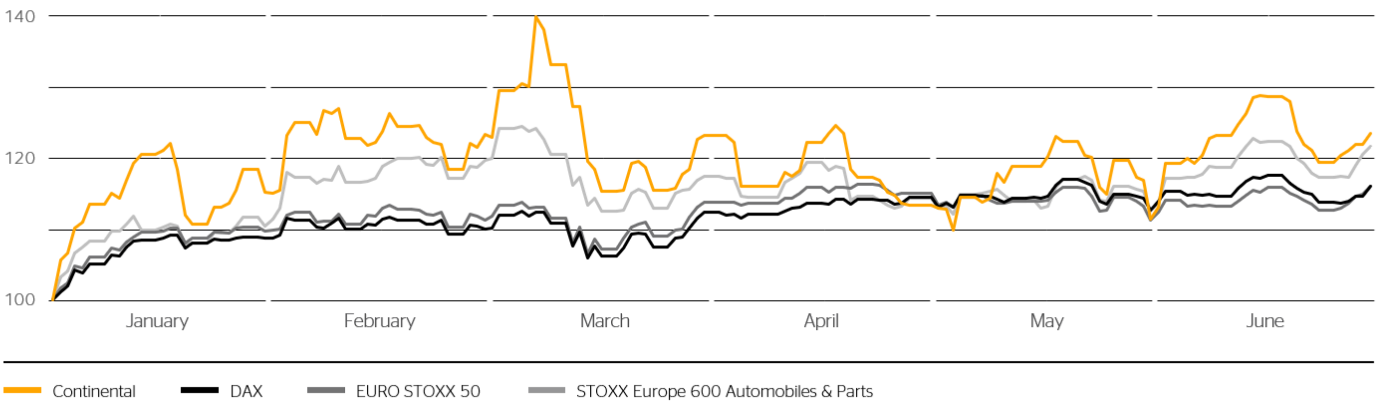
Continental
The Future in Motion

Creating Value. For a Better Tomorrow.

Half-Year Financial Report as at June 30, 2023

Continental Shares and Bonds

Price performance of Continental shares in 2023 versus selected stock indexes Indexed to January 1, 2023



Positive trend on stock markets
The overall trend on the stock markets was positive in the first half of 2023, despite some global challenges. After price increases for energy and production materials weighed heavily on global stock markets in 2022, a positive effect was felt in the first half of 2023 thanks to initial relief measures, among other factors. Nevertheless, persistently high inflation and consecutive interest rate hikes by the Federal Reserve and the European Central Bank, for example, led to repeated price losses.

Expectations of an imminent recession also dampened stock market sentiment, while fears of a global banking crisis following the insolvency of Silicon Valley Bank caused share prices to fall in March. However, the markets recovered more quickly than expected.

The DAX closed the first half of 2023 at 16,147.90 points, representing an increase of 16.0% compared with the end of 2022, when it was quoted at 13,923.59 points. The EURO STOXX 50 followed a very similar trend, rising 16.0% in the first half of the year to close at 4,399.09 points at the end of June.

Significant rally among automotive stocks
Many automotive stocks were directly or at least indirectly affected by the developments in the first half of 2023. The gradual stabilization of supply chains, together with an overall improvement in the availability of semiconductors and other electronic products, resulted in a noticeable rally among automotive stocks. Falling costs for raw materials and energy also led to higher share prices for tire manufacturers. At the same time, recurring fears of a recession and the resulting purchasing restraint shown by consumers weighed on the automotive industry and created uncertainty among investors.

The STOXX Europe 600 Automobiles & Parts rose to 640.78 points in the first half of 2023, an increase of 21.5% compared with the end of 2022.

Good performance by Continental shares
In the first quarter of 2023, Continental's share price performance – like that of other automotive suppliers – was influenced in particular by the improvement in global supply chains and the expectation of falling production costs. However, after a strong start to the year, Continental shares underperformed in a negative market environment. This sharp decline was followed in the second quarter by a period of stabilization at a level between €60 and €70. On April 28, 2023, the share price was marked down to reflect the dividend of €1.50 for fiscal 2022 resolved by the Annual Shareholders' Meeting.

