized in assets held for sale.

## 26. EQUITY

Number of shares outstanding	2022	2021
As at January 1	40,021,196	–
Change in the period	–	40,021,196
As at December 31	40,021,196	40,021,196

The subscribed capital of Vitesco Technologies Group AG came to €100,052,990.00 as at the end of the reporting period and was divided into 40,021,196 no-par-value registered shares with a notional value of €2.50 per share. Each share grants a voting right of the same proportion as the profit entitlement and has a dividend entitlement of an equal amount.

At the time of the spin-off in September 2021, the invested equity attributable to Continental was classified as €100.1 million of subscribed capital, €4,555.2 million of capital reserves, and -€1,598.7 million of retained earnings.

The subscribed capital had previously amounted to €50,000 when Vitesco Technologies Group AG was established in December 2019. Based on the spin-off agreement dated September 15, 2021, Continental AG transferred to Vitesco Technologies Group AG its interests in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, Germany at an amount of €2,381.3 million, Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Regensburg (previously Hanover), Germany at an amount of €2,273.8 million, Vitesco Technologies 1. Verwaltungs GmbH, Regensburg (previously Hanover), Germany at an amount of €25,000, and Vitesco Technologies 2. Verwaltungs GmbH, Regensburg (previously Hanover), Germany also at an amount of €25,000. The subscribed capital of Vitesco Technologies Group AG was increased from €50,000 to €100,052,990 as part of the capital increase in conjunction with the spin-off.

The excess amount of €4,555.2 million between the carrying amounts for the transferred interests and subscribed capital was classified as capital reserves.

The retained earnings for the Vitesco Technologies Group consisted of the residual amount between the recognized net assets and the sum of the subscribed capital and capital reserves. The retained earnings also include the posttax loss generated by the Vitesco Technologies Group in the 2021 fiscal year.

On June 25, 2021, Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Regensburg acquired the remaining 3.56% minority interests in Vitesco Technologies, Regensburg from the Continental Group for a purchase price of €121.0 million. The step acquisition was recognized in equity in accordance with IFRS 10 Consolidated Financial Statements.

The retained earnings include the posttax profit generated by the Vitesco Technologies Group in the 2022 fiscal year.



Under Germany's Stock Corporation Act, the dividends distributable to the shareholders are based solely on the retained earnings of Vitesco Technologies Group AG as at December 31, 2022. A resolution for appropriating profits will not be required at the 2022 Annual General Meeting as the annual financial statements for Vitesco Technologies Group AG recognize retained earnings of €0.00 (previous year: €0.00).

## 27. EMPLOYEE BENEFITS

The following table outlines the employee benefits:

€ million	Short-term		Long-term	
	2022	2021	2022	2021
Pension provisions (unfunded obligations and net liabilities from obligations and related funds)	–	–	418.7	758.8
Provisions for other post-employment benefits	–	–	25.3	32.1
Other employee benefits	–	–	80.3	75.5
Short-term employee benefits	274.1	244.1	–	–
<b>Employee benefits</b>	<b>274.1</b>	<b>244.1</b>	<b>524.3</b>	<b>866.4</b>

A net surplus from pension plans after calculating defined-benefit assets led to recognition of an asset of €10.8 million (previous year: €6.3 million).

Employee benefits were partly reclassified as liabilities held for sale during the 2022 fiscal year. Further information about the liabilities held for sale is provided in Chapter 25 (Assets Held for Sale).

### Pension plans

In addition to statutory pension insurance, the majority of the employees of the Vitesco Technologies Group are also entitled to defined-benefit or defined-contribution plans after the end of their employment.

The pension strategy of the Vitesco Technologies Group focuses on switching from defined-benefit to defined-contribution plans in order to offer both employees and the company a sustainable and readily understandable retirement system. Many defined-benefit plans have already been closed for new employees or future service and replaced by defined-contribution plans.

In countries in which defined-contribution plans are not possible for legal or financial reasons, existing defined-benefit plans have been optimized to minimize the associated risks such as longevity, inflation, and salary increases.

### Defined-benefit plans

As a result of the spin-off of Vitesco Technologies Group AG, the pension obligations mainly pertain to active employees. This is illustrated in the table below:

	2022	2021
Active employees	21,773	23,190
Former employees	1,651	1,190
Retirees and surviving dependents	934	814
<b>Total</b>	<b>24,358</b>	<b>25,194</b>

1) Former employees with vested benefits.

The pension obligations are concentrated on four countries: Germany, the US, Canada, and France, which make up 93.4% of all pension obligations.

The weighted average term of the defined-benefit pension obligations is 18 years. This term is based on the present value of the obligations.

#### Germany

In Germany, the Vitesco Technologies Group grants pension benefits primarily through an employer-funded cash-balance plan and deferred compensation. To a lesser extent, it also grants benefits through prior commitments. When the insured event occurs, the retirement-plan assets are paid out as a lump-sum benefit, in installments, or as a pension.

The cash-balance plan is partly covered by funds in contractual trust arrangements (CTAs). The CTAs are legally independent from the company and manage the plan assets as trustees in accordance with the respective CTAs. In Germany, there is no form of legal or regulatory minimum funding requirements.

Furthermore, the Vitesco Technologies Group supports private contribution through deferred-compensation schemes, which are mainly offered through a multiemployer plan (Höchster Pensionskasse VVaG). The pension-contribution fund guarantees a minimum rate of interest.

#### United States

The main plans in the US are the Vitesco Technologies Hourly Pension Plan and the Vitesco Technologies Pension Plan. The plans are employer-funded and offer retirement benefits in the form of pension or installment payments. It is also possible to have the amassed capital paid out.

The Vitesco Technologies Group has a few defined-benefit plans in the US which were progressively closed to new employees from April 1, 2005, to December 31, 2011, and are treated as frozen in relation to the addition of further benefits.

#### Canada

Due to its history of acquisitions, the Vitesco Technologies Group maintains various defined-benefit plans in Canada which are based chiefly on a pension multiplier per year of service within the Company. Earnings of new entitlements have been progressively frozen since December 31, 2015.

#### France

All employees in France who retire are entitled to a lump sum that is calculated proportionally to their length of service within the Company. The calculation formula for lump-sum retirement payments is defined in the applicable collective agreements.

Other

The “other” column refers to Mexico, India, Italy, South Korea, and Brazil.

### Changes in projected benefit obligation

The table below shows the changes in the projected benefit obligation for Germany, the US, Canada, France, and other countries of the Vitesco Technologies Group for the current fiscal year:

	Germany		US		Canada		France		Other		Total	
€ million	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Defined benefit obligations as at January 1</b>	<b>829.5</b>	<b>849.4</b>	<b>36.8</b>	<b>35.2</b>	<b>81.2</b>	<b>81.3</b>	<b>21.2</b>	<b>23.2</b>	<b>40.5</b>	<b>43.5</b>	<b>1,009.2</b>	<b>1,032.6</b>
Exchange-rate differences	–	–	2.4	2.9	0.7	6.7	–	–	2.0	0.8	5.1	10.4
Current service cost	50.4	57.3	–	–	–	–	1.1	1.2	3.5	3.5	55.0	62.0
Service cost from plan amendments	–	–	–	–	–	–	–	–	–	–	–	–
Curtailments/settlements	–	–	–	–	–	–	-0.3	-0.5	–	–	-0.3	-0.5
Interest on defined benefit obligations	10.3	7.2	1.1	0.8	2.4	2.0	0.3	0.2	2.1	1.7	16.2	11.9
Actuarial gains/losses due to												
changes in demographic assumptions	–	–	–	0.1	–	–	–	–	0.2	–	0.2	0.1
changes in financial assumptions	-347.3	-88.7	-7.7	-1.6	-18.4	-4.9	-4.4	-1.1	-5.0	-1.7	-382.8	-98.0
experience adjustments	-9.2	-5.0	-0.4	0.1	1.6	–	-0.4	-0.2	2.6	0.7	-5.8	-4.4
Defined benefit obligations held for sale	-45.4	–	–	–	–	–	–	–	-0.7	–	-46.1	–
Other changes	–	11.4	–	1.0	–	–	-0.1	-0.9	-0.6	-4.2	-0.7	7.3
Benefit payments	-2.7	-2.1	-1.7	-1.7	-4.3	-3.9	-0.7	-0.7	-2.6	-3.8	-12.0	-12.2
<b>Defined benefit obligations as at December 31</b>	<b>485.6</b>	<b>829.5</b>	<b>30.5</b>	<b>36.8</b>	<b>63.2</b>	<b>81.2</b>	<b>16.7</b>	<b>21.2</b>	<b>42.0</b>	<b>40.5</b>	<b>638.0</b>	<b>1,009.2</b>

The €371.2 million year-over-year decline in the projected benefit obligation results in particular from the increased interest rates in all countries, which outweighed the increase in entitlements for the active plan population in Germany.

## Plan assets

The following shows the changes in the plan assets for Germany, the US, Canada, France, and other countries of the Vitesco Technologies Group for the current fiscal year:

€ million	Germany		US		Canada		France		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Fair value of fund assets as at January 1</b>	<b>112.0</b>	<b>105.7</b>	<b>39.2</b>	<b>35.5</b>	<b>80.3</b>	<b>72.3</b>	<b>–</b>	<b>–</b>	<b>27.4</b>	<b>29.7</b>	<b>258.9</b>	<b>243.2</b>
Exchange-rate differences	–	–	2.5	3.1	0.4	6.1	–	–	1.0	0.2	3.9	9.4
Interest income from pension funds	1.4	0.9	1.1	0.9	2.4	1.8	–	–	1.4	1.0	6.3	4.6
Actuarial gains/losses from fund assets	-11.5	4.1	-9.0	0.7	-12.0	3.7	–	–	-1.2	0.6	-33.7	9.1
Employer contributions	3.3	1.2	–	–	0.6	0.6	–	–	5.3	3.6	9.2	5.4
	-1.7	–	–	–	–	–	–	–	-0.5	–	-2.2	–
Other changes	–	0.1	-0.5	0.7	-0.3	-0.3	–	–	–	-4.2	-0.8	-3.7
Benefit payments	-0.1	–	-1.7	-1.7	-4.3	-3.9	–	–	-2.3	-3.5	-8.4	-9.1
<b>Fair value of fund assets as at December 31</b>	<b>103.4</b>	<b>112.0</b>	<b>31.6</b>	<b>39.2</b>	<b>67.1</b>	<b>80.3</b>	<b>–</b>	<b>–</b>	<b>31.1</b>	<b>27.4</b>	<b>233.2</b>	<b>258.9</b>

The following table shows the reconciliation of the funded status to the amounts contained in the statement of financial position:

€ million	Germany		US		Canada		France		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Defined benefit obligation	485.6	829.5	30.5	36.8	63.2	81.2	16.7	21.2	42.0	40.5	638.0	1,009.2
Defined benefit obligations held for sale	45.4	–	–	–	–	–	–	–	0.7	–	46.1	–
Fair value of plan assets	103.4	112.0	31.6	39.2	67.1	80.3	–	–	31.1	27.4	233.2	258.9
Plan assets held for sale	1.7	–	–	–	–	–	–	–	0.5	–	2.2	–
Funded status <sup>1</sup>	-425.9	-717.5	1.1	2.4	3.9	-0.9	-16.7	-21.2	-11.1	-13.1	-448.7	-750.3
Asset ceiling	–	–	–	–	-3.1	-2.2	–	–	–	–	-3.0	-2.2
Carrying amount	-425.9	-717.5	1.1	2.4	0.8	-3.1	-16.7	-21.2	-11.1	-13.1	-451.7	-752.5
Of which pension liabilities	-382.1	-717.5	-0.1	-0.1	-3.1	-3.8	-16.7	-21.2	-16.7	-16.2	-418.7	-758.8
Of which liabilities held for sale	-43.7	–	–	–	–	–	–	–	-0.1	–	-43.8	–
Of which other assets	–	–	1.2	2.5	3.9	0.7	–	–	5.7	3.1	10.8	6.3

1) Difference between plan assets and defined-benefit obligations.

The plan-asset portfolio structure for the pension plans as at the end of the reporting period can be illustrated as follows:

Asset class	Germany		US		Canada		France		Other	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Equity instruments	11.3	11.7	–	–	51.5	46.2	–	–	6.9	8.9
Debt securities	49.9	50.8	99.9	99.9	31.1	30.3	–	–	79.8	87.6
Real estate	7.6	6.9	–	–	–	–	–	–	–	–
Absolute return <sup>3</sup>	10.8	–	–	–	–	–	–	–	–	–
Cash, cash equivalents and other	0.4	0.3	0.1	0.1	2.2	1.8	–	–	3.0	3.5
Derivative instruments	–	11.5	–	–	–	–	–	–	–	–
Annuities <sup>4</sup>	18.4	18.8	–	–	15.2	21.8	–	–	8.7	–
Annuities held for sale	1.6	–	–	–	–	–	–	–	1.6	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>–</b>	<b>–</b>	<b>100.0</b>	<b>100.0</b>

1) This refers to investment products that aim to achieve a positive return regardless of market fluctuations.

2) For example, insurance contracts that guarantee pension payments.

The share of assets that are traded on an active market is 100.0% for stock, 75.7% for fixed-income securities, 100.0% for real estate, 100.0% for absolute return, 89.2% for cash and cash equivalents, 34.6% for “other,” and 23.2% for assets held for sale.

## Actuarial assumptions

The key assumptions for measuring pension obligations are the discount rate, salary trend, pension trend, and life expectancy. The long-term assumed trend for pensions was adjusted for Germany in the 2022 fiscal year due to the high inflation in 2022. The assumptions underpinning the actuarial measurement of the defined-benefit obligation as at the end of the reporting period can be illustrated as follows:

%	Germany		US		Canada		France		Other	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Discount rate	3.60	1.25	5.40	2.80	5.20	2.90	3.60	1.25	7.18	5.09
Long-term salary growth rate	3.00	3.00	–	–	–	–	2.26	Age-dependent	3.99	1.79
Pension increase rate	2.20	1.75	–	–	1.60	1.60	–	–	0.34	–
Life expectancy	Heubeck 2018G	Heubeck 2018G	Pri-2012	Pri-2012	MI-2017	MI-2017	Insee 11-13	Insee 11-13	n.a.	n.a.

## Remeasurement of provision

Remeasurement had effects resulting from increases and decreases in the present value of the defined-benefit obligation due to changes in the actuarial assumptions, experience-based adjustments, and the remeasurement of the plan assets’

present value. The primary effect that was had on the remeasurement of the provision was triggered by the increased discount rate in all countries.

