HALF-YEAR FINANCIAL REPORT JUNE 30, 2023

KEY FIGURES

	January 1 to June 30		Second Quarter	
€ million	**2023**	2022	**2023**	2022
Sales	4,755.8	4,423.6	2,441.6	2,165.0
EBITDA	305.9	342.7	183.5	170.2
As % of sales	6.4	7.7	7.5	7.9
EBIT	-8.9	66.3	16.4	28.7
As % of sales	-0.2	1.5	0.7	1.3
Adjusted sales[1]	4,755.8	4,411.5	2,441.6	2,162.4
Adjusted operating result (adjusted EBIT)[2]	113.4	82.6	76.3	34.9
As % of adjusted sales	2.4	1.9	3.1	1.6
Free cash flow	-61.7	49.8		
Net liquidity	212.8	340.3		
Gearing ratio as a %[3]	-7.2	-10.8		
Total equity	2,952.8	3,153.8		
Equity ratio as a %	38.9	40.4		
Number of employees (as at June 30)[4]	38,158	37,664		

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) Defined as the ratio of net liquidity to equity.
4) Excluding apprentices/trainees.

VITESCO TECHNOLOGIES SHARE PRICE

Developments in Vitesco Technologies' share price

Following a turbulent year for the stock market in 2022, the shares of Vitesco Technologies Group Aktiengesellschaft (Vitesco Technologies Group AG) and its subsidiaries (the Company, Vitesco Technologies, or the Vitesco Technologies Group) made a successful start to the new stock market year. The beginning of the year in particular continued to be characterized by high inflation figures and associated interest rate hikes by the US Federal Reserve and the European Central Bank, among others. At the time the annual financial report was published on March 23, Vitesco Technologies' stock was already trending around the €60.00 mark and was able to continue its positive share price. In the run-up to the publication of the figures for the first quarter of 2023, the share price was slightly below the €65.00 mark. Although the quarterly figures did not provide any further impetus at first, the company's announcements in the second quarter regarding the expansion of partnerships with semiconductor manufacturers generated positive comments from analysts. These contributed significantly to the stock closing trading at €75.45 at the end of the quarter.
The share price of Vitesco Technologies Group AG performed significantly better than the SDAX and STOXX Europe 600 Automobile & Parts over the first half of the year with an outperformance of 26.7% and 17.5% respectively.

Compared to the year-end closing price of €54.25 in 2022, the share price of Vitesco Technologies Group AG increased by 39.1% in the first half of 2023. The market capitalization of Vitesco Technologies amounted to €3,019.6 million as at June 30, 2023. Vitesco Technologies free float has not changed since publication of the annual report and remains at 45.1%. Market capitalization based on the free float averaged €1,281.3 million over the last 20 trading days of the reporting period. Trading volumes on XETRA totaled €389.3 million in the first half of 2023. An average of just under 48,000 shares were traded on XETRA per day of trading in the first six months of 2023, equivalent to about 0.1% of outstanding shares. Of the 70 SDAX stocks, the Vitesco Technologies stock came first in free-float market capitalization as at June 30, 2023.

Following the takeover of Software AG and the associated fast exit from the MDAX and TecDAX indexes, Vitesco Technologies Group AG was included to the MDAX with effect from July 25, 2023.

Developments in the German stock market

After most equity indexes fell sharply in 2022 due to rising interest rates and recession concerns, the equity markets were able to make up for a large part of these losses in the first six months of 2023.

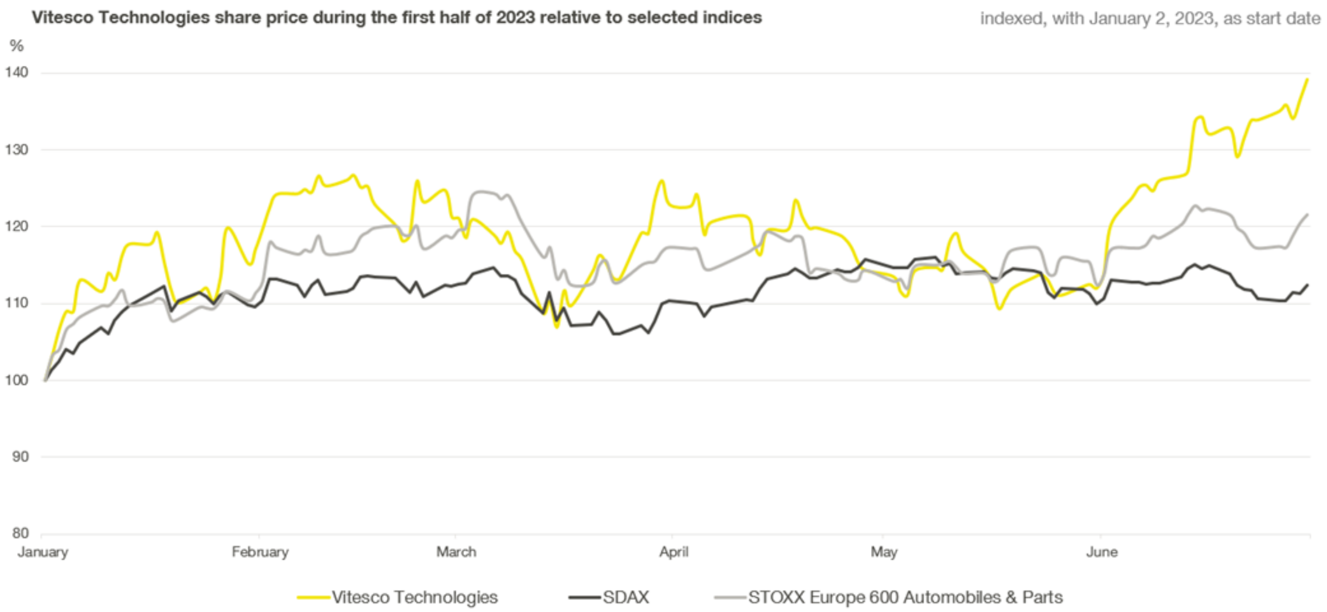
Weak economic data, persistently high inflation rates, and the more restrictive monetary policies of central banks are factors that have continued to weigh on the stock market. However, despite the negative sentiment, expectations of higher corporate profits have certainly risen, resulting in a new all-time high for the DAX index (intraday high of 16,427 points on June 16, 2023).

The SDAX benchmark index, which is important for Vitesco Technologies, also developed positively. At the end of June, the SDAX stood at 13,401 points, an increase of 12.4% compared with the end of 2022.

Developments in automotive stocks

In automotive stocks, expectations of improved chip availability and a general recovery in global supply chains were offset by inflation concerns and fears of recession.

Similar to the SDAX, the STOXX Europe 600 Automobile & Parts also performed positively and was 641 points at the end of June. This corresponds to an increase of 21.5% compared to the 527 points at year-end 2022.



Vitesco Technologies credit rating

Vitesco Technologies Group AG was not rated by a credit-rating agency during the reporting period.

Vitesco Technologies Investor Relations online

Further information about Vitesco Technologies' shares is available on the Internet at ir.vitesco-technologies.com.

INTERIM GROUP MANAGEMENT REPORT

ECONOMIC REPORT

GENERAL CONDITIONS

Macroeconomic development

The global economic recovery slowed during the reporting period. While supply chains stabilized further and logistics costs returned to early 2022 levels, inflation remained high, thus limiting household purchasing power.
In its World Economic Outlook Update in July 2023, the International Monetary Fund (IMF) forecast slightly improved growth of 3.0% (previously: 2.9%). Global headline inflation is expected to decrease from 8.7% in 2022 to 6.8% in 2023. Underlying (core) inflation is expected to decelerate at a slower pace.

Growth in the eurozone is expected to be slightly better at 0.9% (previously: 0.7%). For Germany, however, the weak phase of manufacturing output and the decline of the economy in the first quarter of 2023 means a 0.4 percentage point reduction in growth to –0.3%. The forecast for China remains unchanged at 5.2%.

Expectations of economic growth in 2023 (in %)

	WEO Update June 2023	WEO Update January 2023
Europe		
Germany	-0.3%	0.1%
Eurozone	0.9%	0.7%
United Kingdom	0.4%	-0.6%
America		
USA	1.8%	1.4%
Mexico	2.6%	1.7%
Asia		
China	5.2%	5.2%
India	6.1%	6.1%
Japan	1.4%	1.8%
South Korea	1.4%	1.7%
World	**3.0%**	**2.9%**

Source: IMF, World Economic Outlook Update June 2023, July 2023.