At the end of June 2023, Continental's shares were listed at €69.10. Compared with the 2022 year-end price of €55.98, this represented an increase of 23.4%, or 26.4% when factoring in a reinvestment of the dividend paid out on the distribution date.

Price gains for Continental bonds
Interest rates for European corporate bonds continued to rise in the reporting period as a result of the overall increase in interest rates, causing a general decline in bond prices. Despite this, Continental's bonds were quoted at a higher price at the end of June 2023 compared with the end of 2022.

Successful placement of new euro bond
Under the Debt Issuance Programme (DIP), a new Continental AG euro bond was successfully placed with investors in Germany and abroad at the end of May 2023.

The euro bond was issued on June 1, 2023, with an interest coupon of 4.000% p.a. and a term of five years. The nominal volume of the bond was set at €750.0 million. The issue price amounted to 99.445%. The bond was launched on the regulated market of the Luxembourg stock exchange.

Continental's key bonds outstanding as at June 30, 2023

WKN/ISIN	Coupon p. a.	Maturity	Volume in € millions	Issue price	Price as at June 30, 2023	Price as at Dec. 31, 2022
A2YPE5/XS2051667181	0.000%	September 12, 2023	500.0	99.804%	99.236%	98.078%
A28XTQ/XS2178585423	2.125%	November 27, 2023	750.0	99.559%	99.296%	98.876%
A28YEC/XS2193657561	1.125%	September 25, 2024	625.0	99.589%	96.422%	96.018%
A2YPAE/XS2056430874	0.375%	June 27, 2025	600.0	99.802%	93.426%	92.549%
A28XTR/XS2178586157	2.500%	August 27, 2026	750.0	98.791%	96.764%	95.896%
A30VQ4/XS2558972415	3.625%	November 30, 2027	625.0	100.000%	98.889%	97.187%
A351PU/XS2630117328	4.000%	June 1, 2028	750.0	99.445%	99.485%	–

Credit rating for Continental AG

	June 30, 2023	December 31, 2022
Standard & Poor's[1]		
Long-term	BBB	BBB
Short-term	A-2	A-2
Outlook	stable	negative
Fitch[2]		
Long-term	BBB	BBB
Short-term	F2	F2
Outlook	stable	stable
Moody's[3]		
Long-term	Baa2	Baa2
Short-term	P-2	P-2
Outlook	stable	stable

1 Contracted rating since May 19, 2000.
2 Contracted rating since November 7, 2013.
3 Contracted rating since January 1, 2019.

Credit rating for Continental AG unchanged

The rating agency Standard & Poor's confirmed its long-term credit rating of BBB on March 22, 2023, and raised its outlook to stable.

The rating agencies Fitch and Moody's left their respective credit ratings unchanged in the reporting period.

Investor Relations online

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

Consolidated Management Report

Personnel matters: contract extension for CEO and chairman of the Executive Board, appointment of new Executive Board member for Automotive and extension of Executive Board appointment for ContiTech chief
At its meeting in April, the Supervisory Board of Continental AG extended the appointment of CEO and chairman of the Executive Board Nikolai Setzer. Having been due to expire in March 2024, his contract will now run for a further five years until March 31, 2029. In a further resolution, Philipp von Hirschheydt was appointed new Executive Board member for the Automotive group sector effective May 1, 2023. As planned, Setzer thus handed over his responsibility for the Automotive group sector in order to concentrate on his duties as CEO. As is customary for a new board member, Philipp von Hirschheydt was appointed for a term of three years until April 30, 2026.

At its meeting in July, the Supervisory Board extended the appointment of Executive Board member Philip Nelles by five years until May 31, 2029. Nelles was first appointed to the Executive Board for a three-year term in June 2021 and has since been responsible for the ContiTech group sector.

Continental becomes first manufacturer to launch production tire with high share of sustainable materials
Continental has unveiled its most sustainable production tire to date – the UltraContact NXT. Comprising up to 65 percent renewable, recycled and mass balance-certified materials, it combines a high share of sustainable materials with maximum safety and performance. All 19 tire sizes available have the highest possible rating ("A") of the EU tire label in terms of rolling resistance, wet braking and exterior noise. The UltraContact NXT has been available to tire dealers in Europe since July 2023.