€ million	Germany		US		Canada		France		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Exchange-rate differences	–	–	0.2	1.9	-0.2	8.2	–	–	-0.8	0.7	-0.8	10.8
Actuarial gains/losses from												
Defined benefit obligations	356.5	93.7	8.1	1.4	16.8	4.9	4.8	1.3	2.2	1.0	388.4	102.3
Of which liabilities held for sale	22.5	–	–	–	–	–	–	–	–	–	22.5	–
Fund assets	-11.5	4.1	-9.0	0.7	-12.0	3.7	–	–	-1.2	0.6	-33.7	9.1
Asset ceiling	–	–	–	–	-0.8	-0.7	–	–	–	–	-0.8	-0.7
<b>Total</b>	<b>345.0</b>	<b>97.8</b>	<b>-0.9</b>	<b>2.1</b>	<b>4.0</b>	<b>7.9</b>	<b>4.8</b>	<b>1.3</b>	<b>1.0</b>	<b>1.6</b>	<b>353.9</b>	<b>110.7</b>

## Sensitivity analysis

The following sensitivity analysis depicts the effects that potential changes in actuarial assumptions would have on the defined-benefit obligations as at the end of the reporting period. It shows what would happen if one of the above assumptions increased or decreased by 50 basis points while the other assumptions remained constant. Accordingly, this also means that potential correlations between each assumption cannot be reflected in this sensitivity analysis.

€ million	Germany		US		Canada		France		Other	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>0.5% increase</b>										
Discount rate:										
Effects on benefit obligations	-49.4	-95.9	-1.2	-1.8	-2.9	-4.6	-0.7	-1.2	-1.4	-1.7
Pension trend:										
Effects on benefit obligations	11.4	19.4	–	–	2.6	4.2	–	–	0.5	0.2
Long-term salary growth rate:										
Effects on benefit obligations	1.1	0.8	–	–	–	–	0.8	1.3	1.4	1.4
<b>0.5% decrease</b>										
Discount rate:										
Effects on benefit obligations	57.1	113.8	1.3	2.0	3.2	5.1	0.8	1.3	1.5	1.9
Pension trend:										
Effects on benefit obligations	-10.3	-17.4	–	–	-2.4	-3.9	–	–	-0.1	-0.2
Long-term salary growth rate:										
Effects on benefit obligations	-1.0	-3.2	–	–	–	–	-0.8	-1.2	-1.3	-1.3
<b>One-year increase in life expectancy:</b>										
Effects on benefit obligations	11.9	27.7	0.6	1.0	1.9	2.7	–	–	–	0.3

## Contributions to plan assets

The following table shows the contributions to the plan assets for the previous and current fiscal year as well as the expected deposits for the following year.

€ million	Germany	US	Canada	France	Other	Total
Cash contributions:						
2021	1.2	–	0.6	–	3.6	<b>5.4</b>
2022	3.3	–	0.6	–	5.3	<b>9.2</b>
2023 (expected)	–	–	0.4	–	4.2	<b>4.6</b>

## Change in net pension costs

The following table shows the composition of the net pension costs included in the income statement:

€ million	Germany		US		Canada		France		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Current service cost	50.4	57.3	–	–	–	–	1.1	1.2	3.5	3.5	55.0	62.0
Service cost from plan amendments	–	–	–	–	–	–	–	–	–	–	–	–
Curtailments/settlements	–	–	–	–	–	–	-0.3	-0.5	–	–	-0.3	-0.5
Interest on defined benefit obligations	10.3	7.2	1.1	0.8	2.4	2.0	0.3	0.2	2.1	1.7	16.2	11.9
Expected return on the pension funds	-1.4	-0.9	-1.1	-0.9	-2.4	-1.8	–	–	-1.4	-1.0	-6.3	-4.6
Effect of change of asset ceiling	–	–	–	–	0.1	–	–	–	–	–	0.1	–
Other pension income and expenses	–	–	0.5	0.3	0.3	0.3	–	-0.2	–	–	0.8	0.4
<b>Net pension cost</b>	<b>59.3</b>	<b>63.6</b>	<b>0.5</b>	<b>0.2</b>	<b>0.4</b>	<b>0.5</b>	<b>1.1</b>	<b>0.7</b>	<b>4.2</b>	<b>4.2</b>	<b>65.5</b>	<b>69.2</b>

## Benefit payments

The pension payments made and expected are provided below:

€ million	Germany	US	Canada	France	Other	Total
<b>Benefits paid:</b>						
2021	2.1	1.7	3.9	0.7	3.8	<b>12.2</b>
2022	2.7	1.7	4.3	0.7	2.6	<b>12.0</b>
<b>Benefit payments as expected:</b>						
2023	9.7	2.3	4.4	1.3	4.3	<b>22.0</b>
2024	9.6	2.5	4.5	0.7	4.8	<b>22.1</b>
2025	11.6	2.4	4.4	1.0	4.7	<b>24.1</b>
2026	13.8	2.4	4.5	1.8	4.9	<b>27.4</b>
2027	16.4	2.4	4.5	1.7	5.2	<b>30.2</b>
2028 to 2032	107.9	11.3	22.1	7.2	28.4	<b>176.9</b>

## Other postemployment benefits

Several subsidiaries, predominantly in the US and Canada, grant their employees healthcare and life-insurance benefits during retirement if certain age and length-of-service requirements are met. Separate plan assets are not held for these obligations. The weighted average duration of the other significant defined postemployment benefits is around 10 € years. This term is based on the present value of the obligation. The assumptions used to calculate the obligation vary in line with the circumstances in the US and Canada. The discount factor in the US was set at 5.40% (previous year: 2.80% ), while in Canada the factor was set at 5.20% (previous year: 2.90% ). The annual cost increase rate in the US is 0.00% (previous year: 0.00% ), while in Canada it is 4.69% (previous year: 4.00% ).

The defined-benefit obligations during the current fiscal year amounted to €25.3 million (previous year: €32.1 million). Its change is based mainly on the change in the discount rate. The net costs add up to €1.1 million (previous year: €1.0 million).

The sensitivity analysis shows that a 0.5% increase in the discount rate has a -€1.2 million effect on the defined-benefit obligations. If the discount rate were to decrease by 0.5%, the effect would be +€1.3 million.

The payments for medical benefits during retirement have increased year over year to €1.4 million (previous year: €1.2 million). Payments totaling €1.8 million are expected for the 2023 fiscal year.

## Defined-contribution plans

The Vitesco Technologies Group also provides its employees with a retirement scheme in the form of defined-contribution plans, especially in Germany, the US, China, and South Korea. Not including social-security contributions, expenses from defined-contribution pension plans in the current fiscal year amounted to €21.2 million (previous year: €18.2 million).

## Other long-term employee benefits

Other long-term employee benefits primarily include provisions for early-retirement programs, anniversary and other long-service benefits, and death benefits in Germany and anniversary and other long-service benefits in France. The provisions



for partial early retirement are calculated using a discount rate of 3.30% (previous year: 0.00% ), provisions for anniversary benefits using a discount rate of 3.73% (previous year: 0.95% ), and provisions for partial early retirement using a discount rate of 3.75% (previous year: 0.95% ). Furthermore, there is also a deferred-compensation plan in the US where the beneficiary can choose between a one-time payment or monthly disbursement after exiting employment. Provisions during the current fiscal year amounted to €80.3 million (previous year: €75.5 million). This item also recognizes the long-term portion of share-based payment (cf. Chapter 28, Share-Based Payment).

## 28. SHARE-BASED PAYMENT

The Vitesco Technologies Group grants its Executive Board members and selected managers (referred to below as senior executives) variable remuneration instruments of a long-term nature. These remuneration instruments comprise various long-term bonus commitments (long-term incentive plans, LTI plans) and contributions to the variable remuneration for Executive Board members (performance bonus deferral), which were converted into virtual shares in Continental AG and then transferred into virtual shares in Vitesco Technologies Group AG. New incentive payments awarded under the LTI plans are issued in the form of virtual shares in Vitesco Technologies Group AG.

The LTI plans include the Long-Term Incentive Plan 2019 (LTI 2019) and the Vitesco Technologies LTI. The Transformation Incentive Plan 2019 (TIP) was paid out during the 2022 fiscal year following the end of its performance period on December 31, 2021. All remuneration instruments are classified as cash-settled share-based payment, which means they are accounted for according to IFRS 2 Share-based Payment based on a measurement of each one as at the end of the reporting period.

The share-based remuneration instruments were adjusted as part of the listing of Vitesco Technologies Group AG on September 16, 2021. The tranche of Continental LTI 2019 was adjusted for members of the Vitesco Technologies Group AG Executive Board. Entitlements under LTI 2019 for former Continental Group employees who are not on the Executive Board of Vitesco Technologies Group AG were not adjusted. The 2020 and 2021 tranches of the Continental LTI Plan (CLIP) were transferred to the systems for the Vitesco Technologies LTI based on resolutions of the relevant governing body on June 28 and July 26, 2021, for senior executives and based on a decision by the Supervisory Board on December 10, 2021. Performance bonus deferrals were converted from Continental stock to Vitesco Technologies stock.

## Long-term incentive plans

Plan	Term start date	Term finish date
<b>Executive Board<sup>1</sup></b>		
LTI 2019 (converted)	Mar. 12, 2021/ Sep. 21, 2021	Dec. 31, 2022
CLIP 2020-2023 (converted)	Jan. 1, 2020	Dec. 31, 2023
CLIP 2021-2024 (converted)	Jan. 1, 2021	Dec. 31, 2024
Vitesco Technologies LTI 2021-2024	Mar. 9, 2021/ Oct. 4, 2021	Dec. 31, 2024
Vitesco Technologies LTI 2022-2025	Jan. 1, 2022	Dec. 31, 2025
Performance bonus, STI deferral 2019	Jan. 1, 2019	Dec. 31, 2019
Performance bonus, STI deferral 2020	Jan. 1, 2020	Dec. 31, 2020
Performance bonus, STI deferral 2021	Jan. 1, 2021	Dec. 31, 2021
<b>Senior executives</b>		
LTI 2019 (unconverted)	Jan. 1, 2019	Dec. 31, 2022
CLIP 2020-2022 (converted)	Jan. 1, 2020	Dec. 31, 2022
CLIP 2021-2023 (converted)	Jan. 1, 2021	Dec. 31, 2023
Vitesco Technologies LTI 2022-2024	Jan. 1, 2022	Dec. 31, 2024

1) Executive Board and former directors prior to the spin-off.

## Continental Long-Term Incentive Plan 2019 with 2019 LTI tranche

In 2019, senior executives of the Continental Group and members of the Executive Board were granted an LTI bonus. This bonus was intended to allow for participation in the long-term, sustainable increase in the Continental Group's value and profitability. The amount of LTI bonus granted is dependent on a plan participant's job grade and was issued in annual tranches. For each beneficiary of an LTI tranche, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives) of Continental AG specified the amount of a target bonus in euros to be paid out upon 100% target achievement. The actual LTI bonus paid out on expiry of the LTI tranche depends on the degree of target achievement. The 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 details are identical for the members of the Executive Board and senior executives. The degree of target achievement for the first target criterion, "Continental value contribution," can lie between 0% and 200%. Target achievement is calculated on a straight line basis between 0% and 200%. There is no cap on the second target criterion, "total shareholder return" (TSR). 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 LTI bonus can be a maximum of 200% of the target bonus.

A Monte Carlo simulation is used in the measurement of the TSR target criterion. The average expected payment is calculated and discounted based on a large number of simulation paths. A Continental value contribution of 0% is currently expected for the 2019 tranche of the LTI plan for senior executives, for which reason no payment is expected.

## Reconciliation with Vitesco Technologies Group AG

Vitesco Technologies Group AG has accepted the entitlements of former employees of the Continental Group under LTI 2019 and not modified them.

The two target criteria for the affected entitlements under LTI 2019 were adjusted as follows only for the Executive Board of Vitesco Technologies Group AG: The first target criterion, Continental value contribution, was set at 100%. The basis for calculating the second target criterion, TSR, was set as Continental's stock for the time between the start of the term and the IPO of Vitesco Technologies Group AG and, following that, as the stock of Vitesco Technologies for the time until the term expires. The share price used for calculating the TSR is the arithmetic mean of closing prices in the XETRA trading system from 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.

## Vitesco Technologies Long-Term Incentive Plan 2020, 2021, and 2022

For each beneficiary of the CLIP tranches for the Executive Board in 2020 and 2021, the Supervisory Board of Continental AG agreed an allotment value in euros. This allotment value is divided by the arithmetic mean of Continental's closing share prices in the XETRA trading system from the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the term of the respective LTI plan (issue price) in order to obtain the basic holding of virtual Continental shares.

Two LTI tranches, CLIP 2021 and the Vitesco Technologies LTI 2021, were allotted pro rata for the Vitesco Technologies Executive Board in 2021, in accordance with resolutions by the relevant governing body on March 9, 2021, March 12, 2021, March 22, 2021, and October 4, 2021. The values of the CLIP tranches were transferred to the systems for the Vitesco Technologies LTI based on resolutions by the relevant governing body on June 28 and July 26, 2021, and the Supervisory Board on December 10, 2021.

The Supervisory Board of Vitesco Technologies Group AG agreed an allotment value in euros for each beneficiary of the Vitesco Technologies LTI on the Executive Board. For the 2021 tranche, this allotment value was converted into a basic holding of virtual shares three months after the IPO. The allotment value was divided by the arithmetic mean of Vitesco Technologies' closing share prices in the XETRA trading system from the Frankfurt Stock Exchange in the first three months after the initial listing (issue price). For the 2022 tranche, this allotment value is divided by the arithmetic mean of Vitesco Technologies' closing share prices in the XETRA trading system from the Frankfurt Stock Exchange in the last two months prior to the start of the term of the LTI plan (issue price) in order to obtain the basic holding of virtual Vitesco Technologies shares.

The Executive Board of Continental AG also allotted senior executives a quantity of virtual Continental shares as part of the CLIP tranches for 2020 and 2021. Similarly, the Executive Board of Vitesco Technologies Group AG allocated a quantity of virtual Vitesco Technologies shares as part of the LTI tranche for 2022.

When performing the conversion from CLIP 2020 and 2021 (for the Executive Board and senior executives), one virtual Vitesco Technologies share was granted for every five shares of basic holding in the relevant CLIP in line with the subscription ratio of 5:1. Then, the basic holding of virtual Continental shares was multiplied by a Continental price calculated analogously to the Vitesco Technologies issue price and divided by the Vitesco Technologies issue price (in each case as an average for the three months following the initial listing of Vitesco Technologies' stock) in order to obtain the transferred basic holding. The holdings obtained from the subscription ratio and conversion together form the new basic holding of virtual Vitesco Technologies shares.