Developments in the production of passenger cars and light commercial vehicles

A stronger recovery in production was visible in the first half of 2023, driven by the stabilization of supply chains. For Europe, this represented a year-over-year increase of 16.5%. North America also recorded an increase of 12.0%, while China's vehicle production increased by 7.2%. Globally, vehicle production increased by 11.2%.

Year-over-year developments in the Production of Passenger Cars and Light Commercial Vehicles (in %)

	January 1 to June 30, 2023	2023
Europe	16.5%	7% to 9%
North America	12.0%	6% to 8%
China	7.2%	0% to 2%
World	**11.2%**	**3% to 5%**

Source: S&P Global Mobility, Light Vehicle Production Forecast, 07/2023, and internal estimates.

EARNINGS, FINANCIAL, AND NET ASSETS POSITION

	January 1 to June 30		Second Quarter	
€ million	**2023**	2022	**2023**	2022
Sales	4,755.8	4,423.6	2,441.6	2,165.0
EBITDA	305.9	342.7	183.5	170.2
As % of sales	6.4	7.7	7.5	7.9
EBIT	-8.9	66.3	16.4	28.7
As % of sales	-0.2	1.5	0.7	1.3
Adjusted sales[1]	4,755.8	4,411.5	2,441.6	2,162.4
Adjusted operating result (adjusted EBIT)[2]	113.4	82.6	76.3	34.9
As % of adjusted sales	2.4	1.9	3.1	1.6
Research and development expenses (net)	392.3	367.9	198.9	188.5
As % of sales	8.2	8.3	8.1	8.7
Depreciation and amortization[3]	314.8	276.4	167.1	141.5
Of which impairment[4]	57.1	6.0	40.4	5.5
Capital expenditure[5]	209.8	198.4	104.0	126.1
As % of sales	4.4	4.5	4.3	5.8
Number of employees as at June 30[6]	38,158	37,664		

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 impairment of financial investments.
4) Impairment also includes any required reversal of impairment losses.
5) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
6) Excluding apprentices/trainees.

REORGANIZATION

Starting in the fiscal year 2023, Vitesco Technologies significantly increased its focus on the electrification business. The Vitesco Technologies Group’s previous four Divisions – Electronic Controls, Electrification Technology, Sensing & Actuation, and Contract Manufacturing – have been merged into two newly organized units: the Powertrain Solutions Division and the Electrification Solutions Division. Below the Divisions, there are clearly allocated business units. This also applies to the relevant central functions, which were relocated from the previous Business Units to the Divisions. In this context, we have adjusted the allocation of our research and development expenses to the respective Divisions according to the origination principle.

The benefit of the new organizational structure is greater centralization, ensuring an increased ability to respond to market changes. It also makes more effective use of existing management capabilities and significantly increases transparency, especially in relation to the progress of transformation in Powertrain Solutions and the growth of electrification business. With this structural adjustment, Vitesco Technologies is further sharpening its strategic focus on the electrification propulsion to operate even more effectively, efficiently, and flexibly in the market for sustainable drive technologies.

EARNINGS

Sales

Compared to the first six months of the previous year, Group sales increased by 7.5% to €4,755.8 million (previous year: €4,423.6 million). Adjusted for effects from changes in the scope of consolidation and exchange rates, this represents an increase of 7.8%. Semiconductor supplies still had a negative impact on sales in some areas in 2023. Successful negotiations about passing on increased manufacturing costs to customers had a positive effect in the first half of the year.

EBIT

The Group's EBIT decreased by €75.2 million to –€8.9 million (previous year: €66.3 million). The return on sales was –0.2% (previous year: 1.5%). The persistently high manufacturing costs, driven by higher material, energy, and personnel costs, were partly passed on to customers in the form of price increases. Losses in connection with the sale of business units, impairment of goodwill, and impairment of assets held for sale led to a reduction in operating income.

Adjusted EBIT

The adjusted operating income of Vitesco Technologies increased by 37.3% compared with the first six months of the previous year, coming in at €113.4 million (previous year: €82.6 million). This corresponds to an adjusted EBIT margin of 2.4% (previous year: 1.9%) based on adjusted sales.

Special topics in the first half of 2023

Vitesco Technologies recorded negative special topics of €122.2 million in the first half of 2023. Of this amount, €100.8 million were attributable to the Powertrain Solutions Division, €1.7 million to the Electrification Solutions Division, and €19.7 million to the holding company.

Due to indications of possible impairment and other key assumptions for determining the value in use of a cash-generating unit, such as free cash flow, the discount rate, the discount rate's parameters, and sustainable growth rates, goodwill in the Hydraulics & Turbocharger unit was impaired by €16.7 million (previous year: –).

The net effect of impairment and reversals of impairment of property, plant, and equipment was an expense of €40.6 million (Powertrain Solutions: impairment of €40.8 million, Electrification Solutions: impairment reversal of €0.2 million). This was mainly due to €40.5 million impairment of assets held for sale in the Powertrain Solutions Division.

There were negative special topics for severance payments totaling €2.7 million (Powertrain Solutions €1.6 million, Electrification Solutions €1.1 million).

Adjustments to restructuring provisions resulted in expenses of €0.3 million in the Electrification Solutions Division.

Restructuring-related activities generated income of €1.4 million in the Powertrain Solutions Division.

The disposal of business units belonging to the Powertrain Solutions Division resulted in a disposal loss of €43.1 million, which was mainly due to the reclassification of the currency conversion reserve. There were no material effects on the earnings of the Vitesco Technologies Group in connection with the sale of the parts of the company as at June 30, 2023.

The ongoing relocation of production lines from the Continental Group to Vitesco Technologies resulted in negative effects of €0.6 million in the first half of 2023 (Powertrain Solutions €0.1 million, Electrification Solutions €0.5 million).

Vitesco Technologies incurred additional expenses of €19.7 million for obligations in connection with emission issues.

Special topics in the first half of 2022

Vitesco Technologies had negative special topics of €11.7 million in the first half of 2022. Of this amount, €1.0 million was attributable to the Powertrain Solutions Division, €9.0 million to the Electrification Solutions Division, and €1.7 million to the holding company.

Impairment of property, plant, and equipment were €5.4 million (Powertrain Solutions €1.2 million, Electrification Solutions €4.2 million).

There were negative special topics for severance payments totaling €2.9 million (Powertrain Solutions €1.1 million, Electrification Solutions €1.8 million).

The reversal of restructuring provisions that were no longer needed resulted in income totaling €7.7 million (Powertrain Solutions €6.5 million, Electrification Solutions €1.2 million).

Restructuring-related charges resulted in expenses of €5.0 million in the Powertrain Solutions Division.

The sale of Vitesco Technologies Delavan LLC, Delavan, Wisconsin, US generated income totaling €3.8 million (Powertrain Solutions €2.5 million, holding company €1.3 million).

In the first half of 2022, the relocation of the Continental Group's production lines to Vitesco Technologies resulted in further negative effects of €6.9 million (Powertrain Solutions €2.7 million, Electrification Solutions €4.2 million).

The holding company incurred additional expenses of €3.0 million for its obligations to conduct an investigation in connection with emission issues.

Financial result

In the first half of 2023, finance income increased year-on-year by €11.3 million to –€8.3 million (previous year: –€19.6 million). Interest income improved by €1.7 million to –€5.3 million (previous year: –€7.0 million). The income from changes in the fair value of derivatives and other measurement effects increased by €9.6 million to –€3.0 million (previous year: –€12.6 million).

Income tax

Taxes on income for the interim reporting period in the first half of 2023 amounted to a tax expense of €47.3 million (previous year: €21.3 million). The tax rate during the reporting period was 275.0% (previous year: 45.6%). The allocation of research and development expenses in line with the origination principle has a positive effect on the tax rate.

FINANCIAL

Cash flow development

The Group’s free cash flow decreased year-on-year by €111.5 million to –€61.7 million (previous year: €49.8 million).

The cash inflow arising from operating activities decreased, mainly as a result of the increase in working capital, dropping by €41.7 million to €171.7 million (previous year: €213.4 million).