Under LTI 2020, 2021, and 2022, the basic holding is multiplied by a performance index (PI) to determine a final holding of virtual shares. The PI is equivalent to the product of the relative TSR of Vitesco Technologies' stock and a sustainability score. The relative TSR is calculated from the relative performance of the Vitesco Technologies TSR in comparison with the TSR on the STOXX Europe 600 Automobiles & Parts (SXAGR). The Vitesco Technologies TSR is equivalent to the average price of Vitesco Technologies' shares in the last month of the term (final share price) plus all dividends paid during the term in relation to the starting share price (the three-month average following the initial listing of Vitesco Technologies' stock for the LTI tranches for 2020 and 2021 or the average price during the first month of the term for the LTI tranche for 2022). The SXAGR TSR is determined using the same method.

The performance criteria and targets for the sustainability score include specifications for carbon emissions and recycling rates and a review of good working conditions for employees of the Vitesco Technologies Group (e.g., based on accident rates, employee satisfaction, and share of women in management roles).

The Vitesco Technologies LTI can be a maximum of 200% of the allotment value agreed in the relevant service contract (for Executive Board members) or of the product of the basic holding and the defined starting share price (for senior executives). The final holding of virtual shares is multiplied by the payment share price in order to determine the gross amount of the LTI to be paid out in euros (hereinafter "payout amount"). The payment ratio is the arithmetic mean of Vitesco Technologies' closing share prices in the XETRA trading system from the Frankfurt Stock Exchange (or a successor system) on the trading days in the last two months prior to the next ordinary Annual General Meeting that follows the end of the term of the LTI plan plus the dividends paid out during the term.

A Monte Carlo simulation is used in the measurement of stock options. The average expected payment is calculated and discounted based on a large number of simulation paths.

### Performance bonus (short-term incentive [STI] deferral) 2019 to 2021

As part of the short-term variable remuneration, directors previously had one-third of their gross annual bonus converted into virtual shares in Continental AG, or into virtual shares in Vitesco Technologies Group AG for the 2021 performance bonus, based on an average share price up until the time of the IPO of Vitesco Technologies Group AG (initial value). Existing entitlements from the 2019 and 2020 STI deferrals were converted to virtual shares in Vitesco Technologies Group AG during the fiscal year. The quantity of virtual shares in Continental AG was multiplied by the sum of the arithmetic mean of Continental AG's closing share prices in the three months before the IPO of Vitesco Technologies Group AG and the dividend payments of Continental AG during the term, then divided by the arithmetic mean of the closing prices of Vitesco Technologies' shares in the three months after the IPO. A cap of 200% of the initial value is applied during the conversion.

Once there has been a holding period of three years starting from the fiscal year for which the relevant bonus was granted, the value of the virtual shares is calculated based on an average share price plus dividends (total value). The total value is limited to a maximum of 200% of the initial value.

No new entitlements have been granted for the time after the IPO of Vitesco Technologies Group AG.

### Fair values and expense

The fair values of the tranches granted in the 2022 fiscal year as at the grant date, assuming full vesting, were €12.3 million for Vitesco Technologies LTI 2022-2024 for the senior management level as well as €2.8 million for Vitesco Technologies

LTI 2022-2025 for the Executive Board. In the 2021 fiscal year, the fair values of the tranches granted during this year were, as at the grant date and assuming full vesting, €7.1 million for CLIP 2021-2023 (converted) for senior executives, as well as €0.2 million for CLIP 2021-2024 (converted) and €0.5 million for the Vitesco Technologies LTI 2021-2024 for the Executive Board.

The tranches existing prior to the spin-off in the 2021 fiscal year were generally converted from shares in Continental AG to shares in Vitesco Technologies Group AG without impacting their value. This did not apply to the fair value of the tranche for the 2019 LTI (converted) which increased from €0.0 million to €1.2 million during conversion, based on an assumption of full vesting.

The following table shows the changes in the fair value of the tranches and the degree of vesting as well as the expense from changes in provisions and payments:

	Fair value, in € million		Proportion recognized in provision, as a %		Expense, in € million	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	2022	2021
<b>Executive Board<sup>1</sup></b>						
LTI 2019 (converted)	1.5	1.2	100.0	40.2	1.0	0.5
CLIP 2020-2023 (converted)	0.9	0.5	75.0	50.0	0.4	0.1
CLIP 2021-2024 (converted)	0.4	0.2	50.0	25.0	0.2	0.1
Vitesco Technologies LTI 2021-2024	0.8	0.5	44.6	16.7	0.3	0.1
Vitesco Technologies LTI 2022-2025	2.9	n.a.	25.0	n.a.	0.7	n.a.
Performance bonus, STI deferral 2019	0.2	0.1	100.0	100.0	0.0	-0.1
Performance bonus, STI deferral 2020	0.2	0.1	100.0	100.0	0.0	0.1
Performance bonus, STI deferral 2021	0.3	n.a.	100.0	n.a.	0.4	n.a.
<b>Executives</b>						
LTI 2019 (unconverted)	–	–	100.0	75.0	–	–
TIP	n.a.	2.7	n.a.	100.0	-0.8	0.5
CLIP 2020-2022 (converted)	18.4	7.4	100.0	66.7	13.5	1.4
CLIP 2021-2023 (converted)	11.7	7.2	66.7	33.3	5.4	2.4
Vitesco Technologies LTI 2022-2024	14.3	n.a.	33.3	n.a.	4.8	n.a.
<b>Total</b>	<b>51.6</b>	<b>19.9</b>	<b>68.0</b>	<b>55.8</b>	<b>25.9</b>	<b>5.1</b>

1) Executive Board and former directors prior to the spin-off.

The target criterion for the first bonus package in the TIP tranche was met; the target criterion for the second package was not met. The TIP bonus was disbursed in June 2022.

## Measurement assumptions

The following parameters were used as at the measurement date of December 31, 2022:

	Discount rate, as a %	Historic volatility, as a %	Historic correlation, as a %	Achievement of internal target criterion, as a %
Plan	Dec. 31, 2022	Dec. 31, 2022	Dec. 31, 2022	Dec. 31, 2022
<b>Executive Board<sup>1</sup></b>				
LTI 2019 (converted)	2.0	n.a.	n.a.	100.0
CLIP 2020-2023 (converted)	2.5	50.6	65.6	100.0
CLIP 2021-2024 (converted)	2.5	43.5	69.3	100.0
Vitesco Technologies LTI 2021-2024	2.5	43.5	69.3	100.0
Vitesco Technologies LTI 2022-2025	2.5	46.0	77.2	100.0
Performance bonus, STI deferral 2019	1.9	38.5	n.a.	n.a.
Performance bonus, STI deferral 2020	2.5	50.6	n.a.	n.a.
Performance bonus, STI deferral 2021	2.5	43.5	n.a.	n.a.
<b>Executives</b>				
LTI 2019 (unconverted)	2.0	n.a.	n.a.	–
CLIP 2020-2022 (converted) <sup>2</sup>	2.0	38.5	65.2	120.0
CLIP 2021-2023 (converted)	2.5	50.6	65.6	100.0
Vitesco Technologies LTI 2022-2024	2.5	43.5	69.3	100.0

1) Executive Board and former directors prior to the spin-off.

The discount rates are based on the yield curve for government bonds and the remaining term of each tranche of the plan. Historic volatilities and correlations are calculated using the closing prices in XETRA for Vitesco Technologies' shares and the benchmark index based on the respective remaining term for the tranches. Where this involves periods prior to the IPO of Vitesco Technologies Group AG, the development of Continental's shares is used as a basis.

Dividend payments were recognized as the arithmetic mean based on publicly available estimates for 2023 to 2025. For the LTI plans transferred as part of the IPO of Vitesco Technologies Group AG, the dividends paid by Continental AG of €2.20 per share in 2022, €3.00 per share in 2020, and €4.75 per share in 2019 were incorporated into the calculations. A dividend was not paid in 2021.

## 29. PROVISIONS FOR OTHER RISKS AND OBLIGATIONS

€ million	December 31, 2022		December 31, 2021	
	Current	Noncurrent	Current	Noncurrent
Restructuring provisions	64.8	228.0	61.4	259.8
Litigation and environmental risks	15.7	2.8	11.1	6.1
Warranties	277.4	10.6	331.6	–
Other provisions	65.3	2.5	100.4	7.2
<b>Provisions for other risks and obligations</b>	<b>423.2</b>	<b>243.9</b>	<b>504.5</b>	<b>273.1</b>

The provisions for other risks developed as follows:

€ million	Restructuring provisions	Litigation and environmental risks	Warranties	Other provisions
<b>As at December 31, 2021</b>	<b>321.2</b>	<b>17.2</b>	<b>331.6</b>	<b>107.6</b>
Adjustment IAS 37, provisions, contingent liabilities and contingent assets	–	–	–	12.3
<b>As at January 01, 2022</b>	<b>321.2</b>	<b>17.2</b>	<b>331.6</b>	<b>119.9</b>
Additions	46.0	14.8	140.2	41.2
Utilizations	-22.0	-7.8	-64.5	-36.4
Reclassifications	–	–	-0.1	0.1
Reclassification to Liabilities held for sale	-2.2	-1.2	-1.3	-0.2
Reversals	-39.0	-4.9	-124.1	-58.7
Interest	-12.7	–	–	–
Exchange-rate changes	1.5	0.4	6.2	1.9
<b>As at December 31, 2022</b>	<b>292.8</b>	<b>18.5</b>	<b>288.0</b>	<b>67.8</b>

The utilization of restructuring provisions relates to the implementation of restructuring measures adopted in previous fiscal years and incorporated for the first time in 2019 (until 2028) in the Sensing & Actuation and Electronic Controls segments.

The additions to the provisions for litigation and environmental risks relate in particular to risks in connection with disputes over industrial property rights and in connection with the Group separation agreement for the exercise of explicitly provided rights. Please refer to Chapter 38 (Contingent Liabilities and Other Financial Obligations).

The changes in provisions for warranties, which comprise general and specific warranty provisions, include utilization of €64.5 million (previous year: €80.4 million) and reversals of €124.1 million (previous year: €130.0 million), which are offset by additions of €140.2 million (previous year: €212.0 million), in particular for specific cases and general warranties.

The other provisions also include provisions for risks from operations, such as those in connection with compensation from customer and supplier claims that are not warranties. They also include provisions for dismantling obligations and provisions for possible interest payments and penalties on income tax liabilities.

## 30. INCOME TAX LIABILITIES

Income tax liabilities developed as follows:

€ million	2022	2021
<b>As at January 1</b>	<b>83.2</b>	<b>86.8</b>
Additions	55.0	78.5
Utilizations and advance payments for the current fiscal year	-42.4	-68.0
Reversals	-24.4	-15.8
Exchange-rate changes	1.4	1.7
<b>As at December 31</b>	<b>72.8</b>	<b>83.2</b>

When reconciling the income tax liabilities with the income taxes paid in the 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.

## 31. DEBT AND ADDITIONAL NOTES TO STATEMENT OF CASH FLOWS

€ million	December 31, 2022			December 31, 2021		
	Total	Current	Noncurrent	Total	Current	Noncurrent
Loans against promissory note (SSD)	200.0	–	200.0	–	–	–
Derivative instruments	10.6	10.6	–	24.4	24.4	–
Lease liabilities	236.8	44.0	192.8	244.5	45.4	199.1
Other debtt	0.3	0.3	–	–	–	–
<b>Debt</b>	<b>447.7</b>	<b>54.9</b>	<b>392.8</b>	<b>268.9</b>	<b>69.8</b>	<b>199.1</b>

The Vitesco Technologies Group issued and obtained loans against a promissory note (SSD) in the first quarter of 2022, raising a nominal volume totaling €200.0 million (previous year: –) with maturity dates in 2025, 2027, 2029, and 2032. The SSDs exist at fixed as well as variable interest rates and serve a purpose of general corporate finance. Please refer to Chapter 32 (Financial Instruments) for information regarding the use of interest rate swaps to hedge against the interest rate risk from the floating-rate tranches of the SSDs.

### Credit lines and available financing from banks

Vitesco Technologies Group AG and Vitesco Technologies GmbH, Regensburg, finalized a new revolving credit facility for €800.0 million on October 6, 2022. The preexisting credit facilities with a total volume of €800.0 million were terminated as part of this. The package of collateral that had existed up until that time was able to be released with the termination. The credit facility serves the purpose of general corporate finance. The credit agreement has an initial term of five years, with options to extend the term by a maximum of two years, and includes specific obligations and termination rights. The revolving credit facility was unused as at the end of the reporting period.

The European Investment Bank granted the Vitesco Technologies Group a credit facility of €250.0 million in December 2022 to finance research and development activities in Europe. This credit facility has not been utilized so far.



The credit lines, available financing, and guarantees from banks as at December 31, 2022, amounted to €182.9 million (previous year: €115.3 million). Of this financing, a nominal amount of €145.4 million (previous year: €81.8 million) was unused as at the end of the reporting period.

Please see Chapter 32 (Financial Instruments) for the maturity structure of the debt.

### Additional notes to the statement of cash flows

The following table showing the (net) change in short-term and long-term debt provides additional information on the consolidated statement of cash flows:

€ million	Cash				Non-cash			Dec. 31, 2021
	Dec. 31, 2022		Exchange-rate changes	Reclassifications	Changes in fair value	Changes in the scope of consolidation	Other	
Change in derivative instruments and interest-bearing investments	44.4	0.6	0.7	–	2.6	–	-0.4	40.9
Change in short-term debt	54.9	-148.3	0.3	4.7	–	-0.4	128.8	69.8
Change in long-term debt	392.8	200.0	-0.6	-4.7	–	-1.1	0.1	199.1

€ million	Cash				Non-cash			Dec. 31, 2020
	Dec. 31, 2021		Exchange-rate changes	Reclassifications	Changes in fair value	Changes in the scope of consolidation	Other	
Change in derivative instruments and interest-bearing investments	40.9	2.1	25.5	–	18.9	–	-1,050.8	1,045.2
Change in short-term debt	69.8	-66.5	6.6	-10.6	–	-0.6	-548.0	688.9
Change in long-term debt	199.1	–	9.3	10.6	–	-2.2	0.1	181.3

1) Including effects for financial transactions with the Continental Group.

## 32. FINANCIAL INSTRUMENTS

The tables below show the carrying amounts and fair values of financial assets and liabilities, with noncurrent and current items being 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.

€ million	Carrying amount as at Dec. 31, 2022					Fair value as at Dec. 31, 2021			
	FVOCIwR	FVOCIwR	FVPL	At cost	Total	Of which level 1	Of which level 2	Of which level 3	Total
<b>Financial instruments measured at fair value</b>	<b>23.8</b>	<b>29.6</b>	<b>27.8</b>	<b>–</b>	<b>81.2</b>				
Other investments	23.8	–	–	–	23.8	–	–	23.8	23.8
Derivative instruments not accounted for as effective hedging instruments	–	–	13.5	–	13.5	–	13.5	–	13.5
Derivative instruments accounted for as effective hedging instruments <sup>1</sup>	–	–	–	–	–	–	8.9	–	8.9
Debt instruments	–	–	13.2	–	13.2	–	13.2	–	13.2
Bank drafts	–	29.6	–	–	29.6	–	29.6	–	29.6
Cash and cash equivalents	–	–	1.1	–	1.1	–	1.1	–	1.1
<b>Financial instruments not measured at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,476.7</b>	<b>2,476.7</b>				
Debt instruments	–	–	–	8.8	8.8	–	–	–	–
Trade receivables	–	–	–	1,601.8	1,601.8	–	–	–	–
Other financial assets	–	–	–	86.1	86.1	–	–	–	–
Cash and cash equivalents	–	–	–	780.0	780.0	–	–	–	–
<b>Financial liabilities measured at fair value</b>	<b>–</b>	<b>–</b>	<b>10.6</b>	<b>–</b>	<b>10.6</b>				
Derivative instruments not accounted for as effective hedging instruments	–	–	10.6	–	10.6	–	10.6	–	10.6
<b>Financial liabilities not measured at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,405.6</b>	<b>2,405.6</b>				
Trade payables	–	–	–	2,003.4	2,003.4	–	–	–	–
Loans against promissory note SSD	–	–	–	200.0	200.0	–	196.4	–	196.4
Other financial liabilities	–	–	–	201.9	201.9	–	–	82.0	82.0
Other debt	–	–	–	0.3	0.3	–	–	–	–
<b>Financial assets</b>	<b>23,8</b>	<b>29,6</b>	<b>27,8</b>	<b>2,476,7</b>	<b>2,557,9</b>				
<b>Financial liabilities</b>	<b>–</b>	<b>–</b>	<b>10,6</b>	<b>2,405,6</b>	<b>2,416,2</b>				

1) Derivative instruments accounted for as effective hedging instruments are not assigned to a measurement category under IFRS 9.

€ million	Carrying amount as at Dec. 31, 2021					Fair value as at Dec. 31, 2021			
	FVOCIwoR	FVOCIwR	FVPL	At cost	Total	Of which level 1	Of which level 2	Of which level 3	Total
<b>Financial instruments measured at fair value</b>	<b>23.8</b>	<b>91.4</b>	<b>34.3</b>	<b>–</b>	<b>149.5</b>				
Other investments	23.8	–	–	–	23.8	–	–	23.8	23.8
Derivative instruments not accounted for as effective hedging instruments	–	–	19.9	–	19.9	–	19.9	–	19.9
Debt instruments	–	–	14.4	–	14.4	–	14.4	–	14.4
Bank drafts	–	91.4	–	–	91.4	–	91.4	–	91.4
<b>Financial instruments not measured at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,130.4</b>	<b>2,130.4</b>				
Debt instruments	–	–	–	6.6	6.6	–	–	–	–
Trade receivables	–	–	–	1,427.5	1,427.5	–	–	–	–
Other financial assets	–	–	–	82.3	82.3	–	–	–	–
Cash and cash equivalents	–	–	–	614.0	614.0	–	–	–	–
<b>Financial liabilities measured at fair value</b>	<b>–</b>	<b>–</b>	<b>24.4</b>	<b>–</b>	<b>24.4</b>				
Derivative instruments not accounted for as effective hedging instruments	–	–	24.4	–	24.4	–	24.4	–	24.4
<b>Financial liabilities not measured at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,170.6</b>	<b>2,170.6</b>				
Trade payables	–	–	–	1,958.2	1,958.2	–	–	–	–
Other financial liabilities	–	–	–	212.4	212.4	–	–	71.5	71.5
<b>Financial assets</b>	<b>23.8</b>	<b>91.4</b>	<b>34.3</b>	<b>2,130.4</b>	<b>2,279.9</b>				
<b>Financial liabilities</b>	<b>–</b>	<b>–</b>	<b>24.4</b>	<b>2,170.6</b>	<b>2,195.0</b>				

## 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 under IFRS 13:

- >Level 1: quoted prices in active markets for identical instruments
- >Level 2: quoted prices in active markets for similar instruments or measurement methods for which all major input factors are based on observable market data
- >Level 3: measurement methods for which the major input factors are not based on observable market data

Financial instruments allocated to the FVOCIwoR measurement category are classified as such because they are held over a long term for strategic purposes.

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. The other investments are centrally monitored with regard to any changes to the key nonobservable input factors and continuously checked for changes in value.

Please see Chapter 18 (Other Investments) for information on the changes in carrying amounts of other investments. For reasons of materiality, there is no need for a sensitivity analysis.

The measurement methods used for derivative financial instruments are explained in Chapter 2 (General Information and Accounting Principles) of the notes.

Trade receivables and payables, debt instruments measured at cost, other financial assets and liabilities measured at cost, and cash and cash equivalents generally have short remaining maturities. As a result, the carrying amounts as at the end of the reporting period are, as a rule, approximately their fair values and are not shown in the fair value hierarchy in the table. The fair value of the debt instruments accounted for at fair value is provided by external valuers. The fair values of notes receivable are calculated by discounting all future cash flows by the applicable rates for the corresponding time to maturity and factoring in a company-specific credit spread. The other financial liabilities are measured at level 3 as the contractual payments based on the Group separation agreement with the Continental Group are not underlaid by any external market data. The management's best estimate possible based on experience with similar transactions and expert opinions were used for reference.

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 the 2022 fiscal year, as in the previous year, 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 consolidated statement of income:

€ million	Net gains and losses from interest		Other net gains and losses		Total net gains and losses	
	2022	2021	2022	2021	2022	2021
Financial assets (at cost)	37.1	9.8	9.2	7.2	46.3	17.0
Financial assets and liabilities (FVPL)	1.8	3.0	-108.4	-4.8	-106.6	-1.8
Financial liabilities (at cost)	-31.2	-11.8	16.4	5.7	-14.8	-6.1

Interest income and expense from financial instruments is presented in Chapter 11 (Finance Income).

## Collateral

As at December 31, 2022, a total of €0.3 million (previous year: €3.5 million) of other financial assets had been pledged as collateral. This collateral served as security for a locally issued bank guarantee in Thailand.

## Risk management of financial instruments

Due to its international business activities and the resulting financing requirements, the Vitesco Technologies Group is exposed to default risks, risks from changes in exchange and interest rates, and liquidity risk. The management of these risks is described in the following sections.

In addition, hedging instruments are used in the Group. Their use is covered by Group-wide policies, adherence to which is regularly reviewed by internal auditors. Internal settlement risks are minimized through the clear segregation of functional areas.

Further information about the risks presented below and about risk management can be found in the risk and opportunity report within the combined management report.

## Default risks

Default risks from trade receivables, 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 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 nonderivative 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. There were no holdings of collateral within the Group as at December 31, 2022. There are no trade receivables 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 used for calculating valuation allowances are explained in Chapter 2 (General Information and Accounting Principles) of the notes.

## 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. There is a

regular review to see if there is any need to take account of risks in connection with different customer categories, sectors, or countries. No such allocation of default risk was required during the 2022 fiscal year.

The 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. Trade receivables 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, 2022, for trade receivables and contract assets whose creditworthiness was not impaired<sup>1</sup>:

€ million	December 31, 2022	December 31, 2021
not overdue	1,526.3	1,384.1
1-29 days	25.3	69.3
30-59 days	20.3	23.9
60-89 days	10.9	12.9
90-119 days	3.5	7.6
120 days or more	45.5	21.3
<b>As at December 31</b>	<b>1,631.8</b>	<b>1,519.1</b>

1) The difference of €17.0 million (previous year: €18.3 million) from the tables in chapters 6 and 23 results from trade receivables and contract assets whose creditworthiness was impaired.

In the fiscal year, lifetime expected credit losses and valuation allowances for trade receivables and contract assets whose creditworthiness was impaired developed as follows:

€ million	2022	2021
<b>As at January 1</b>	<b>17.3</b>	<b>16.0</b>
Additions	19.7	12.1
Utilizations	-5.9	-2.3
Reversals	-14.4	-8.9
Exchange-rate changes	0.2	0.4
<b>As at December 31</b>	<b>16.9</b>	<b>17.3</b>

As at December 31, 2022, valuation allowances for trade accounts receivable whose creditworthiness was impaired amounted to €12.3 million (previous year: €12.2 million).

#### Other financial assets

As in the previous year, there was no significant impairment of other financial assets. Accordingly, there was no form of other financial assets that was impaired and subject to enforcement measures.

Cash and cash equivalents, derivative instruments, and interest-bearing investments

In order to minimize the default risk for cash and cash equivalents, derivative instruments, and interest-bearing investments, the banks that are used are generally ones that at least have an investment grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the banks is monitored on an ongoing basis. In addition, the Vitesco Technologies Group sets investment limits for each bank and limits on the fair value of derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. As in the previous year, the expected credit losses from cash and cash equivalents and other interest-bearing investments measured at amortized cost are not significant.

### Currency management

The international nature of the Group's business activities results in deliveries and payments in various currencies. This gives rise to a foreign exchange risk where assets denominated in a depreciating currency lose value. In parallel with that, liabilities denominated in an appreciating currency grow more expensive. For hedging, it is allowed to use only derivative instruments that have been defined in Group-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-exchange risk

In operational currency management, actual and expected foreign currency cash flows are combined as operational foreign currency risks in the form of net cash flows for each transaction currency on a rolling twelve-month basis. These cash flows arise mainly from receipts and payments from external and intercompany transactions by the Group's subsidiaries worldwide. Hedge accounting was not used in the fiscal year or in the previous year for hedges that had been concluded. Derivative financial instruments existed as at December 31, 2022 in order to hedge against operational foreign-currency risks; they amounted to €639.8 million (previous year: €132.6 million).

As at December 31, 2022, the net foreign-exchange exposure from financial instruments that are denominated in a currency other than the functional currency of the respective subsidiary and are not allocated to net liquidity existed in euros and US dollars. The total amounts of this euro and US dollar exposure and the main local currencies affected are as follows:

	2022
€ million	EUR
CZK	60.1
CNY	33.9
HUF	22.8
Other	-61.9
<b>Total</b>	<b>54.9</b>

	2021
€ million	EUR
CZK	59.1
USD	-23.1
CNY	-22.1
Other	-11.8
<b>Total</b>	<b>2.1</b>

	2022
€ million	USD
KRW	-57.3
EUR	53.3
MXN	20.8
Other	-5.9
<b>Total</b>	<b>10.9</b>

	2021
€ million	USD
EUR	43.1
KRW	-41.0
CNY	-30.1
Other	-10.9
<b>Total</b>	<b>-38.9</b>

Of these amounts, the positive values constitute net receivables and the negative values net liabilities.

#### Financial foreign-exchange risks

In addition to operational foreign-exchange risk, currency risks also result from the Group's internal net liquidity 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 financial foreign-exchange exposure for each transaction currency. The net exposure as at December 31, 2022 was in euros and US dollars. The total amounts of these euro and US dollar exposures and the main local currencies affected are as follows:

	2022
€ million	EUR
RON	9.6
CZK	-7.2
KRW	5.5
Other	7.9
<b>Total</b>	<b>15.8</b>

	2022
€ million	USD
EUR	43.9
CNY	7.1
RON	0.1
Other	0.1
<b>Total</b>	<b>51.2</b>



	2021		2021
€ million	EUR	€ million	USD
RON	39.7	EUR	65.2
THB	5.1	CNY	4.4
CNY	3.7	MXN	-1.7
Other	0.2	Other	0.2
<b>Total</b>	<b>48.7</b>	<b>Total</b>	<b>68.1</b>

Of these amounts, the positive values constitute net receivables and the negative values net liabilities. These currency risks are generally hedged against through the use of derivative instruments, particularly currency forwards and currency swaps. The Vitesco Technologies Group does not normally hedge its net foreign investment against fluctuation in exchange rates.

#### Hedging against financial foreign-exchange risks without using hedge accounting

As at December 31, 2022, there are derivative instruments for hedging against financial foreign-currency risks from intercompany receivables and liabilities. Hedge accounting is not used for these instruments, hence their assignment to the measurement category FVPL. Corresponding currency forwards and currency swaps are reported as at December 31, 2022 in the statement of financial position under the item "Short-term derivative instruments and interest-bearing investments" in the amount of €13.5 million (previous year: €19.9 million) and under the item "current financial liabilities" in the amount of €10.6 million (previous year: €24.4 million). Their nominal volume comes to €626.0 million (previous year: €1,124.4 million) as at December 31, 2022.

#### Translation-related foreign-exchange risks

A large number of the subsidiaries are located outside the eurozone. As the reporting currency in the consolidated financial statements of the Vitesco Technologies Group is the euro, the financial statements of these companies are translated into euros. With regard to managing the risks of translation-related currency effects, it is assumed that investments in foreign companies are entered into for the long term and that earnings are reinvested. Translation-related effects that arise when the value of net asset items translated into euros changes as a result of exchange rate fluctuations are recognized directly in equity in the consolidated financial statements and are generally not hedged.

#### Sensitivity analysis

IFRS 7, Financial Instruments: Disclosures, requires a presentation of the effects of hypothetical changes in exchange rates on income and equity using a sensitivity analysis. In the Vitesco Technologies Group, the changes in the exchange rates are related to all financial instruments outstanding as at the end of the reporting period, including the effects of hedges. Forecast transactions and translation-related foreign-exchange risks are not included in the sensitivity analysis. For those financial instruments with transaction currencies that differ from the functional currencies, a 10% appreciation or depreciation of the respective functional currency of the subsidiaries in relation to the identified different transaction currencies is assumed to determine the sensitivities. Hedging transactions are valued on the basis of a 10% percent change in the underlying forward or spot rates from the perspective of the local currency of the hedging Group company. The following table shows, before income tax expense, the overall effect as measured using this approach, as well as the individual effects resulting from the euro and the US dollar – the major transaction currencies – on the difference from currency translation and from financial instruments in equity and on net income.