The cash outflow for investing activities amounted to €233.4 million (previous year: €163.6 million). Capital expenditure on property, plant, and equipment and software increased by €26.2 million from €164.6 million to €190.8 million, largely due to new projects in the Electrification Solutions Division. In the first half of 2023, the sale of production facilities, in particular from the planned reduction of Contract Manufacturing activities for the Continental Group, resulted in a cash inflow of €23.0 million (previous year: €25.5 million).

Cash flow from financing activities decreased by €159.2 million to –€34.0 million (previous year: €125.2 million). While the first half of 2022 was characterized by the issuance of loans against a promissory note (SSD) in the amount of €200.0 million, the cash outflow in the first half of 2023 mainly resulted from payments for lease liabilities.

Financing and debt

Gross financial liabilities amounted to €459.3 million as at June 30, 2023, slightly above the figure of €447.7 million as at December 31, 2022. These include the loans against a promissory note in the amount of €200.0 million, which was taken out the year before in 2022. Other financial liabilities are mainly current and noncurrent lease liabilities in the amount of €227.4 million (December 31, 2022: €236.8 million).

On June 30, 2023, the Vitesco Technologies Group had net liquidity of €212.8 million, which is below the figure of €333.4 million on December 31, 2022. The gearing ratio (net liquidity to equity) is –7.2%, compared to –10.9% on December 31, 2022.

As at June 30, 2023, the Vitesco Technologies Group had a total liquidity buffer of €1,722.1 million (December 31, 2022: €1,831.1 million). Cash and cash equivalents decreased from €781.1 million on December 31, 2022, to €672.1 million as at June 30, 2023. In addition, there are committed, unused lines of credit with a volume of €1,050.0 million (December 31, 2022: €1,050.0 million).

NET ASSETS POSITION

Statement of financial position

Total assets decreased slightly by €15.1 million compared with December 31, 2022, to €7,588.6 million (previous year: €7,603.7 million).

Noncurrent assets decreased by €159.9 million compared with December 31, 2022, to €3,649.9 million (previous year: €3,809.8 million). Goodwill decreased by €22.2 million due to a €16.7 million valuation adjustment and exchange rate impacts, and was at €793.9 million (previous year: €816.1 million). Other intangible assets increased by €47.7 million to €259.1 million as a result of the capitalization of development expenditure (previous year: €211.4 million). Property, plant, and equipment decreased by €156.9 million to €2,257.7 million (previous year: €2,414.6 million). The main reason for this was the reclassification as assets held for sale. Deferred tax assets were down €15.2 million at €256.6 million (previous year: €271.8 million).

Current assets increased by €144.8 million compared with December 31, 2022, to €3,938.7 million (previous year: €3,793.9 million). The €91.2 million increase in inventories to €918.4 million (previous year: €827.2 million) is in particular related to the buildup of material inventories. Trade accounts receivable rose by €26.5 million to €1,657.9 million (previous year: €1,631.4 million). At €672.1 million, cash and cash equivalents were €109.0 million lower than on December 31, 2022 (€781.1 million). Assets held for sale increased by €161.0 million to €282.8 million (previous year: €121.8 million).

Due mainly to exchange rate fluctuation and the decline in retained earnings, equity decreased by €109.0 million compared to December 31, 2022, and stands at €2,952.8 million (previous year: €3,061.7 million). The equity ratio fell to 38.9% (previous year: 40.3%).

Noncurrent liabilities, including provisions, declined by €139.5 million to €1,158.6 million (previous year: €1,298.1 million). The reclassification of liabilities as liabilities held for sale was the main driver, alongside a reclassification of contract liabilities in the amount of €86.3 million as current liabilities.

Current liabilities, including provisions, increased by €233.3 million to €3,477.2 million (previous year: €3,243.9 million).

DEVELOPMENTS IN THE POWERTRAIN SOLUTIONS DIVISION

	January 1 to June 30			Second Quarter		
€ million	**2023**	2022	Δ	**2023**	2022	Δ
Sales	3,240.2	3,192.0	48.2	1,632.5	1,553.7	78.8
EBITDA	344.8	394.9	-50.1	187.3	199.7	-12.4
As % of sales	10.6	12.4	-1.8	11.5	12.9	-1.4
EBIT	125.7	210.9	-85.2	69.1	107.0	-37.9
As % of sales	3.9	6.6	-2.7	4.2	6.9	-2.7
Adjusted sales[1]	3,240.2	3,180.0	60.2	1,632.5	1,551.2	81.3
Adjusted operating result (adjusted EBIT)[2]	226.5	216.0	10.5	109.2	104.7	4.5
As % of adjusted sales	7.0	6.8	0.2	6.7	6.7	0.0
Research and development expenses (net)	207.9	152.5	55.4	101.9	81.0	20.9
As % of sales	6.4	4.8	1.6	6.2	5.2	1.0
Depreciation and amortization[3]	219.1	184.0	35.1	118.2	92.7	25.5
Of which impairment[4]	57.3	1.2	56.1	40.4	0.9	39.5
Operating assets as at June 30	1,727.3	1,721.1	6.2			
Capital expenditure[5]	78.2	91.9	-13.7	42.2	61.6	-19.4
As % of sales	2.4	2.9	-0.5	2.6	4.0	-1.4
Number of employees as at June 30[6]	23,302	23,742	-440			

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 impairment of financial investments.
4) Impairment also includes any required reversal of impairment losses.
5) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
6) Excluding apprentices/trainees.

Sales

In the first half of 2023, the Powertrain Solutions Division generated sales of €3,240.2 million (previous year: €3,192.0 million), a 1.5% increase. When adjusted for changes in the scope of consolidation and exchange rate effects, sales increased by 1.4%. The slight increase in sales was achieved by charging cost increases to customers, while sales in Contract Manufacturing declined as planned.

Decrease in EBIT

In the first half of 2023, the Powertrain Solutions Division recorded a year-on-year decline in its EBIT by €85.2 million to €125.7 million (previous year: €210.9 million). This was due to losses of €43.1 million from the disposal of business units and companies, €40.5 million from the impairment of assets held for sale, and €16.7 million from the impairment of goodwill. The return on sales fell to 3.9% (previous year: 6.6%).

For the Powertrain Solutions Division, the expenditure on special topics in 2023 totaled €100.8 million (previous year: €1.0 million). For further details, please refer to our comments about the special topics in 2023 and 2022 in the Earnings chapter.

Increase in adjusted EBIT

The adjusted EBIT of the Powertrain Solutions Division in the first half of 2023 increased year-on-year by €10.5 million, or 4.9%, to €226.5 million (previous year: €216.0 million), corresponding to 7.0% (previous year: 6.8%) of adjusted sales.

Research and development

Research and development expenses (net) rose by €55.4 million or 36.3% year-on-year to €207.9 million (previous year: €152.5 million), equivalent to 6.4% of sales (previous year: 4.8%).

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment increased year-on-year by €35.1 million to €219.1 million (previous year: €184.0 million), corresponding to 6.8% of sales (previous year: 5.8%). This included an impairment loss of €40.5 million on assets held for sale and an impairment loss €16.7 million on goodwill in 2023.

Operating assets

Compared with the previous year, the operating assets of the Powertrain Solutions Division increased by €6.2 million to €1,727.3 million (previous year: €1,721.1 million).

Working capital increased by €197.7 million at €545.2 million (previous year: €347.5 million). Inventories decreased by €21.6 million to an amount of €621.6 million (previous year: €643.2 million). Operating trade accounts receivables fell by €9.4 million to €1,105.4 million (previous year: €1,114.8 million). Operating liabilities decreased by €228.7 million to €1,181.8 million (previous year: €1,410.5 million).

Noncurrent operating assets stood at €1,798.1 million (previous year: €2,204.0 million), a reduction of €405.9 million. Mainly as a result of impairment, Goodwill decreased by €21.3 million to €539.4 million (previous year: €560.7 million). At €1,209.5 million, property, plant, and equipment were €362.7 million below the previous year’s level of €1,572.2 million, mainly due to the sale of property, plant, and equipment to the Continental Group and their reclassification as assets held for sale. Other intangible assets fell by €21.5 million to €28.1 million (previous year: €49.6 million).

Capital expenditure (additions)

Additions to the Powertrain Solutions Division decreased by €13.7 million year-on-year to €78.2 million (previous year: €91.9 million). The capital expenditure ratio was 2.4% (previous year: 2.9%).

Employees

The number of employees in the Powertrain Solutions Division fell by 440 to 23,302 (previous year: 23,742). This was primarily the result of the transfer of production capacities in the Contract Manufacturing Business Unit to the Continental Group and the implementation of planned restructuring measures.