€ million	2022		2021	
	Total equity	Net income	Total equity	Net income
<b>Local currency +10%</b>				
<b>Total</b>	–	<b>49.2</b>	–	<b>-87.5</b>
Of which EUR	–	18.6	–	27.6
Of which USD	–	-14.6	–	-6.3
<b>Local currency -10%</b>				
<b>Total</b>	–	<b>-49.2</b>	–	<b>87.5</b>
Of which EUR	–	-18.6	–	-27.6
Of which USD	–	14.6	–	6.3

## Interest rate management

Variable interest agreements and, in principle, short-term financial instruments result in a risk of rising interest rates for interest-bearing financial liabilities and falling interest rates for interest-bearing financial investments. These interest rate risks are valued and assessed as part of our interest rate management activities, partly on the basis of continuous monitoring of current and anticipated long-term and short-term interest rate developments, and are managed by means of derivative interest rate hedging instruments as needed. The Group's interest-bearing net liquidity is the subject of these activities based on the reporting date. Interest rate hedges serve exclusively to manage identified interest rate risks. Once a year, a range is determined for the targeted share of fixed-interest debt in relation to total gross debt. The Vitesco Technologies Group is not exposed to a risk of fluctuation in the fair value of noncurrent 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 Vitesco Technologies Group issued and obtained loans against promissory notes (*Schuldscheindarlehen*, SSD) in the first quarter of 2022, raising a nominal volume totaling €200.0 million (previous year: –) with maturity dates in 2025, 2027, 2029, and 2032, of which tranches totaling €104.5 million (previous year: –) have a floating rate. The variable tranches of the SSDs bear interest based on Euribor money market terms along with a surcharge. The Vitesco Technologies Group hedges against the interest rate risk associated with the floating-rate tranches by using interest rate swaps. Interest rate swaps financially transform the future interest payments that have a variable rate, and are therefore of an uncertain amount, from the floating-rate tranches of the SSDs into fixed interest payments. The fair value of the interest rate swaps is calculated by discounting the expected payments. Where it can be expected that the interest rate swaps will offset the interest-rate-driven changes in the payment flows from the floating-rate tranches of the SSDs to a sufficient extent during their term, the interest rate swaps are designated as hedging instruments in a cash flow hedge. When entering into interest rate swaps, care is taken to check that the terms of the underlying transaction (term, volume, maturity, interest payment dates, and interest rate floor) are fully hedged through the hedging transaction and that there is a hedge ratio of 100% as a result. Effectiveness is measured based on the hypothetical derivative method, which looks at the changes in the hedging instrument's fair value in proportion to the changes in the fair value of a "perfect" derivative, i.e., a hypothetical derivative that fully emulates the interest-rate-driven payment flows and changes in value of the underlying transaction. Since the hedging instruments and the hedged interest payments correspond to each other in relation to the nominal amounts, the hedged interest rates, the terms, and the payment dates, and since potential cash flow effects resulting from reforms to international reference rates – where they concern the Euribor – do not need to be considered for the duration of the hedging for the purposes of measuring effectiveness, hedge ineffectiveness can only arise from changes in the credit risk of the hedging instruments. If the change in the fair value of the hedging instrument (including the change in the credit risk)

turns out larger than the change in the fair value of the hypothetical derivative, the excess amount is immediately charged as hedge ineffectiveness. The remaining, effective part is then added to the cash flow hedge reserve in equity and only recognized in profit or loss when the hedge interest payment affects profit or loss.

As at December 31, 2022, the Vitesco Technologies Group holds interest rate swaps with a nominal volume totaling €104.5 million (previous year: –), which hedge the Euribor interest rate risk through to the year 2029 and were designated as hedging instruments in a cash flow hedge. These interest rate swaps feature an interest rate floor, analogously to the underlying transactions that are hedged.

The Vitesco Technologies Group held the following interest rate hedging instruments as at the December 31, 2022, reporting date:

€ million	Maturity			Nominal amount		Average interest rate hedged, as %		Fair value	
	2023-2025	2026-2027	2028-2029	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Interest rate swaps	33.5	45.0	26.0	104.5	–	0.8	–	8.9	–
Of which within cash flow hedges	33.5	45.0	26.0	104.5	–	0.8	–	8.9	–

The hedge ratio for all floating-rate liabilities within the Vitesco Technologies Group was 100% as at December 31, 2022 (previous year: –).

#### Interest rate risk

The profile of interest-bearing financial instruments allocated to net liquidity, taking into account the effect of the Vitesco Technologies Group's derivative instruments, is as follows:

€ million	2022	2021
<b>Fixed-interest instruments</b>		
Financial assets	15.4	8.9
Financial liabilities	437.1	244.6
<b>Floating-rate instruments</b>		
Financial assets	779.6	611.0
Financial liabilities	–	–

1) This includes SSDs with a nominal volume totaling €200.0 million, of which the floating-rate tranches of €104.5 million are hedged with interest rate swaps.

#### Cash Flow Sensitivity Analysis

The following table shows the effects an increase or a decrease in interest rates of 100 basis points would have had on the financial result. The effects would essentially result from floating-rate financial instruments. In the scenario in which there is a decrease in the pertinent interest rates, the effects were calculated for individual groups of financial instruments taking account of their contractual arrangement (particularly the interest rate floors agreed) and based on assumptions with regard to changes in the applicable interest rates for these financial instruments depending on changes in market interest rates. With regard to these assumptions, we consider it realistic, as in the previous year, that only contractually agreed interest

rate floors would limit a decrease in the relevant interest rates. As in the previous year, this analysis is based on the assumption that all other variables, and in particular exchange rates, remain unchanged.

€ million	Interest-rate increase +100 basis points		Interest rate decline -100 basis points	
	2022	2021	2022	2021
<b>Total</b>	<b>6.8</b>	<b>6.1</b>	<b>-6.8</b>	<b>-6.1</b>
Of which EUR	1.7	0.9	-1.7	-0.9
Of which CNY	2.4	2.4	-2.4	-2.4
Of which THB	0.8	0.5	-0.8	-0.5
Of which USD	0.5	0.7	-0.5	-0.7
Of which MXN	0.3	0.2	-0.3	-0.2
Of which other	1.1	1.4	-1.1	-1.4

The effect of a 100 basis point increase or decrease in the interest rates on the cash flow hedges in the consolidated statement of comprehensive income is presented in the following table:

€ million	Interest rate increase +100 basis points		Interest rate decline -100 basis points	
	2022	2021	2022	2021
<b>Total</b>	<b>3.2</b>	<b>–</b>	<b>-3.2</b>	<b>–</b>
Of which EUR	3.2	–	-3.2	–

#### Impacts of hedging on financial statements

The hedging instruments employed by the Vitesco Technologies Group are largely adapted to the underlying transactions. Accordingly, the remaining potential cause of ineffectiveness is mainly credit risk. This risk is largely reduced in accordance with internal risk management guidelines by limiting the potential derivative counterparties to those with good creditworthiness and by entering netting and close-out agreements in case of a contract breach.

The credit risk associated with the hedging instruments is taken into account when measuring fair value and calculating ineffectiveness in the form of credit value adjustments and debit value adjustments.

In the 2021 fiscal year, the Vitesco Technologies Group had no hedging instruments designated in hedging relationships

The hedging instruments that the Vitesco Technologies Group has designated in hedging relationships had the following impacts on the statement of financial position as at December 31, 2022:

Nominal amount of hedging transactions	Carrying amount of hedging transactions		Item under which hedging transactions are presented	Change in fair value for measuring effectiveness during reporting period
	Assets	Liabilities		
104.5	8.9	–	Noncurrent derivatives and interest-bearing investments	9.1

The underlying transactions designated in hedging relationships had the following impacts on the cash flow hedge reserve in equity as at December 31, 2022:

	Change in value of hedged underlying transactions used for calculating effectiveness	Cash flow hedge reserve
Hedging of interest rate risks	-9.1	9.1
Ended hedges	–	–

The above hedges had the following impacts on profit or loss or other comprehensive income during the 2022 fiscal year:

	Gain or loss on hedging recognized in cash flow hedge reserve	Ineffectiveness recognized in profit or loss	Profit or loss items recognizing ineffectiveness	Amounts reclassified from cash flow hedge reserve to profit or loss	Profit or loss items recognizing reclassified amounts
Hedging of interest rate risks	9.1	–	Net interest income	–	Net interest income

The cash flow hedge reserve developed as follows over the periods:

€ million	2022	2021
As at Jan. 1	–	–
Changes from effective hedges	9.1	–
Reclassification as cost of underlying transaction	–	–
Reclassification to profit or loss	–	–
Hedges ended due to P&L effectiveness of underlying transaction	–	–
Hedges ended due to cash flows no longer being expected	–	–
Deferred taxes	-2.7	–
<b>As at Dec. 31</b>	<b>6.4</b>	<b>–</b>

## Liquidity risks

Cost-effective, adequate financing is necessary for the subsidiaries' operating business. A liquidity forecast is therefore prepared by central cash management on a regular basis.

Various marketable financial instruments are used to meet the financial requirements. There are also cash-pooling arrangements with subsidiaries to the extent they are possible and justifiable in the relevant legal and tax situation. If events lead to unexpected financing requirements, the Vitesco Technologies Group can draw upon existing liquidity and fixed credit lines from banks.

The financial liabilities excluding lease liabilities result in the following undiscounted cash outflows over the next five years and thereafter:

Dec. 31, 2022 in € million	Up to 1 year's time to maturity	From 1 to 5 years' time to maturity	More than 5 years' time to maturity	Total
Loans against promissory note (SSD)	2.0	150.0	58.7	210.7
Derivative instruments	11.5	3.1	0.6	15.2
Variable interest from hedge accounting <sup>1</sup>	–	–	–	–
Trade accounts payable	2,003.4	–	–	2,003.4
Other financial liabilities	198.6	–	–	198.6
Other debt	0.3	–	–	0.3

1) This refers to the net of variable interest from SSDs and from interest rate swaps.

Dec. 31, 2021 in € million	Up to 1 year's time to maturity	From 1 to 5 years' time to maturity	More than 5 years' time to maturity	Total
Derivative instruments	24.4	–	–	24.4
Trade accounts payable	1,958.2	–	–	1,958.2
Other financial liabilities	205.1	7.3	–	212.4

In the analysis, foreign-currency amounts were translated into euros using the current closing rate as at the end of the reporting period. For floating-rate nonderivative 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.

### Master netting agreements and similar agreements

The Vitesco Technologies Group generally concludes business in the form of derivative instruments on the basis of the German Master Agreement on Financial Derivatives Transactions (*Deutscher Rahmenvertrag für Finanztermingeschäfte*).

According to the regulations of the German Master Agreement, the right to netting can be enforced only when future events occur, such as the insolvency of or default by a contractual party. In such cases:

> All outstanding transactions under the agreement are ended.

- > The fair value as at the time of ending is calculated, and
- > Just a single net amount is paid to settle all transactions.

The following table shows the carrying amounts of the reported stand-alone derivative instruments and any potential arising from the specified agreements subject to the occurrence of certain future events:

€ million	December 31, 2022			December 31, 2021		
	Carrying amounts	Nettable amount in case of insolvency	Net amount	Carrying amounts	Nettable amount in case of insolvency	Net amount
Financial assets	22.4	7.1	15.3	19.9	2.2	17.7
Financial liabilities	10.6	7.1	3.5	24.4	2.2	22.2

### 33. OTHER FINANCIAL LIABILITIES

€ million	December 31, 2022		December 31, 2021	
	Current	Noncurrent	Current	Noncurrent
Liabilities to related parties	82.0	–	64.2	7.3
Liabilities for selling expenses	116.7	–	140.9	–
Interest payable	3.2	–	–	–
<b>Other financial liabilities</b>	<b>201.9</b>	<b>–</b>	<b>205.1</b>	<b>7.3</b>

Liabilities for selling expenses relate in particular to obligations from bonus agreements with customers and granted and deferred price reductions.

The contractual obligations under the Group separation agreement, which was concluded between Vitesco Technologies Group AG, Regensburg, Germany; Vitesco Technologies GmbH, Regensburg, Germany; and Continental AG, Hanover, Germany on March 18, 2021, as part of the spin-off, are recognized as liabilities to related parties and are measured at cost.

### 34. TRADE PAYABLES

Trade payables as at the end of the fiscal year amounted to €2,003.4 million (previous year: €1,958.2 million). 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 payables, please see Chapter 32 (Financial Instruments).

### 35. OTHER LIABILITIES

€ million	December 31, 2022		December 31, 2021	
	Current	Noncurrent	Current	Noncurrent
Liabilities for VAT and other taxes	41.1	–	48.8	–
Deferred income	5.9	4.5	2.6	1.7
Miscellaneous liabilities	35.1	2.0	46.6	91.9
<b>Other liabilities</b>	<b>82.1</b>	<b>6.5</b>	<b>98.0</b>	<b>93.6</b>

In the 2021 fiscal year, miscellaneous liabilities comprised a prepayment from the Continental Group of €85.4 million, equivalent to USD 100.0 million, in the Contract Manufacturing segment for future deliveries from January 1, 2024. As of 31 December, 2022, the advance payment was reclassified to contract liabilities due to performance obligations.

The deferred income includes deferrals of government grants.



# OTHER DISCLOSURES

## 36. ADDITIONAL DISCLOSURES ABOUT CAPITAL MANAGEMENT

What is crucial for capital management is to safeguard broad capital-market access through various forms of borrowing and to ensure that debt can be serviced. Capital management therefore ensures that the Vitesco Technologies Group and its consolidated subsidiaries remain solvent and helps to reduce financial risks, minimize capital costs, and maintain the financial flexibility of the Vitesco Technologies Group.

To make sure that these capital management goals are met, Vitesco Technologies strives for a net debt-to-EBITDA ratio of no more than one. This key figure indicates how many years approximately it will take until the net debt can be repaid using the profits from ongoing business activities. It does not factor in interest, other finance income, tax, depreciation, amortization, or impairment. In the current fiscal year and the previous one, the Vitesco Technologies Group reported net liquidity. As such, the key figure was meaningless.

€ million	2022	2021
EBITDA	703.3	523.9
Net debt	333.4	345.1
<b>Net debt-to-EBITDA ratio</b>	<b>0.5</b>	<b>0.7</b>

The capital management instruments available to the Executive Board generally involve external borrowing and equity measures. The credit lines that exist are described in Chapter 32 (Financial Instruments).

## 37. LITIGATION AND COMPENSATION CLAIMS

Vitesco Technologies Group AG and its subsidiaries are involved in lawsuits, regulatory investigations, and proceedings worldwide. Such lawsuits, investigations, and proceedings could also be initiated or claims asserted in other ways in the future.

### Product liability and claims arising from contractual relationships

The Vitesco Technologies Group is subject in particular to product liability claims and other claims in which the Group is accused of the alleged infringement of its duty of care, violations against warranty obligations, defects of material or workmanship, or other core or secondary contractual obligations. Claims from alleged breaches of contract resulting from product recalls or government proceedings are also asserted. Among other cases, claimants in the US file lawsuits for property damage, personal injury, and death caused by alleged defects in our products. Claims for material and nonmaterial damages, and in some cases punitive damages, are asserted. No assurance can be given that Vitesco 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.

The Vitesco Technologies Group regularly analyzes current information, including its defense options and insurance coverage, to evaluate litigation risks to which the Vitesco Technologies Group is exposed and recognizes provisions for liabilities that the Vitesco Technologies Group deems likely.

## Disputes over industrial property rights

The Vitesco Technologies Group might also be subject to the industry-standard risk of being liable to pay compensation for infringements or being forced to purchase licenses to continue using technology from third parties. This risk is seen as low as the Vitesco Technologies Group avoids any potential collision of its products with the industrial property rights of third parties and monitors this on an ongoing basis.

## 38. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

€ million	December 31, 2022	December 31, 2021
Liabilities on guarantees	0.3	0.3
Liabilities on warranties	11.8	8.7
Risks from taxation and customs	0.1	0.3
Other contingent liabilities	2.0	0.8
<b>Contingent liabilities and other financial obligations</b>	<b>14.2</b>	<b>10.1</b>

As in previous years, contingent liabilities related to guarantees for the liabilities of affiliated companies and third parties not included in consolidation and to contractual warranties. To the best of our knowledge, the underlying obligations will be fulfilled in all cases. Utilization is not anticipated.

The 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 the Vitesco Technologies Group is legally liable.

## 39. EARNINGS PER SHARE

Basic earnings per share in the 2022 fiscal year were €0.59 (previous year: -€3.05), the same amount as diluted earnings per share. In both the fiscal year and the previous year, there were no dilutive effects such as interest savings on convertible bonds or warrant-linked bonds (after taxes). There were also no dilutive effects from stock option plans or the assumed exercise of convertible bonds.

€ million/number of shares	2022	2021
Net income	23.6	-122.0
Weighted average number of shares issued	40,021,196	40,021,196
<b>Basic earnings per share in €</b>	<b>0.59</b>	<b>-3.05</b>

## 40. EVENTS AFTER THE END OF THE REPORTING PERIOD

The transaction to sell the Brazilian company was completed in the first quarter of 2023.

As per January 1, 2023, Vitesco Technologies reorganised the IFRS 8 segments into the two divisions Powertrain Solutions and Electrification Solutions. With the reorganisation, the Vitesco Technologies Group intends to sharpen its strategic focus on the electrification of the powertrain in order to be able to act more effectively, efficiently and flexibly in the market for sustainable technologies.

## 41. AUDITOR'S FEES

For fiscal 2022, a global fee of €2.7 million (previous year: €2.1 million) was agreed for the audit of the consolidated financial statements and the separate financial statements of the subsidiaries.

The following fees were recognized in the Vitesco Technologies Group's expenses as at December 31, 2022 for the auditor elected for Vitesco Technologies Group AG at the Annual General Meeting.

The following fees relate only to services directly connected with Vitesco Technologies Group AG and its German subsidiaries:

€ million	2022	2021
Audit of financial statements	2.0	1.8
Other assurance services	0.3	0.8
Tax advisory services	–	–
Other services provided to the parent company or its subsidiaries	0.1	–
<b>Total</b>	<b>2.4</b>	<b>2.6</b>

The audit of financial statements primarily comprises the fees for the audit of the consolidated financial statements of the Vitesco Technologies Group, the auditor's review of the quarterly financial statements, and the legally mandated audits of Vitesco Technologies Group AG and its consolidated subsidiaries. The fees for other assurance services in the 2022 fiscal year were attributable to legally mandated, contractually agreed, or voluntarily contracted assurance services.

The values to be disclosed according to HGB § 314(1)(9) are determined pursuant to IDW RS HFA 36 in the new version dated September 8, 2016. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, and its registered branches are deemed the auditor.

## 42. TRANSACTIONS WITH RELATED PARTIES

## Remuneration of the Executive Board and the Supervisory Board

The remuneration of the Vitesco Group's key management personnel that must be disclosed in accordance with IAS 24 Related Party Disclosures comprises the remuneration of the active members of the Executive Board and the Supervisory Board.

The active members of the Executive Board in the relevant fiscal years and the directors of Vitesco Technologies GmbH prior to the spin-off were remunerated as follows:

€ thousand	2022	2021
Short-term benefits	5,411	2,868
Service cost relating to post-employment benefits	1,884	841
Termination benefits	–	–
Share-based payment	2,888	994
<b>Total</b>	<b>10,182</b>	<b>4,703</b>

The expenses in the 2022 fiscal year for short-term benefits for members of the Executive Board of Vitesco Technologies Group AG came to roughly €5.4 million (previous year: €2.9 million). The disclosure for the previous year reflects the expense for members of the Executive Board of Vitesco Technologies Group AG from the time of the spin-off and for the management of Vitesco Technologies GmbH, Regensburg, prior to the spin-off. The short-term benefits consist of base remuneration, fringe benefits, and the payment amount for the single-year variable remuneration. On top of that, there were also deferred shares for the performance bonus amounting to roughly €1.9 million (previous year: €1.0 million).

The single-year variable remuneration (performance bonus) for the Executive Board is dependent on the achievement of financial performance criteria and a nonfinancial personal contribution factor for individual Executive Board members during the relevant fiscal year. The financial performance criteria are based on the Company's key performance indicators and comprise EBIT, ROCE, and free cash flow. In addition, the Supervisory Board can also set personal performance criteria for individual or all Executive Board members. Target achievement against the financial performance criteria and against the personal contribution factor are linked with each other using a multiplier. The amount paid for single-year variable remuneration is limited to a maximum of 200% of the target amount.

Beyond that, the Executive Board members received allocations from the Vitesco Technologies LTI 2022-2025. This plan is released in annual tranches based on an assessment period of four years. The LTI payment is based on an individual target amount agreed by contract, the Company's two performance criteria called "relative total shareholder return" (TSR) and "sustainability score," and changes in the Company's share price. In the 2022 fiscal year, 61,417 virtual shares in the Company were allotted as part of the Vitesco Technologies LTI 2021-2024, equivalent to an allotment value of approximately €2.8 million (previous year: LTI 2019 (converted) €1.2 million, Vitesco Technologies LTI 2021-2024 €0.5 million, CLIP 2021-2024 (converted) €0.2 million). The disclosure for the previous year reflects the allotment value for members of the Executive Board of Vitesco Technologies Group AG from the time of the spin-off and for the management of Vitesco Technologies GmbH, Regensburg, prior to the spin-off.

The total remuneration awarded in the 2022 fiscal year for the Executive Board of Vitesco Technologies Group AG therefore came to €10.2 million (previous year: €5.0 million). The disclosure for the previous year reflects the total remuneration for members of the Executive Board of Vitesco Technologies Group AG from the time of the spin-off and for the management of Vitesco Technologies GmbH, Regensburg, prior to the spin-off.

As in the previous year, there were no former members of the Executive Board or surviving dependents in the 2022 fiscal year. No active Executive Board member has retired to date. As in the previous year, no provisions were recognized.

Remuneration paid to the members of the Supervisory Board of Vitesco Technologies Group AG, including meeting attendance payments, totaled €2.0 million in the past fiscal year (previous year: €0.5 million).

No advances or loans were granted to members of the Executive Board or Supervisory Board of Vitesco Technologies Group AG in 2022.

The table below shows the transactions with related parties other than subsidiaries:

€ million	Income		Purchases		Accounts receivable		Accounts payable	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Continental Group</b>								
Ordinary business activities	1,337.2	1,302.9	827.1	1,019.2	147.1	187.6	609.1	712.4
Leases	–	–	0.3	0.7	–	–	26.3	27.0
Financing	–	4.9	–	8.4	–	–	–	–
Others	–	–	10.5	–	3.7	3.7	82.0	71.5
<b>Schaeffler Group</b>								
Ordinary business activities	46.2	33.6	20.7	17.7	13.5	11.8	4.0	2.6
<b>Other related parties</b>								
Ordinary business activities	1.6	–	1.0	–	0.6	1.6	–	–
Financing	–	–	–	–	0.9	0.9	–	–
<b>Total</b>	<b>1,385.0</b>	<b>1,341.4</b>	<b>859.6</b>	<b>1,046.0</b>	<b>165.8</b>	<b>205.6</b>	<b>721.4</b>	<b>813.5</b>

Transactions with related parties other than subsidiaries were conducted on an arm's length basis. Ordinary business activities comprise the purchase or sale of goods as well as rendered or received services.

The sale of assets and business operations to the Continental Group produced a gain of €3.3 million (previous year: €64.4 million). The net carrying amount of the sold assets came to €35.2 million (previous year: €44.7 million). The Vitesco Technologies Group in the 2022 fiscal year purchased assets of an amount of €5.6 million (previous year: €67.3 million).

The liabilities toward the Continental Group based on ordinary business activities are explained in Chapter 35 (Other Liabilities).

The other liabilities toward the Continental Group are explained in Chapter 33 (Other Financial Liabilities).

## Notifications pursuant to the German Securities Trading Act

From the start of the fiscal year to the time of the preparation of the financial statements, we received the following notifications in accordance with German Securities Trading Act (*Wertpapierhandelsgesetz*, WpHG) § 40(1) on holdings in Vitesco Technologies Group AG. In the event of the same party reaching, exceeding, or falling below the threshold stated in this provision on multiple occasions, only the most recent notification is shown. Notifications from earlier fiscal years about

the existence of voting rights shares of at least 3% are still disclosed as at the end of the reporting period. The provisions for notifications from fiscal years prior to 2018 relate to the version of the WpHG valid until January 2, 2018.

Harris Associates Investment Trust, Boston, Massachusetts, US, notified us that its voting rights share in Vitesco Technologies Group AG as at March 7, 2022, was 3.00% (corresponding to 1,200,115 voting rights).

Harris Associates L.P., Wilmington, US, notified us that its voting rights share in Vitesco Technologies Group AG as at March 29, 2022, was 2.95% (corresponding to 1,180,377 voting rights).

Ninety One Plc, London, UK, notified us that its voting rights share in Vitesco Technologies Group AG as at November 10, 2022, was 4.82% (corresponding to 1,929,314 voting rights).

- > 4.82% of these voting rights (1,929,314 voting rights) are attributed to the company in accordance with WpHG §§ 33 and 34.

Morgan Stanley, Wilmington, Delaware, US, notified us that its voting rights share in Vitesco Technologies Group AG as at November 19, 2021, was 3.78%.

- > 1.88% of these voting rights (753,923 voting rights) are attributed to the company in accordance with WpHG § 34.
- > 0.61% of these voting rights (242,313 voting rights) are attributed to the company as instruments in accordance with WpHG § 38(1)(1) (lent securities).
- > 1.29% of these voting rights (517,296 voting rights) are attributed to the company as instruments in accordance with WpHG § 38(1)(2) (contract for difference).

ASW Privatstiftung, Graz, Austria, notified us that its voting rights share in Vitesco Technologies Group AG as at December 3, 2021, was 5.00% (corresponding to 2,001,100 voting rights).

Bank of America Corporation, Wilmington, Delaware, US, notified us that its voting rights share in Vitesco Technologies Group AG as at January 5, 2022, was 4.34%.

- > 1.58% of these voting rights (632,755 voting rights) are attributed to the company in accordance with WpHG § 34.
- > 0.80% of these voting rights (318,830 voting rights) are attributed to the company as instruments in accordance with WpHG § 38(1)(1) (lent securities).
- > 1.96% of these voting rights (784,417 voting rights) are attributed to the company as instruments in accordance with WpHG § 38(1)(2) (contract for difference).

By way of a letter dated September 15, 2021, we received notification that:

- > the voting rights share that IHO Beteiligungs GmbH, Herzogenaurach, Germany holds in Vitesco Technologies Group AG is 10.00%
- > the voting rights share that IHO Verwaltungs GmbH, Herzogenaurach, Germany holds in Vitesco Technologies Group AG is 35.98%
- > 46.03% of the voting rights in Vitesco Technologies Group AG are attributed to Maria-Elisabeth Schaeffler-Thumann in accordance with WpHG § 22(1)(1)

- > 46.03%<sup>1</sup> of the voting rights in Vitesco Technologies Group AG are attributed to Georg F.W. Schaeffler in accordance with WpHG § 22(1)(1)

In the 2022 fiscal year and up until March 6, 2023, inclusively, the members of the Executive Board held shares representing a total interest of less than 1% of the capital stock of the Company.

Shares representing 54.94% of the voting capital stock of the Company were attributable to Supervisory Board members Georg F. W. Schaeffler and Prof. Siegfried Wolf. In the 2022 fiscal year and up until March 6, 2023, inclusively, the other members of the Supervisory Board held shares representing a total interest of less than 1% of the capital stock of the Company.

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1) 49.94% according to shareholder register as per December 31, 2022.

## 43. LIST OF SHAREHOLDINGS OF THE GROUP

List of interests held by the Vitesco Technologies Group pursuant to HGB § 313(2)



Company	Principal place of business	Share in capital, as a %
I. Affiliated companies		
Germany		
Vitesco Technologies 1. Verwaltungs GmbH	Regensburg	100.0
Vitesco Technologies 2. Verwaltungs GmbH	Regensburg	100.0
Vitesco Technologies Eisenach Verwaltungs GmbH	Hörselberg-Hainich	100.0
Vitesco Technologies Emitec GmbH	Lohmar	100.0
Vitesco Technologies Germany GmbH	Regensburg	100.0
Vitesco Technologies GmbH	Regensburg	100.0
Vitesco Technologies Lohmar Verwaltungs GmbH	Lohmar	100.0
Vitesco Technologies Roding GmbH	Roding	100.0
Vitesco Technologies Versicherungsdienst GmbH	Regensburg	100.0
Other countries		
Vitesco Automotive Tianjin Co., Ltd.	Tianjin, China	100.0
Vitesco Automotive Wuhu Co., Ltd.	Wuhu, China	100.0
Vitesco Automotive Changchun Co., Ltd.	Changchun, China	100.0
OOO "Vitesco Technologies RUS"	Kaluga, Russia	100.0
Vitesco Technologies México, S. de R.L. de C.V.	Silao, Mexico	100.0
Vitesco Technologies (Thailand) Co., Ltd.	Rayong, Thailand	100.0
Vitesco Technologies Canada, Inc.	Mississauga, Canada	100.0
Vitesco Technologies Czech Republic s.r.o.	Trutnov, Czech Republic	100.0
Vitesco Technologies Engineering Romania S.R.L.	Timisoara, Romania	100.0
Vitesco Technologies France S.A.S.	Toulouse, France	100.0
Vitesco Technologies Holding China Co., Ltd.	Shanghai, China	100.0
Vitesco Technologies Holding Netherlands B.V.	Maastricht, Netherlands	100.0
Vitesco Technologies Hungary Kft.	Debrecen, Hungary	100.0
Vitesco Technologies India Pvt. Ltd.	Pune, India	100.0
Vitesco Technologies Italy S.R.L.	Pisa, Italy	100.0
Vitesco Technologies Japan K.K.	Yokohama, Japan	100.0
Vitesco Technologies Korea LLC	Icheon-si, South Korea	100.0
Vitesco Technologies Maquila México, S. de R.L. de C.V.	Silao, Mexico	100.0
Vitesco Technologies Romania	Brasov, Romania	100.0
Vitesco Technologies Taiwan Co., Ltd.1	Taipeh, Taiwan	100.0

Vitesco Technologies UK Ltd.	Birmingham, United Kingdom	100.0
Vitesco Technologies USA, LLC	Wilmington, Delaware, United States	100.0
Vitesco Tecnologia Brasil Automotiva Ltda.	Salto, Brazil	100.0
Vitesco Automotive Shanghai Co., Ltd.	Shanghai, China	100.0
II. Associated companies/joint ventures		
Other countries		
Napino Control Systems Private Limited	Gurgaon, India	30.0
PV Clean Mobility Technologies Private Limited	Gurugram, India	50.0
III. Other equity interests		
IAV GmbH Ingenieurgesellschaft Auto und Verkehr <sup>2</sup>	Berlin	10.0

1) Not consolidated.