DEVELOPMENTS IN THE ELECTRIFICATION SOLUTIONS DIVISION

	January 1 to June 30			Second Quarter		
€ million	**2023**	2022	Δ	**2023**	2022	Δ
Sales	1,542.0	1,260.4	281.6	825.2	626.1	199.1
EBITDA	-9.4	-39.0	29.6	17.6	-18.6	36.2
As % of sales	-0.6	-3.1	2.5	2.1	-3.0	5.1
EBIT	-105.0	-131.3	26.3	-31.3	-67.3	36.0
As % of sales	-6.8	-10.4	3.6	-3.8	-10.7	6.9
Adjusted sales[1]	1,542.0	1,260.3	281.7	825.2	626.1	199.1
Adjusted operating result (adjusted EBIT)[2]	-103.2	-121.8	18.6	-31.2	-60.5	29.3
As % of adjusted sales	-6.7	-9.7	3.0	-3.8	-9.7	5.9
Research and development expenses (net)	184.4	215.3	-30.9	96.9	107.4	-10.5
As % of sales	12.0	17.1	-5.1	11.7	17.2	-5.5
Depreciation and amortization[3]	95.6	92.3	3.3	48.9	48.7	0.2
Of which impairment[4]	-0.2	4.9	-5.1	–	4.7	-4.7
Operating assets as at June 30	1,241.3	1,073.6	167.7			
Capital expenditure[5]	131.4	106.5	24.9	61.6	64.5	-2.9
As % of sales	8.5	8.4	0.1	7.5	10.3	-2.8
Number of employees as at June 30[6]	14,794	13,872	922			

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 impairment of financial investments.
4) Impairment also includes any required reversal of impairment losses.
5) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
6) Excluding apprentices/trainees.

Sales

In the first half of 2023, sales in the Electrification Solutions Division increased by 22.3% year-on-year to €1,542.0 million (previous year: €1,260.4 million). When adjusted for changes in the scope of consolidation and exchange rate effects, sales increased by 23.5%.

Increase in EBIT

In the first half of 2023, the Electrification Solutions Division recorded a year-over-year increase of €26.3 million, or 20.0%, in its EBIT, bringing it to –€105.0 million (previous year: –€131.3 million). Its return on sales improved to –6.8% (previous year: –10.4%).

For the Electrification Solutions Division, special topics in the first half of 2023 produced total expense of €1.7 million (previous year: €9.0 million). For further details, please refer to our comments about the special topics in 2023 and 2022 in the Earnings chapter.

Increase in adjusted EBIT

The adjusted EBIT of the Electrification Solutions Division in the first half of 2023 increased year-on-year by €18.6 million, or 15.3%, to –€103.2 million (previous year: –€121.8 million), corresponding to –6.7% (previous year: –9.7%) of adjusted sales.

Research and development

Research and development expenses (net) fell by €30.9 million to €184.4 million (previous year: €215.3 million), equivalent to 12.0% of sales (previous year: 17.1%). In the first half of 2023, the capitalization of development expenditure amounted to €70.2 million (previous year: €33.0 million).

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment increased year-on-year by €3.3 million to €95.6 million (previous year: €92.3 million), corresponding to 6.2% of sales (previous year: 7.3%). This includes reversals of impairment losses of an amount of €0.2 million (previous year: impairment of €4.9 million).

Operating assets

The operating assets of the Electrification Solutions Division increased year-on-year by €167.7 million to €1,241.3 million (previous year: €1,073.6 million).

Working capital decreased by €31.4 million to €73.0 million (previous year: €104.4 million). Due to material availability, inventories increased by €50.1 million to €296.9 million (previous year: €246.8 million). Given the increased sales by the end of the reporting period, operating trade accounts receivables increased by €112.6 million to €610.2 million (previous year: €497.6 million). In the same period operating liabilities increased by €194.1 million to €834.1 million (previous year: €640.0 million).

Operating noncurrent assets amount to €1,558.8 million (previous year: €1,364.4 million), an increase of €194.4 million. At €1,047.7 million, property, plant, and equipment were €117.2 million above the previous year’s level of €930.5 million. Other intangible assets climbed by €87.5 million to €231.0 million (previous year: €143.5 million).

Capital expenditure (additions)

Driven by capital expenditure on newly received contracts, the additions to the Electrification Solutions Division increased year-on-year by €24.9 million to €131.4 million (previous year: €106.5 million). The capital expenditure ratio was 8.5% (previous year: 8.4%).

Employees

The number of employees in the Electrification Solutions Division increased by 922 to 14,794 (previous year: 13,872).

RISK AND OPPORTUNITY REPORT

We described our risk management system in detail in our 2022 annual report and presented the material risk categories and individual risks that could have significant negative impacts on our business, earnings, financial, and net assets position along with our material opportunities.

Our assessments of some of the topics presented in it changed during the reporting period. In particular, Vitesco Technologies is exposed to the risks in the multi-tier supplier network of not being able to pass on enormously increased costs to its customers. Due to the development in the external environment and the effect of our countermeasures, we consider this risk to be reduced.

A new, significant risk has been identified in the field of tax risks. As a result of a tax audit of the Continental carve-out, Vitesco Technologies is exposed to tax risks from the 2019 carve-out. As part of the carve-out in 2019, the Powertrain business operations were transferred from German Continental companies to German Vitesco Technologies companies via asset deals. The carve-out is one of the focal points of the ongoing tax audit of the Continental Group in Germany. The income on the disposal through the asset deals is being questioned as part of this. If the purchase price were increased, the Group separation agreement provides for Continental being entitled to compensation from Vitesco Technologies for any additional tax that may be incurred. The risk concerns Vitesco Technologies Germany GmbH. To mitigate the risk to Vitesco Technologies, the Vitesco Technologies Head of Tax is involved in the tax audit at Continental. Internal and external consultants are also involved. The probability of the described risk occurring is medium and the potential negative effects have been classified as low.

The overall risk situation of the Vitesco Technologies Group has decreased slightly.

No risks were identified that, either individually or in combination with other risks, could jeopardize the Vitesco Technologies Group as a going concern.

FORECAST REPORT AND GUIDANCE

As stated in the economic report, Vitesco Technologies continues to expect an increase in the production of passenger cars and commercial vehicles for 2023 compared to the previous year. The forecast takes into account all recent influences that, according to the current state of knowledge, result from the ongoing Russian invasion, the macroeconomic situation, and production adjustments caused by further persistent shortages in the supply of semiconductor materials.

The forecast on the figures for global vehicle production remains unchanged from the numbers presented in the report for the first quarter of 2023 and in the annual report for 2022. Vitesco Technologies continues to expect that the number of vehicles produced will increase by about 3% to 5% year-on-year. However, there are minor changes in the regional distribution. The European and North American markets are seen as the main drivers of the increase in vehicle production. Europe is expected to record higher growth of around 7% to 9% (previously: 5% to 7%). North America is also expected to grow more strongly at around 6% to 8% (previously: 5% to 7%). By contrast, only slight growth of around 0% to 2% (previously: 1% to 3%) is forecast for China.

In light of the unchanged assumptions for the rest of the fiscal year, Vitesco Technologies confirms its full-year guidance for 2023 as presented in the 2022 annual report and the report for the first quarter of 2023.

Potential production adjustments by OEMs, economic developments in key sales markets, and the continued possibility of further interest rate hikes to combat inflation all contribute to a high level of uncertainty remaining in the company's guidance.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED STATEMENT OF INCOME

		January 1 to June 30		Second Quarter	
€ million	See Note	**2023**	2022	**2023**	2022
Sales	6	**4,755.8**	**4,423.6**	**2,441.6**	**2,165.0**
Cost of sales		-4,058.4	-3,842.6	-2,060.7	-1,899.8
Gross margin		**697.4**	**581.0**	**380.9**	**265.2**
Research and development costs		-504.1	-498.1	-267.6	-257.0
Selling and logistics costs		-69.8	-71.6	-37.1	-36.1
General administrative costs		-121.1	-92.8	-58.4	-48.3
Other income		182.8	232.3	100.5	137.2
Other expenses		-194.8	-85.3	-102.4	-32.6
Income from equity-accounted investees		0.7	0.8	0.5	0.3
EBIT		**-8.9**	**66.3**	**16.4**	**28.7**
Interest income		18.0	15.6	10.2	11.1
Interest expense		-23.3	-22.6	-10.9	-9.7
Effects from currency translation		8.0	-30.9	-1.0	-33.9
Effects from changes in the fair value of derivative instruments, and other valuation effects		-11.0	18.3	-2.6	28.7
Financial result		**-8.3**	**-19.6**	**-4.3**	**-3.8**
Result before income tax		**-17.2**	**46.7**	**12.1**	**24.9**
Income tax	8	-47.3	-21.3	-25.9	11.8
Net income		**-64.5**	**25.4**	**-13.8**	**36.7**
Basic earnings per share in €		**-1.61**	**0.63**	**-0.34**	**0.92**
Diluted earnings per share in €		**-1.61**	**0.63**	**-0.34**	**0.92**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	January 1 to June 30		Second Quarter	
€ million	**2023**	2022	**2023**	2022
Net income	**-64.5**	**25.4**	**-13.8**	**36.7**
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans	-9.9	359.5	-11.2	237.4
Fair value adjustments	-9.9	359.8	-11.3	237.6
Currency translation	–	-0.3	0.1	-0.2
Other investments	4.4	–	4.4	–
Tax on other comprehensive income	-1.0	-20.5	-1.6	-18.1
Items that may be reclassified subsequently to profit or loss				
Currency translation	-37.6	107.4	-56.1	57.3
Cash flow hedges	-0.4	4.5	0.3	2.9
Other comprehensive income	**-44.5**	**450.9**	**-64.2**	**279.5**
Group comprehensive income	**-109.0**	**476.3**	**-78.0**	**316.2**

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ million	See Note	**June 30, 2023**	December 31, 2022
Goodwill	7	793.9	816.1
Other intangible assets		259.1	211.4
Property, plant and equipment		2,257.7	2,414.6
Shares in companies accounted for using the equity method		18.9	18.2
Other investments	11	15.2	23.8
Deferred tax assets		256.6	271.8
Defined benefit assets		9.5	10.8
Noncurrent derivative instruments and interest-bearing investments	11	22.6	24.5
Other noncurrent financial assets	11	10.7	9.9
Other noncurrent assets		5.7	8.7
Noncurrent assets		**3,649.9**	**3,809.8**
Inventories		918.4	827.2
Trade accounts receivable	11	1,657.9	1,631.4
Short-term contract assets		1.0	0.5
Short-term other financial assets	11	86.3	76.2
Short-term other assets		275.1	320.9
Income tax receivables		34.6	14.9
Short-term derivative instruments and interest-bearing investments	11	10.5	19.9
Cash and cash equivalents	11	672.1	781.1
Assets held for sale	5	282.8	121.8
Current assets		**3,938.7**	**3,793.9**
Total assets		**7,588.6**	**7,603.7**

€ million	See Note	June 30, 2023	December 31, 2022
Subscribed capital	9	100.1	100.1
Capital reserves	9	3,487.8	3,487.8
Retained earnings	9	-826.0	-761.6
Other comprehensive income	9	190.9	235.4
Total equity	9	**2,952.8**	**3,061.7**
Long-term employee benefits		545.8	524.3
Deferred tax liabilities		31.6	41.2
Noncurrent provisions for other risks and obligations		187.7	243.9
Long-term indebtedness	10, 11	381.9	392.8
Noncurrent contract liabilities		3.2	89.4
Other noncurrent liabilities		8.4	6.5
Noncurrent liabilities		**1,158.6**	**1,298.1**
Short-term employee benefits		281.9	274.1
Trade accounts payable	11	2,024.3	2,003.4
Current contract liabilities		135.7	53.5
Income tax payables		81.2	72.8
Current provisions for other risks and obligations		385.8	423.2
Short-term indebtedness	10, 11	77.4	54.9
Other current financial liabilities	11	190.1	201.9
Other current liabilities		75.2	82.1
Liabilities held for sale	5	225.6	78.0
Current liabilities		**3,477.2**	**3,243.9**
Total equity and liabilities		**7,588.6**	**7,603.7**

INTERIM CONDENSED STATEMENT OF CASH FLOWS

		January 1 to June 30	
€ million	See Note	**2023**	2022
Net income		**-64.5**	**25.4**
Income tax expense	8	47.3	21.3
Financial result		8.3	19.6
Financial result		**-8.9**	**66.3**
Interest paid		-10.0	-6.6
Interest received		12.4	12.8
Income tax paid		-78.4	-55.2
Depreciation, amortization, impairment and reversal of impairment losses	7	314.8	276.4
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses		-0.7	-0.8
Gains/losses from the disposal of assets, companies and business operations		34.5	-7.3
Changes in			
inventories		-120.6	-59.3
trade accounts receivable		-122.6	-57.8
trade accounts payable		93.1	57.2
employee benefits and other provisions		6.2	-42.3
other assets and liabilities		51.9	30.0
Cash flow arising from operating activities		**171.7**	**213.4**
Cash flow from the disposal of assets		23.0	25.5
Capital expenditure on property, plant and equipment, and software		-190.8	-164.6
Capital expenditure on intangible assets from development projects and miscellaneous		-70.1	-33.0
Cash flow from the disposal of companies and business operations		-0.3	8.5
Other investments		4.8	–
Cash flow arising from investing activities		**-233.4**	**-163.6**
Cash flow before financing activities (free cash flow)		**-61.7**	**49.8**
Change in indebtedness	10, 11	-34.0	125.2
Cash flow arising from financing activities		**-34.0**	**125.2**
Change in cash and cash equivalents		**-95.7**	**175.0**
Cash and cash equivalents at the beginning of the reporting period		781.1	614.0
Effect of exchange-rate changes on cash and cash equivalents		-15.7	21.1
Classification assets held for sale	5	2.4	–
Cash and cash equivalents at the end of the reporting period		**672.1**	**810.1**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Subscribed capital[1]	Capital reserves	Retained earnings	Difference from: Remeasure-ment of defined benefit retirement plans	Difference from: Currency translation	Difference from: Financial instruments	Total
As at January 1, 2022	**100.1**	**3,504.7**	**-802.1**	**-301.3**	**169.5**	**6.5**	**2,677.4**
Net income	–	–	25.4	–	–	–	**25.4**
Other comprehensive income	–	–	–	339.0	107.4	4.5	**450.9**
Group comprehensive income	**–**	**–**	**25.4**	**339.0**	**107.4**	**4.5**	**476.3**
As at June 30, 2022	**100.1**	**3,504.7**	**-776.7**	**37.7**	**277.0**	**11.0**	**3,153.8**
As at January 1, 2023	**100.1**	**3,487.8**	**-761.6**	**42.5**	**180.0**	**12.9**	**3,061.7**
Net income	–	–	-64.5	–	–	–	**-64.5**
Other comprehensive income	–	–	–	-10.9	-37.6	4.0	**-44.5**
Group comprehensive income	**–**	**–**	**-64.5**	**-10.9**	**-37.6**	**4.0**	**-109.0**
As at June 30, 2023	**100.1**	**3,487.8**	**-826.0**	**31.6**	**142.4**	**16.9**	**2,952.8**

1) Divided into 40,021,196 shares outstanding.

EXPLANATORY DISCLOSURES FOR THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

Starting in the fiscal year 2023, Vitesco Technologies significantly increased its focus on the electrification business. The Vitesco Technologies Group's previous four Divisions – Electronic Controls, Electrification Technology, Sensing & Actuation, and Contract Manufacturing – have been merged into two newly organized units: the Powertrain Solutions Division and the Electrification Solutions Division. Below the Divisions, there are clearly allocated business units. This also applies to the relevant central functions, which were relocated from the previous Business Units to the Divisions. In this context, we have adjusted the allocation of our research and development expenses to the respective Divisions according to the origination principle. The benefit of the new organizational structure is greater centralization, ensuring an increased ability to respond to market changes. It also makes more effective use of existing management capabilities and significantly increases transparency, especially in relation to the progress of transformation in Powertrain Solutions and the growth of electrification business. With this structural adjustment, Vitesco Technologies is further sharpening its strategic focus on the electrification propulsion to operate even more effectively, efficiently, and flexibly in the market for sustainable drive technologies.