2) Proportional equity of €19.2 million as at December 31, 2021, and proportional net income of €3.3 million in 2021.

## 44. GERMAN CORPORATE GOVERNANCE CODE / DECLARATION PURSUANT TO AKTG § 161

The declaration required in accordance with AktG § 161 was issued by the Executive Board and the Supervisory Board in December 2022 and is permanently available to shareholders online in the “Investors”/“Corporate Governance” section of the Company’s website ([ir.vitesco-technologies.com](https://ir.vitesco-technologies.com)).

Regensburg, March 6, 2023

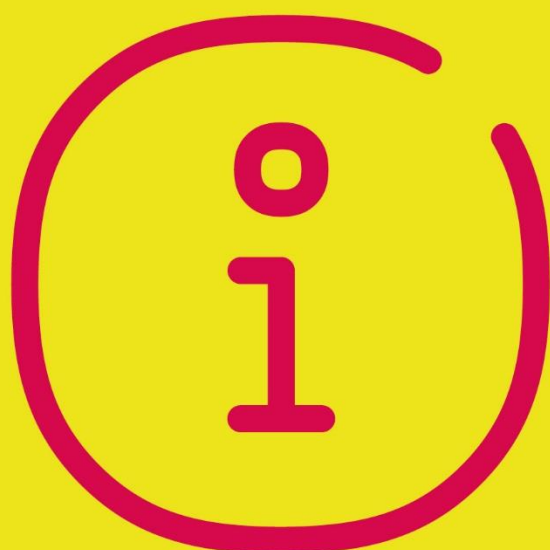
Andreas Wolf

Werner Volz

Ingo Holstein

Klaus Hau

Thomas Stierle



## FURTHER INFORMATION

## RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the earnings, finances, and assets of the Group, and the combined management report, which is consolidated with the management report for Vitesco Technologies Group AG, includes a fair presentation of the development and performance of the business and position of the Vitesco Technologies Group, together with a description of the principal opportunities and risks associated with the expected development of the Vitesco Technologies Group.

Regensburg, March 6, 2023

Vitesco Technologies Group AG

Andreas Wolf    Werner Volz    Ingo Holstein    Klaus Hau    Thomas Stierle

## MEMBERS OF THE EXECUTIVE BOARD AND THEIR POSITIONS

List of the positions held by the Executive Board members on statutory supervisory boards and on comparable controlling bodies of companies in Germany and abroad in accordance with HGB § 285(10):

**Andreas Wolf**

Chief Executive Officer (since March 9, 2021)

**Werner Volz**

Chief Financial Officer (since March 9, 2021)

**Ingo Holstein**

Chief Human Resources Officer (since March 9, 2021)

**Klaus Hau**

Member of the Executive Board (since October 4, 2021)

**Thomas Stierle**

Member of the Executive Board (since October 4, 2021)

## MEMBERS OF THE SUPERVISORY BOARD AND THEIR POSITIONS

Members holding a position as at December 31, 2022	Occupation	Member since	Membership on other supervisory boards
<b>Shareholder representatives</b>			
<b>Prof. Siegfried Wolf (Chairman)</b>	Businessman	Sep. 15, 2021	Chairman of supervisory board at SBERBANK Europe AG (until July 26, 2022) and of STEYR Automotive GmbH and member of supervisory board at MIBA AG, Mitterbauer Beteiligungs AG, Continental AG until January 1, 2022, OJSC GAZ Group until December 31, 2022, Porsche Automobil Holding SE, and Schaeffler AG
<b>Prof. Hans-Jörg Bullinger</b>	Chief executive officer of Fraunhofer Zukunftsstiftung	Sep. 15, 2021	Chairman of supervisory board at Arri AG, member of supervisory board at Bauerfeind AG, CO.DON AG, and Schaeffler AG, and member of advisory board at Handtmann GmbH & Co. KG and Friedhelm Loh Stiftung & Co. KG
<b>Manfred Eibeck</b>	Businessman	Sep. 15, 2021	Member of supervisory board at CMBlu Energy AG and STEYR Automotive GmbH
<b>Susanne Heckelsberger</b>	Corporate consultant, interim manager, and director at SH Financial Management Consulting GmbH	Sep. 15, 2021	Member of supervisory board at Villeroy & Boch AG
<b>Joachim Hirsch</b>	Corporate consultant	Sep. 15, 2021	Member of supervisory board at Magna STEYR Fahrzeugtechnik AG until August 31, 2022
<b>Prof. Sabina Jeschke</b>	Manager/start-up founder/academic	Sep. 15, 2021	Member of technical advisory board at CAPHENIA GmbH and Digitalplus GmbH
<b>Klaus Rosenfeld</b>	Chief Executive Officer of Schaeffler AG	Sep. 15, 2021	Member of supervisory board at Siemens Gamesa Renewables Energy S.A. until February 18, 2022, and at Continental AG
<b>Georg F. W. Schaeffler</b>	Partner at INA-Holding Schaeffler GmbH & Co. KG and chief executive officer of IHO Verwaltungs GmbH	Sep. 15, 2021	Chairman of supervisory board at Schaeffler AG, member of supervisory board at Continental AG, and member of advisory board at ATESTEO Management GmbH



Members holding a position as at December 31, 2022	Occupation	Member since	Membership on other supervisory boards
<b>Workforce representatives</b>			
<b>Ralf Schamel (Deputy Chairman)</b>	IG Metall Corporate responsible for Continental and Vitesco Technologies, IG Metall Executive Board Member, FB Corporate Politics	Sep. 15, 2021	Member of supervisory board at Continental Automotive GmbH until October 25, 2022, designated Deputy Chairman of supervisory board of Continental Automotive Technologies GmbH since November 23, 2022
<b>Carsten Bruns</b>	Chairman of works council at Vitesco Technologies GmbH, Regensburg, and member of european central works council at Vitesco Technologies	September 15, 2021	
<b>Lothar Galli</b>	Member of central works council at Vitesco Technologies GmbH	Sep. 15, 2021	
<b>Yvonne Hartmetz</b>	Deputy chairwoman of central works council at Vitesco Technologies Germany GmbH	Sep. 15, 2021	Member of supervisory board at Vitesco Technologies Germany GmbH
<b>Michael Köppl</b>	Head of Sales, Engine Controls until December 31, 2022 Electronics Engineer	Sep. 15, 2021	Member of supervisory board at Vitesco Technologies GmbH until February 28, 2023
<b>Erwin Löffler</b>	Group manager, QualityLabs and deputy chairman of works council at Vitesco Technologies Roding GmbH	Sep. 15, 2021	
<b>Kirsten Vörkel</b>	Chairwoman of works council at Vitesco Technologies GmbH, Dortmund site and chairwoman of central works council at Vitesco Technologies GmbH	Sep. 15, 2021	Member of the supervisory board at Vitesco Technologies GmbH
<b>Anne Zeumer</b>	Deputy branch director, IG Metall Chemnitz	Sep. 15, 2021	

## Members of Supervisory Board committees

Committee	Members as at December 31, 2022
<b>Chairman's Committee (6)</b>	Prof. Siegfried Wolf (Chairman)
	Ralf Schamel
	Manfred Eibeck
	Erwin Löffler
	Georg F.W. Schaeffler
	Kirsten Vörkel
<b>Audit Committee (6)</b>	Susanne Heckelsberger (Chairwoman)
	Lothar Galli
	Yvonne Hartmetz
	Michael Köppl
	Klaus Rosenfeld
	Georg F.W. Schaeffler
<b>Conciliation Committee (4)</b>	Prof. Siegfried Wolf (Chairman)
	Georg F.W. Schaeffler
	Ralf Schamel
	Kirsten Vörkel
<b>Nomination Committee (4)</b>	Prof. Siegfried Wolf (Chairman)
	Klaus Rosenfeld
	Georg F.W. Schaeffler
	Susanne Heckelsberger
<b>Related Party Transaction Committee (4)</b>	Joachim Hirsch (Chairman)
	Manfred Eibeck
	Lothar Galli
	Michael Köppl
<b>Technology Committee (8)</b>	Prof. Hans-Jörg Bullinger (Chairman)
	Carsten Bruns
	Yvonne Hartmetz
	Joachim Hirsch
	Prof. Sabina Jeschke
	Michael Köppl
	Georg F.W. Schaeffler
	Ralf Schamel

Committee for emissions-related issues (6)	Prof. Siegfried Wolf (Chairman)
	Yvonne Hartmetz
	Susanne Heckelsberger
	Joachim Hirsch
	Ralf Schamel
	Kirsten Vörkel

## INDEPENDENT AUDITOR'S REPORT

Addressed to Vitesco Technologies Group AG, Regensburg

### AUDITOR'S OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

#### Conclusions

We have audited the consolidated financial statements of Vitesco Technologies Group AG, Regensburg, and its subsidiaries (the "Group" or "Vitesco Group"), consisting of the consolidated statement of financial position as at December 31, 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2022, along with the notes to the consolidated financial statements and including a summary of significant accounting policies. In addition, we have audited the management report for the Company and the Group (hereafter referred to as "combined management report") of Vitesco Technologies Group AG for the fiscal year from January 1 to December 31, 2022.

In accordance with German statutory provisions, we did not audit the content of the elements of the combined management report that are specified in the appendix to the auditor's report.

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

- > The enclosed consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to HGB § 315e(1) and, in compliance with these provisions, provide a fair presentation of the net assets and finances of the Group as at December 31, 2022 and earnings for the fiscal year from January 1 to December 31, 2022 and
- > the appended combined management report as a whole provides an accurate picture of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements, and fairly presents the opportunities and risks of future development. Our audit conclusion regarding the combined management report does not cover the content of the elements of the combined management report that are specified in the appendix to the auditor's report.

Pursuant to HGB § 322(3) first sentence, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the combined management report.

#### Basis for the conclusions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with HGB § 317 and the EU Audit Regulation (No. 537/2014; the "EU-AR"), taking into account the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). We additionally followed the International Standards on Auditing (ISA) as we conducted our audit of the consolidated financial statements. Our responsibilities under these requirements, principles, and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and Combined Management Report section in our auditor's report.

We are independent of the consolidated companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Furthermore, we declare pursuant to EU-AR Art. 10(2)(f) that we have not carried out any prohibited nonaudit services referred to in EU-AR Art. 5(1). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

### **Key matters in the auditing of the consolidated financial statements**

Key audit matters are such matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2022. These matters were taken into account in connection with our audit of the consolidated financial statements as a whole and in forming our audit conclusion; we do not provide a separate audit conclusion for these matters.

### **Impairment of goodwill**

Please refer to the Goodwill and Write-Downs chapters in the notes to the consolidated financial statements for information about the accounting policies applied and the assumptions used. Details about the amount of goodwill can be found in the notes to the consolidated financial statements in Chapter 14. Goodwill and other intangible assets

### **RISK FOR FINANCIAL STATEMENTS**

As at December 31, 2022, goodwill amounted to €816.1 million. Comprising 27% of the Group's equity, goodwill therefore plays a significant role for the Group's assets. Goodwill is tested annually at the level of the cash-generating units regardless of indicators. If there are triggering events as at the end of a quarterly reporting period, event-based impairment testing is performed for the relevant quarterly reporting date. Impairment testing involves the carrying amount being compared with the recoverable amount for the relevant operating segment. If the carrying amount exceeds the recoverable amount, an impairment loss must be recognized. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the cash-generating units. The impairment test is complex and based on a number of discretionary assumptions. These include the expected business and earnings development of the cash-generating units, the long-term growth rates that are assumed, and the discount rate that is used. The market capitalization of Vitesco Technologies Group AG in the 2022 fiscal year was well below the net assets of the Vitesco Group. Because of this deviation, event-based impairment testing was carried out for goodwill in all cash-generating units. The impairment testing performed did not result in the Vitesco Group needing to recognize any impairment. No additional impairment loss was identified during the annual impairment testing either. There is a risk for the consolidated financial statements that impairment requiring recognition as of the end of a reporting period goes undetected. There is also a risk that the associated disclosures in the notes to the consolidated financial statements are not appropriate.

### **OUR AUDIT APPROACH**

With the support of our measurement specialists, we assessed, among other things, the suitability of the key assumptions as well as the Company's measurement model for event-based and annual impairment testing. To this end, we discussed the expected business and earnings development as well as the assumed long-term growth rates with those responsible for the planning. Moreover, we carried out a consistency check of the expected payment flows against the planning created by the Executive Board and the budget approved by the Supervisory Board for the next year. We additionally assessed the consistency of the assumptions with external market forecasts. Furthermore, we examined the Company's previous

planning accuracy by comparing plans from earlier fiscal years with the results that were actually realized and analyzed any deviations. To check that the measurement model had been implemented using appropriate methodology and mathematics, we replicated the measurement made by the Company using our own calculations and analyzed any deviations. We compared the assumptions and data underlying the discount rate, especially the risk-free rate, market risk premium, and beta coefficient, with our own assumptions and publicly available data. In order to take the existing forecast uncertainty into account, we investigated the impact of possible changes in the revenue, the discount rate, and the EBIT margin on the recoverable amount by calculating alternative scenarios and comparing them with the values stated by the Company (a sensitivity analysis). We also studied and applied due criticism to the explanation given by the Company's legal representatives as to why the sum of the recoverable amounts was higher than the market capitalization of the parent company. Finally, we assessed whether the disclosures in the notes regarding the impairment of goodwill were appropriate.