SEGMENT REPORTING JANUARY 1 TO JUNE 30, 2023

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
External sales	3,215.3	1,540.5	–	**4,755.8**
Intercompany sales	24.9	1.5	-26.4	**–**
Sales (total)	**3,240.2**	**1,542.0**	**-26.4**	**4,755.8**
EBIT	125.7	-105.0	-29.6	**-8.9**
As % of sales	3.9	-6.8		**-0.2**
Capital expenditure[1]	78.2	131.4	0.2	**209.8**
As % of sales	2.4	8.5		**4.4**
Depreciation and amortization[2]	219.1	95.6	0.1	**314.8**
Of which impairment[3]	57.3	-0.2	–	**57.1**
Operating assets as at June 30	1,727.3	1,241.3	-94.6	**2,874.0**
Number of employees as at June 30[4]	23,302	14,794	62	**38,158**
Adjusted sales[5]	3,240.2	1,542.0	-26.4	**4,755.8**
Adjusted operating result (adjusted EBIT)[6]	226.5	-103.2	-9.9	**113.4**
As % of adjusted sales	7.0	-6.7		**2.4**

1) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
2) Excluding impairment of financial 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 JANUARY 1 TO JUNE 30, 2022

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
External sales	3,172.5	1,251.1	–	**4,423.6**
Intercompany sales	19.5	9.3	-28.8	**–**
Sales (total)	**3,192.0**	**1,260.4**	**-28.8**	**4,423.6**
EBIT	210.9	-131.3	-13.3	**66.3**
As % of sales	6.6	-10.4		**1.5**
Capital expenditure[1]	91.9	106.5	–	**198.4**
As % of sales	2.9	8.4		**4.5**
Depreciation and amortization[2]	184.0	92.3	0.1	**276.4**
Of which impairment[3]	1.2	4.9	-0.1	**6.0**
Operating assets as at June 30	1,721.1	1,073.6	-74.9	**2,719.8**
Number of employees as at June 30[4]	23,742	13,872	50	**37,664**
Adjusted sales[5]	3,180.0	1,260.3	-28.8	**4,411.5**
Adjusted operating result (adjusted EBIT)[6]	216.0	-121.8	-11.6	**82.6**
As % of adjusted sales	6.8	-9.7		**1.9**

1) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
2) Excluding impairment of financial 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 ADJUSTED AND OF EBITDA AND ADJUSTED EBIT JANUARY 1 TO JUNE 30, 2023

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
Sales	**3,240.2**	**1,542.0**	**-26.4**	**4,755.8**
Changes in the scope of consolidation[1]	–	–	–	–
Adjusted sales	**3,240.2**	**1,542.0**	**-26.4**	**4,755.8**
EBITDA	**344.8**	**-9.4**	**-29.5**	**305.9**
Depreciation and amortization[2]	-219.1	-95.6	-0.1	-314.8
EBIT	**125.7**	**-105.0**	**-29.6**	**-8.9**
Amortization of intangible assets from purchase price allocation (PPA)	–	0.1	–	0.1
Changes in the scope of consolidation[1]	–	–	–	–
Special topics				
Impairment on goodwill	16.7	–	–	16.7
Impairment[3]	40.8	-0.2	–	40.6
Restructuring	–	0.3	–	0.3
Restructuring-related expenses	-1.4	–	–	-1.4
Severance payments	1.6	1.1	–	2.7
Gains and losses from disposals of companies and business operations	43.1	–	–	43.1
Spin-off costs	0.1	0.5	–	0.6
Expenses out of obligations in connection with emissions issues	–	–	19.7	19.7
Other	-0.1	–	0.0	-0.1
Adjusted operating result (adjusted EBIT)	**226.5**	**-103.2**	**-9.9**	**113.4**

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 reporting period and for disposals in the year-over-year comparison period.
2) Excluding impairment of financial investments.
3) Impairment also includes any required reversal of impairment losses. This item does not include impairment that arose in connection with restructuring and impairment of financial investments.

RECONCILIATION OF SALES ADJUSTED AND OF EBITDA AND ADJUSTED EBIT JANUARY 1 TO JUNE 30, 2022

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
Sales	**3,192.0**	**1,260.4**	**-28.8**	**4,423.6**
Changes in the scope of consolidation[1]	-12.0	-0.1	–	-12.1
Adjusted sales	**3,180.0**	**1,260.3**	**-28.8**	**4,411.5**
EBITDA	**394.9**	**-39.0**	**-13.2**	**342.7**
Depreciation and amortization[2]	-184.0	-92.3	-0.1	-276.4
EBIT	**210.9**	**-131.3**	**-13.3**	**66.3**
Amortization of intangible assets from purchase price allocation (PPA)	–	0.2	–	0.2
Changes in the scope of consolidation[1]	4.1	0.3	–	4.4
Special topics				
Impairment on goodwill	–	–	–	–
Impairment[3]	1.2	4.2	–	5.4
Restructuring	-6.5	-1.2	–	-7.7
Restructuring-related expenses	5.0	–	–	5.0
Severance payments	1.1	1.8	–	2.9
Gains and losses from disposals of companies and business operations	-2.5	–	-1.3	-3.8
Spin-off costs	2.7	4.2	–	6.9
Expenses out of obligations in connection with emissions issues	–	–	3.0	3.0
Other	–	–	–	–
Adjusted operating result (adjusted EBIT)	**216.0**	**-121.8**	**-11.6**	**82.6**

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 reporting period and for disposals in the year-over-year comparison period.
2) Excluding impairment of financial investments.
3) Impairment also includes any required reversal of impairment losses. This item does not include impairment that arose in connection with restructuring and impairment of financial investments.

RECONCILIATION OF EBIT AND NET INCOME

	January 1 to June 30		Second Quarter	
€ million	**2023**	2022	**2023**	2022
Powertrain Solutions	125.7	210.9	69.1	107.0
Electrification Solutions	-105.0	-131.3	-31.3	-67.3
Other/Holding/Consolidation	-29.6	-13.3	-21.4	-11.0
EBIT	**-8.9**	**66.3**	**16.4**	**28.7**
Financial result	-8.3	-19.6	-4.3	-3.8
Earnings before tax	**-17.2**	**46.7**	**12.1**	**24.9**
Income tax expense	-47.3	-21.3	-25.9	11.8
Net income	**-64.5**	**25.4**	**-13.8**	**36.7**

For notes on the performance of the two Divisions (segments within the meaning of IFRS 8 Segment Reporting) of the Vitesco Technologies Group, please refer to the statements in the interim Group management report as at June 30, 2023.

2. ACCOUNTING PRINCIPLES

Vitesco Technologies Group AG and its subsidiaries (the Company or the Vitesco Technologies Group) form the subject of these condensed interim consolidated financial statements as at June 30, 2023. These interim consolidated financial statements were compiled in accordance with the International Financial Reporting Standards (IFRS) recognized by the European Union and applicable as at the end of the reporting period. These standards also include the International Accounting Standards (IAS), the interpretations issued by the International Financial Standards Interpretations Committee (IFRS IC) or its predecessor the International Financial Reporting Interpretations Committee (IFRIC), and those of the former Standing Interpretations Committee (SIC). The interim financial statements were created in compliance with IAS 34 Interim Financial Reporting in a condensed format. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements of Vitesco Technologies Group AG as at December 31, 2022. The accounting and measurement methods that were applied in the interim consolidated financial statements correspond to those that were applied for the consolidated financial statements for the 2022 fiscal year. The attained results that are presented in the interim consolidated financial statements do not necessarily represent a prediction about how business will develop during the rest of the year. The income tax expenses are calculated for the interim reporting periods by applying the effective tax rate currently expected for the Vitesco Technology Group for the 2023 fiscal year as a whole.

Some parts of the Group’s business are seasonal. However, this does not impair the comparability of the interim consolidated financial statements. All material effects from the current interim reporting period are presented in the interim report.

The interim consolidated financial statements have not been audited. They were approved for publication by the Executive Board on August 4, 2023. Additional disclosures relating to changes in estimates, the effects of the war in Ukraine, the breakdown of sales, and segment information can be found in the interim Group management report or in the interim consolidated financial statements.

The interim 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 (%).

3. COMPANIES CONSOLIDATED

The interim 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 between December 31, 2022, and June 30, 2023:

	June 30, 2023	December 31, 2022
Number of fully consolidated companies (subsidiaries)	**34**	**32**
Domestic	11	9
Foreign	23	23
Number of joint ventures	**1**	**1**
Domestic	–	–
Foreign	1	1
Number of associated companies	**1**	**1**
Domestic	–	–
Foreign	1	1

In preparation for the acquisitions and disposals of companies and business operations, two German companies and one foreign one were founded and included in the scope of consolidation. A company in Brazil was sold in the first half of 2023.

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, financial, and net assets position of the Vitesco Technologies Group.

4. ACQUISITIONS AND DISPOSAL OF COMPANIES AND BUSINESS OPERATIONS

A company belonging to the Powertrain Solutions Division was sold on February 1, 2023. This resulted in a €40.2 million loss on disposal, broken down as follows:

€ million	**June 30, 2023**
Purchase price	2.4
Carrying amount of the net assets sold	-15.9
Loss on sale before reclassification of currency-conversion reserve	**-13.5**
Reclassification of currency-conversion reserve	-26.7
Loss on sale	**-40.2**

There were no material impacts on the earnings, financial, or net assets position of the Vitesco Technologies Group in connection with the sale of the company as at June 30, 2023.

5. ASSET HELD FOR SALE

€ million	**June 30, 2023**	December 31, 2022
Other intangible assets	8.1	4.8
Property, plant and equipment	100.3	56.3
Other investments	13.0	–
Other noncurrent financial assets	1.4	0.1
Other	28.7	0.3
Noncurrent assets	**151.5**	**61.5**
Inventories	40.1	25.3
Trade accounts receivable	74.7	18.1
Cash and cash equivalents	5.0	7.3
Other	11.5	9.6
Current assets	**131.3**	**60.3**
Assets held for sale	**282.8**	**121.8**

€ million	**June 30, 2023**	December 31, 2022
Long-term employee benefits	55.1	46.4
Other	65.4	2.9
Noncurrent liabilities	**120.5**	**49.3**
Trade accounts payable	75.4	20.4
Other	29.7	8.3
Current liabilities	**105.1**	**28.7**
Liabilities held for sale	**225.6**	**78.0**

Assets held for sale (net) amounting to €57.2 million (previous year: €43.8 million) include assets totaling €157.4 million (previous year: –) and liabilities totaling €148.8 million (previous year: –) of a company in Italy. Other noncurrent provisions mainly comprise a planned restructuring. The agreement on the sale of the company was signed on June 5, 2023, and the transaction is scheduled to be completed at the end of 2023. The first-time classification based on IFRS 5 Non-current Assets Held for Sale and Discontinued Operations resulted in impairment of €40.5 million.

The other investment of 1.7% in GaN Systems Inc., Ottawa, Canada, in the amount of €13.0 million (previous year: –), is classified as assets held for sale.

Further information on the assets of €112.4 million (previous year: €102.0 million) and liabilities of €76.8 million (previous year: €73.0 million) in catalysts and exhaust filters, the sale of which was signed off on October 5, 2022, are included in the annual report as at December 31, 2022. The transaction was completed on August 1, 2023.

6. SALES FROM CONTRACTS WITH CUSTOMERS

Revenue under IFRS 15 Revenue from Contracts with Customers is presented in the following tables according to main geographic markets, segments, and customer categories.

SALES FROM CONTRACTS WITH CUSTOMERS FROM JANUARY 1 TO JUNE 30, 2023

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
Germany	494.3	382.7	-0.1	876.9
Europe excluding Germany	954.7	331.2	-13.9	1,272.0
North America	901.9	282.0	-1.3	1,182.6
Asia	835.9	533.6	-11.0	1,358.5
Other countries	53.4	12.5	-0.1	65.8
Sales by region	**3,240.2**	**1,542.0**	**-26.4**	**4,755.8**
Automotive original-equipment business	2,998.8	1,542.0	-26.4	4,514.4
Industrial/spare-parts business	241.4	–	–	241.4
Sales by customer type	**3,240.2**	**1,542.0**	**-26.4**	**4,755.8**

SALES FROM CONTRACTS WITH CUSTOMERS FROM JANUARY 1 TO JUNE 30, 2022

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
Germany	499.6	302.4	-0.7	801.3
Europe excluding Germany	898.1	354.2	-8.4	1,243.9
North America	901.1	260.1	-3.2	1,158.0
Asia	844.2	337.7	-16.5	1,165.4
Other countries	49.0	6.0	–	55.0
Sales by region	**3,192.0**	**1,260.4**	**-28.8**	**4,423.6**
Automotive original-equipment business	2,961.8	1,260.4	-28.8	4,193.4
Industrial/spare-parts business	230.2	–	–	230.2
Sales by customer type	**3,192.0**	**1,260.4**	**-28.8**	**4,423.6**

7. IMPAIRMENT

The Vitesco Technologies Group immediately reviews other intangible assets, property, plant, and equipment; investments, 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).

There were indications of possible impairment as at March 31, 2023. Based on these indications and the other key assumptions used to determine the value in use of a cash-generating unit, such as free cash flow, the discount rate, the discount rate's parameters, and sustainable growth rates, the carrying amount of the cash-generating unit (CGU) Hydraulics & Turbocharger exceeded its value in use by €171.8 million, resulting in an impairment loss of €16.7 million on goodwill (previous year: –). The impairment loss is recognized in other expenses.

The value in use was determined on the basis of the five-year bottom-up business plan approved by management. The cash flows of the CGUs were discounted using a pretax rate of 11.8% (previous year: 13.3%). This pre-tax rate (pre-tax weighted average cost of capital; pre-tax WACC) is based on the average capital structure of the relevant peer group over the past five years. The risk-free rate is 2.3% (previous year: 1.8%) and the market risk premium 6.75% (previous year: 8.00%). 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 trigger-based impairment test as at March 31, 2023, the average growth rate in the detailed planning period for the cash-generating unit Hydraulics & Turbochargers was –24.5% (previous year –24.5%). The sustained growth rate for the cash-generating units in the Powertrain Solutions Division was –1.0% (previous year: –1.0%). The growth rate does not exceed the long-term average growth rate of the markets in which the cash-generating unit is active.

The recoverable amount (value in use) of the cash-generating unit Hydraulics & Turbochargers is equivalent to the carrying amount after impairment. Changes to significant estimates and assumptions may result in further impairment.

The impairment test as at June 30, 2023 did not reveal any indications of a triggering event for an impairment test.

8. INCOME TAX

Taxes on income for the interim reporting period in the first half of 2023 amounted to a tax expense of €47.3 million (previous year: €21.3 million). The tax rate during the reporting period was 275.0% (previous year: 45.6%). The allocation of research and development expenses in line with the causation principle has a positive effect on the tax rate.

9. EQUITY

Vitesco Technologies Group Aktiengesellschaft reported retained earnings of €0.00 as at December 31, 2022, in its annual financial statements prepared pursuant to German GAAP. A resolution on the appropriation of retained earnings was not passed at the Annual General Meeting on May 17, 2023. A dividend was not paid.

10. DEBT

	June 30, 2023			December 31, 2022		
€ million	**Total**	**Current**	**Noncurrent**	Total	Current	Noncurrent
Loans against promissory note (SSD)	**200.0**	**–**	**200.0**	200.0	–	200.0
Derivative instruments	**31.9**	**31.9**	**–**	10.6	10.6	–
Lease liabilities	**227.4**	**45.5**	**181.9**	236.8	44.0	192.8
Other debt	**–**	**–**	**–**	0.3	0.3	–
Debt	**459.3**	**77.4**	**381.9**	**447.7**	**54.9**	**392.8**

The loans against promissory note (SSD) with a total nominal value of €200.0 million (previous year: €200.0 million), maturing in 2025, 2027, 2029, and 2032, have both fixed and variable interest rates and are used for general corporate finance.

Credit lines and available financing from banks

Vitesco Technologies Group AG and Vitesco Technologies GmbH, Regensburg, have a revolving credit facility of €800.0 million, which was concluded on October 6, 2022. 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.

As at June 30, 2023, there were further financing commitments and guarantees from banks in the amount of €178.2 million (previous year: €182.9 million). As at the end of the reporting period, a nominal value of €125.5 million (previous year: €145.4 million) was unused.

11. 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.