## OUR CONCLUSIONS

The measurement model underpinning the event-based and annual impairment testing of goodwill is appropriate and consistent with the applicable measurement principles. The assumptions and data of the Company's legal representatives that underpin the measurement are suitable. The associated disclosures in the notes to the consolidated financial statements are appropriate.

## Measurement of miscellaneous financial liabilities for indemnification obligations to Continental AG in connection with the Group-separation agreement

Please refer to the Financial Liabilities chapter in the notes to the consolidated financial statements for information about the accounting policies applied and the assumptions used. Information about the amount of the financial liability for indemnification obligations to Continental AG in connection with the Group-separation agreement can be found in the notes to the consolidated financial statements in Chapter 33, Other Financial Liabilities.

## RISK FOR FINANCIAL STATEMENTS

Vitesco Technologies Group AG had, as at December 31, 2022, recognized a financial liability of €82.0 million in its consolidated financial statements for potential indemnification obligations to Continental AG in connection with the Group-separation agreement. The basis for this is an arrangement made between the Vitesco Technologies Group AG, Vitesco Technologies GmbH, and Continental AG as part of the spin-off. The provisions of the Group-separation agreement place an obligation on the Vitesco Group to indemnify companies in the Continental Group for costs and liabilities attributable to the business units that were transferred to the Vitesco Group. These costs and liabilities can include fines and other expenses, especially legal expenses. The Executive Board of the Vitesco Group believes that it is likely that Continental AG will utilize the relevant provisions in the amount recognized as a liability. This belief is based on an evaluation of the current status of the investigations against Continental AG by the Hanover and Frankfurt am Main district attorneys in connection with the alleged usage of illegal defeat devices in IC engines. The financial liability was measured at amortized cost and is based on estimates by the Executive Board. There is a risk for the consolidated financial statements that the financial liability recognized is of an insufficient amount.

## OUR AUDIT APPROACH

To audit the financial liability for potential indemnification obligations to Continental AG in connection with the Group-separation agreement, we questioned a number of individuals including the Executive Board and the points of contact for General Accounting, Corporate Compliance, and Corporate Legal. In addition, we obtained information from the lawyers who work for the Vitesco Group and appraised the documents and records underlying that information.

## OUR CONCLUSIONS

The assumptions of the Company's officers are appropriate.

## Other information

The legal representatives and the Supervisory Board are responsible for the other information. Other information includes:

> the elements of the combined management report that are specified in the appendix to the auditor's report and the contents of which are not audited.

The other information additionally includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the audited disclosures in the combined management report, or our corresponding auditor's opinion.

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

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

> is materially inconsistent with the consolidated financial statements, with the audited disclosures in the combined management report, or our knowledge obtained in the audit, or  
 > otherwise appears to be materially misstated.

## Responsibilities of the legal representatives and Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of consolidated financial statements that comply, in all material respects, with the IFRS as applicable in the EU and the additional requirements of German commercial law pursuant to HGB § 315e(1) and that the consolidated financial statements, in compliance with these requirements, provide a fair presentation of the assets, finances, and earnings of the Group. Furthermore, the legal representatives are responsible for facilitating the internal controls they have deemed necessary for ensuring that the consolidated financial statements are free of material misrepresentations due to fraud (i.e., manipulation of the accounts and asset misappropriation) or error.

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

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

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

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

Our aim is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report overall provides a fair presentation of the position of the Group and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements, and fairly presents the opportunities and risks of future developments. Our aim is also to issue an auditor's opinion that contains our audit conclusions regarding the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU-AR and in compliance with the generally accepted German standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW) and additionally in compliance with the ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and combined management report.

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

- > We exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore:
- > We identify and assess the risks of material misstatement in the consolidated financial statements and in the combined management report, whether due to fraud or error; we design and perform audit procedures responsive to those risks; and we obtain audit evidence that is sufficient and appropriate to provide a basis for our conclusions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- > We obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of precautions and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, although not for the purpose of issuing a conclusion about the effectiveness of these systems.
- > We evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates made by the legal representatives and related disclosures.
- > We draw conclusions concerning the appropriateness of the legal representatives' 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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's opinion to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective conclusions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's opinion. However, future events or circumstances may cause the Group to cease to be able to continue as a going concern.
- > We assess the overall presentation, structure, and content of the consolidated financial statements, including the provided information, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements comply with the IFRS as adopted by the EU and additionally with the requirements of German law pursuant to HGB § 315e(1) and provide a fair presentation of the assets, finances, and earnings of the Group.



- > We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and the Group management report. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinions.
- > We evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with applicable law, and the presentation of the position of the Group it provides.
- > We perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the forward-looking statements or the assumptions used as a basis. There is a substantial and unavoidable risk that future events will differ materially from the forward-looking statements.

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

We issue a statement to those responsible for monitoring to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence, and, if applicable, the actions or safety measures taken to eliminate these dangers to independence.

From the matters that we have discussed with those responsible for monitoring, we determine which matters were most important during the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the independent auditor's report, unless laws or other legal provisions preclude their public disclosure.

## OTHER STATUTORY REQUIREMENTS

Report on the audit of the electronic reproduction of the consolidated financial statements and of the combined management report created for disclosure purposes in accordance with HGB § 317(3a).

Report on the audit of the electronic reproduction of the consolidated financial statements and of the combined management report created for disclosure purposes in accordance with HGB § 317(3a).

In accordance with HGB § 317(3a), we conducted an audit to obtain reasonable assurance on whether the electronic reproductions of the consolidated financial statements and combined management report contained in the provided file, entitled "vitesco-2022-12-31-de.zip" (SHA256 hash value: 81c006a5ae1ecc5fbf46b0598eb769a11e016e07b3eb34d0d156fd1129e28322), that were created for disclosure purposes (also referred to here as the "ESEF documents") satisfy the requirements of HGB § 328(1) relating to the electronic-reporting format ("ESEF format") in all material respects. In compliance with the German legal requirements, this audit covers only the conversion of the information in the consolidated financial statements and the combined management report into the ESEF format and therefore neither the information contained in these reproductions nor other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and of the combined management report contained in the provided above-mentioned file and created for disclosure purposes meet the requirements of Section 328(1) HGB relating to the electronic reporting format in all material respects. Beyond this opinion and our opinions on the

en-closed consolidated financial statements and the enclosed combined management report for the fiscal year from January 1 to December 31, 2022, contained in the preceding chapter entitled Auditor's Opinion on the Consolidated Financial Statements and Combined Management Report, we do not issue any opinion whatsoever on the information contained in these reproductions or on the other information contained in the above-mentioned file.

We conducted our audit of the reproductions of the consolidated financial statements and of the combined management report contained in the above-mentioned file provided to us in accordance with HGB § 317(3a) and IDW Auditing Standard: Audit of the Electronic Reproductions of Annual Financial Statements and Management Reports Created for Disclosure Purposes in Accordance with HGB § 317(3a) (IDW PS 410 [June 2022]). Our responsibility based on this standard is described in more detail below. Our audit practice has applied the requirements for quality-assurance systems set out in IDW Quality Assurance Standard: Requirements for Quality Assurance in Auditing Practice (IDW QS 1).

The legal representatives of the Company are responsible for drawing up the ESEF documents with the electronic reproductions of the consolidated financial statements and of the combined management report pursuant to HGB § 328(1)(4)(1) and for marking up the consolidated financial statements pursuant to HGB § 328(1)(4)(2).

In addition, the legal representatives of the Company are responsible for such internal control as they have deemed necessary to enable the creation of ESEF documents that are free from material violations, whether due to fraud or error, of the requirements of HGB § 328(1) relating to the electronic-reporting format.

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

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether due to fraud or error, of the requirements of HGB § 328(1). We exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore:

- > We identify and assess the risks of material breaches of the requirements of HGB § 328(1), whether due to fraud or error; we design and perform audit procedures responsive to those risks; and we obtain audit evidence that is sufficient and appropriate to provide a basis for our conclusions.
- > We obtain an understanding of the internal controls relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, although not for the purpose of providing a conclusion about the effectiveness of these controls.
- > We assess the technical validity of the ESEF documents, i.e., whether the provided file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, as applicable at the end of the reporting period, relating to the technical specification for this file.
- > We assess whether the ESEF documents enable the audited consolidated financial statements and the audited combined management report to be reproduced in XHTML with the same contents.
- > We assess whether the markup in the ESEF documents using inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815 enables an appropriate and fully machine-readable XBRL copy of the XHTML reproduction.

#### Other disclosures in accordance with EU-AR Article 10

We were elected as the auditor of the consolidated financial statements at the Annual General Meeting on May 5, 2022. We were engaged by the Supervisory Board on November 21, 2022. We have been the auditor of the consolidated financial statements of Vitesco Technologies Group AG without interruption since the 2021 fiscal year.

We declare that the audit conclusions provided in this auditor's opinion are consistent with the additional report to the Audit Committee pursuant to EU-AR Article 11 (audit report).

### Other matters – usage of this opinion

Our auditor's opinion must always be read in connection with the audited consolidated financial statements, audited combined management report, and audited ESEF documents. The ESEF versions of the consolidated financial statements and combined management report – including the versions that must be filed with the corporate register – are merely electronic reproductions of the audited consolidated financial statements and audited combined management report and are not a replacement for these documents. In particular, the ESEF version of the auditor's opinion and the audit conclusions provided in it can only be used in conjunction with the audited ESEF documents that have been provided in the electronic format.

### Responsible auditor

The auditor responsible for the audit is Isabell Zimmermann.

Munich, March 10, 2022

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Signed Huber-Straßer                      Signed Zimmermann

Auditor                                      Auditor

### Appendix to auditor's report: Elements and cross-references of the combined management report for which we did not audit the contents

We did not audit the contents of the following elements of the combined management report:

- > The corporate-governance statement for the Company and the Group, which is referred to in the combined management report.
- > The combined nonfinancial statement for the Company and the Group, which is incorporated in the combined management report.
- > The disclosures beyond the scope of management commentary as listed below. Disclosures beyond the scope of management commentary in the combined management report consist of such disclosures as are neither prescribed by HGB §§ 315, 315a or HGB §§ 315b to 315d nor stipulated by German Accounting Standard (DRS) 20. Chapter: Risk and Opportunity Report, Subsection: Risk Management.

## OVERVIEW – GROUP

		2022	2021	2020	2019	2018
<b>Statement of financial position</b>						
Non-current assets	€ million	3,809.8	3,879.1	3,732.6	3,967.0	3,845.3
Current assets	€ million	3,793.9	3,529.0	4,329.1	4,444.1	5,202.4
Total assets	€ million	7,603.7	7,408.1	8,061.7	8,411.1	9,047.7
Shareholders' equity (excl. non-controlling interests)	€ million	3,061.7	2,688.3	2,648.6	3,122.0	5,049.0
Non-controlling interests	€ million	–	–	–	56.9	45.1
Total equity (incl. non-controlling interests)	€ million	3,061.7	2,688.3	2,648.6	3,178.9	5,094.1
Equity ratio <sup>1</sup>	%	40.3	36.3	32.9	37.8	56.3
Capital expenditure <sup>2</sup>	€ million	492.7	599.5	480.0	782.4	684.1
Free cash flow	€ million	123.2	113.3	-455.7	55.4	35.6
Net indebtedness	€ million	333.4	345.1	405.7	919.6	1,904.0
Gearing ratio	%	-10.9	-12.8	15.3	-28.9	-37.4
<b>Income statement</b>						
Revenue	€ million	9,070.0	8,348.5	8,027.7	9,092.5	9,143.1
Share of foreign sales	%	81.8	83.9	82.8	83.0	82.7
Cost of sales <sup>3</sup>	%	87.2	86.6	86.8	86.7	84.8
Research and development costs (net) <sup>3</sup>	%	7.3	8.3	8.5	8.0	7.8
Distribution and logistics costs <sup>3</sup>	%	1.6	1.7	1.9	2.1	2.0
General administrative costs <sup>3</sup>	%	2.3	2.6	3.2	2.9	1.4
EBITDA	€ million	703.3	523.9	252.9	179.8	635.5
EBITDA <sup>3</sup>	%	7.8	6.3	3.2	2.0	7.0
EBIT	€ million	143.3	39.5	-324.3	-635.2	184.2
EBIT <sup>3</sup>	%	1.6	0.5	-4.0	-7.0	2.0
ROCE	%	5.2	1.6	-11.5	-22.7	5.2
Personnel expenses	€ million	2,112.9	1,974.7	1,834.5	2,053.6	1,917.2
Depreciation and amortization <sup>4</sup>	€ million	560.0	484.4	577.2	814.9	451.3
Net income attributable to the shareholders of the parent	€ million	23.6	-122.0	-376.7	-659.9	86.5
<b>Dividend and earnings per share<sup>5</sup></b>						
Dividend for the fiscal year	€ million	–	–	–	–	–
Number of shares as at December 31	million	40.0	40.0	–	–	–
Dividend per share <sup>5</sup>	€	–	–	–	–	–
Net income (per share) attributable to the shareholders of the parent	€	0.59	-3.05	–	–	–
<b>Employees</b>						
Annual average		37,964	38,958	39,539	40,844	40,877

1) Including noncontrolling interests.

2) Capital expenditure on property, plant, and equipment and software. Including IFRS 16 Leases since 2019.

3) As a percentage of sales.

4) Excluding impairment on financial investments.

5) Subject to approval at Annual General Meeting on May 17, 2023.

## FINANCIAL CALENDAR

### 2023

Annual Financial Press Conference	March 23
Analyst and Investor Conference Call	March 23
Quarterly Statement as at March 31, 2023	May 12
Annual General Meeting	May 17
Half-Year Financial Report as at June 30, 2023	August 10
Quarterly Statement as at September 30, 2023	November 14

### 2024

Annual Financial Press Conference	March
Analyst and Investor Conference Call	March
Annual General Meeting	May
Quarterly Statement as at March 31, 2024	May
Half-Year Financial Report as at June 30, 2024	August
Quarterly Statement as at September 30, 2024	November

## PUBLICATION DETAILS

The annual report, the annual financial statements, the half-year financial report, and the interim reports are available online in the “Investors” section of our website at [ir.vitesco-technologies.com](http://ir.vitesco-technologies.com).

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