	Carrying amount as at June 30, 2023					Fair value as at June 30, 2023			
€ million	FVOCIwoR	FVOCIwR	FVPL	At cost	**Total**	Of which level 1	Of which level 2	Of which level 3	**Total**
Financial instruments measured at fair value	**15.2**	**12.3**	**21.5**	**–**	**49.0**				
Other investments	15.2	–	–	–	**15.2**	–	–	15.2	**15.2**
Derivative instruments not accounted for as effective hedging instruments	–	–	6.7	–	**6.7**	–	6.7	–	**6.7**
Derivative instruments accounted for as effective hedging instruments[1]	–	–	–	–	**–**	–	9.4	–	**9.4**
Debt instruments	–	–	13.1	–	**13.1**	–	13.1	–	**13.1**
Other financial assets	–	–	0.5	–	**0.5**	–	0.5	–	**0.5**
Bank drafts	–	12.3	–	–	**12.3**	–	12.3	–	**12.3**
Cash and cash equivalents	–	–	1.2	–	**1.2**	–	1.2	–	**1.2**
Financial instruments not measured at fair value	**–**	**–**	**–**	**2,416.9**	**2,416.9**				
Debt instruments	–	–	–	3.9	**3.9**	–	–	–	**–**
Trade accounts receivable	–	–	–	1,645.6	**1,645.6**	–	–	–	**–**
Other financial assets	–	–	–	96.5	**96.5**	–	–	–	**–**
Cash and cash equivalents	–	–	–	670.9	**670.9**	–	–	–	**–**
Financial liabilities measured at fair value	**–**	**–**	**31.9**	**–**	**31.9**				
Derivative instruments not accounted for as effective hedging instruments	–	–	31.9	–	**31.9**	–	31.9	–	**31.9**
Financial liabilities not measured at fair value	**–**	**–**	**–**	**2,414.4**	**2,414.4**				
Trade accounts payable	–	–	–	2,024.3	**2,024.3**	–	–	–	**–**
Loans against promissory note (SSD)	–	–	–	200.0	**200.0**	–	192.4	–	**192.4**
Other debt	–	–	–	190.1	**190.1**	–	–	82.0	**82.0**
Financial assets	**15.2**	**12.3**	**21.5**	**2,416.9**	**2,465.9**				
Financial liabilities	**–**	**–**	**31.9**	**2,414.4**	**2,446.3**				

1) Derivative instruments accounted for as effective hedging instruments are not assigned to a measurement category under IFRS 9.

€ million	Carrying amount as at December 31, 2022 FVOCIwoR	FVOCIwR	FVPL	At cost	Total	Fair value as at December 31, 2022 Of which level 1	Of which level 2	Of which level 3	Total
Financial instruments measured at fair value	**23.8**	**29.6**	**27.8**	**–**	**81.2**				
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[1]	–	–	–	–	**–**	–	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**
Financial instruments not measured at fair value	**–**	**–**	**–**	**2,476.7**	**2,476.7**	**–**	**–**	**–**	**–**
Debt instruments	–	–	–	8.8	**8.8**	–	–	–	**–**
Trade accounts receivable	–	–	–	1,601.8	**1,601.8**	–	–	–	**–**
Other financial assets	–	–	–	86.1	**86.1**	–	–	–	**–**
Cash and cash equivalents	–	–	–	780.0	**780.0**	–	–	–	**–**
Financial liabilities measured at fair value	**–**	**–**	**10.6**	**–**	**10.6**				
Derivative instruments not accounted for as effective hedging instruments	–	–	10.6	–	**10.6**	–	10.6	–	**10.6**
Financial liabilities not measured at fair value	**–**	**–**	**–**	**2,405.6**	**2,405.6**				
Trade accounts payable	–	–	–	2,003.4	**2,003.4**	–	–	–	**–**
Loans against promissory note (SSD)	–	–	–	200.0	**200.0**	–	196.4	–	**196.4**
Other debt	–	–	–	201.9	**201.9**	–	–	82.0	**82.0**
Other financial liabilities	–	–	–	0.3	**0.3**	–	–	–	**–**
Financial assets	**23.8**	**29.6**	**27.8**	**2,476.7**	**2,557.9**				
Financial liabilities	**–**	**–**	**10.6**	**2,405.6**	**2,416.2**				

1) Derivative instruments accounted for as effective hedging instruments are not assigned to a measurement category under IFRS 9.

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 are available, these are used. If such information is not available, the measurement is performed according to the measurement method that is deemed appropriate and realizable in each case, for example, according to the discounted cash flow method or by valuation according to multiples using ratios based on purchase prices for comparable transactions. Measurement at amortized cost is only considered the best estimate of the fair value of financial assets if 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.

Other investments are accounted for at fair value. Changes are recognized in other comprehensive income. One other investment was classified as an asset held for sale. A sensitivity analysis has not been performed for the other investments for materiality reasons.

There were no transfers between the different levels of the fair value hierarchy during the reporting period.

12. LITIGATION AND COMPENSATION CLAIMS

There were no new findings or matters of a material nature during the reporting period in relation to the legal disputes and claims for damages explained in the annual report for the 2022 fiscal year.

13. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As part of the Continental carve-out in 2019, the Powertrain business operations were transferred from German Continental companies to German Vitesco Technologies companies via asset deals. The carve-out is one of the focal points of the ongoing tax audit of the Continental Group in Germany. The income on the disposal through the asset deals is being questioned as part of this. If the purchase price were increased, the Group separation agreement provides for the Continental Group being entitled to compensation from Vitesco Technologies for any additional tax that may be incurred.

Beyond that, there were no significant changes to the contingent liabilities and other financial obligations described in the 2022 annual report as at June 30, 2023.

14. TRANSACTIONS WITH RELATED PARTIES

The table below shows the transactions with related parties other than subsidiaries:

	Income		Purchases		Account receivable		Accounts payable	
	January 1 to June 30		January 1 to June 30					
€ million	**2023**	2022	**2023**	2022	**June 30, 2023**	December 31, 2022	**June 30, 2023**	December 31, 2022
Continental Group								
Ordinary business activities	596.3	676.2	320.0	379.8	144.2	147.1	593.4	609.1
Leasing	–	–	0.1	0.2	–	–	22.4	26.3
Others	–	2.5	–	–	3.7	3.7	82.0	82.0
Schaeffler Group								
Ordinary business activities	17.4	18.1	12.9	8.6	10.0	13.5	6.4	4.0
Other related parties								
Ordinary business activities	2.2	0.6	–	0.4	1.4	0.6	–	–
Financing	–	–	–	–	0.8	0.9	–	–
Total	**615.9**	**697.4**	**333.0**	**389.0**	**160.1**	**165.8**	**704.2**	**721.4**

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. Please also refer to the disclosures in the 2022 annual report.

The sale of assets and business operations to the Continental Group resulted in a profit of €2.7 million (previous year: €2.5 million). The net carrying amount of the disposed assets amounted to €13.9 million (previous year: €20.4 million). In the first six months of the 2023 fiscal year, the Vitesco Technologies Group acquired assets totaling €2.1 million (previous year: €2.5 million).

15. EVENTS AFTER THE END OF THE REPORTING PERIOD

The transaction to sell the catalysts and exhaust filters operatings in the Powertrain Solutions Division was completed on August 1, 2023.

There were no further significant events after June 30, 2023.

GERMAN CORPORATE GOVERANCE 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).

RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles applicable for interim financial reporting, the interim consolidated financial statements give a true and fair view of the earnings, financial, and net assets position of the Vitesco Technologies Group, and the interim combined management report 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, August 4, 2023

Vitesco Technologies Group AG

Andreas Wolf Werner Volz Ingo Holstein Klaus Hau Thomas Stierle

REVIEW ENGAGEMENT REPORT

Addressed to Vitesco Technologies Group AG, Regensburg

We have reviewed the condensed interim consolidated financial statements, consisting of the interim consolidated statement of income, the interim consolidated statement of comprehensive income, the interim consolidated statement of financial position, the interim condensed statement of cash flows, the interim consolidated statement of changes in equity, and the explanatory disclosures for the interim consolidated financial statements, and the interim group management report of Vitesco Technologies Group Aktiengesellschaft, for the period from January 1 through June 30, 2023, that are part of the half-year financial report according to § 115 of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting," as adopted by the EU, and of the interim group management report in accordance with the requirements of the German Securities Trading Act (WpHG) that apply to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review so that we can preclude, through critical evaluation, with limited assurance that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the German Securities Trading Act (WpHG) to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the German Securities Trading Act (WpHG) applicable to interim group management reports.

Munich, August 9, 2023

KPMG AG

Wirtschaftsprüfungsgesellschaft

Huber-Straßer	Zimmermann
German Public Auditor	German Public Auditor

FINANCIAL CALENDAR

2023	
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.

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