Continental is working tirelessly to advance innovative technologies and sustainable products and services throughout its entire value chain, from sourcing sustainable materials to recycling end-of-life tires. By 2030, the premium tire manufacturer aims to have over 40 percent renewable and recycled content in its tires. By 2050 at the latest, all new tires from Continental are to be made from 100 percent sustainable materials.

Computing power that evolves further: "Plug & Play" solution for vehicle computers from Continental
Continental's Plug & Play concept is a modular and highly scalable solution for integrating high-performance computers (HPCs) in vehicle architectures. Individual computing modules can be replaced or upgraded even when the vehicle is already in use. Combined with a new type of liquid cooling technology that uses flexible cooling pads, the system always maintains a safe operating temperature. As a result of the great leaps forward in the development of software-defined vehicles, more and more functions in the vehicle are being controlled, monitored and maintained by software. For example, vehicles have to process ever greater volumes of data and enable a growing number of software functions for automated driving functions or infotainment applications. To do this, they need modular, powerful HPCs that can be integrated into a vehicle's architecture in a scalable and flexible way. A further 30 vehicle models from various manufacturers and equipped with Continental high-performance computers will be going into production by 2024 alone.

Continental and Aurora partnership for commercially scalable autonomous trucking systems
Continental and Aurora have entered into an exclusive partnership to realize a driverless system for trucks and deliver the first commercially scalable generation of Aurora's integrated hardware and software system, the Aurora Driver, in the USA. This will involve validating, deploying and servicing the autonomous system for the trucking industry. The system will be available to carriers and commercial fleet operators across the USA and will help reduce costs to facilitate broader adoption.

In order to industrialize the Aurora Driver, Continental will bring its decades of experience in the field of system development for safe and reliable vehicle solutions to the partnership. Continental will contribute not only the entire hardware system, but also a new fallback system. This ensures, in the unlikely event of a malfunction of the autonomous primary system, that the driverless truck will take over and continue to drive to the nearest safe location. In addition, Continental will take care of the entire life cycle of the supplied autonomous hardware solutions for the Aurora Driver, from the production line all the way through to decommissioning. Joint production is set to commence in the USA in 2027.

Realignment of ContiTech to increase customer and market proximity
Continental is strategically realigning its ContiTech group sector with the aim of increasing effectiveness and efficiency as well as customer and market proximity. To this end, the group sector, which specializes in material-driven solutions, will focus even more strongly on the expansion of its industrial business. ContiTech is also consolidating its automotive original-equipment business in order to create synergies.

With its realignment, ContiTech is laying the groundwork for its transition from a traditional product supplier to a provider of integrated solutions. In addition, the group sector aims to respond in a more integrated way to the constantly changing requirements of its customers in various markets and industries. The integration and transformation phase was initiated in May 2023, with activity being introduced in full on January 1, 2024.

Continental strengthens its business with solutions for the printing industry
Continental has fully acquired the printing technology business of Trelleborg, which has its operational headquarters in Lodi Vecchio, Italy. This strategic step expands the technology company's range of surface solutions in the field of printing technology at the same time as boosting its business with industrial clients. As a result of the acquisition, Continental will gain around 600 employees at eight locations – in Italy (two), France, Slovenia, the USA, Brazil, Japan and China – who mainly produce printing blankets for offset and digital printing.

Economic Report

Macroeconomic Development

According to the latest forecast by the World Bank, global economic growth is expected to slow from 3.1% in 2022 to 2.1% this year. The main reason cited by the World Bank is the ongoing tightening of monetary policy to contain high inflation rates worldwide. In addition, subdued external demand and tight financing conditions will weigh on growth in emerging market and developing economies in particular, according to the World Bank.

Although global gross domestic product was higher than projected in the first half of 2023, particularly in China and the USA, the World Bank estimates that several major economies are likely to see a substantial deceleration in the second half of the year. Additional challenging external factors such as the war in Ukraine, the COVID-19 pandemic and tighter global financing conditions could lead to a long-term slowdown in growth, which is why the World Bank is calling for policy action at the global and national levels to foster macroeconomic and financial stability.

Forecast economic growth (GDP) for 2023

	June 2023[1]	April 2023[2]	January 2023[3]
Europe			
Germany	-0.3%[4]	-0.1%	0.1%
Eurozone	0.4%	0.8%	0.7%
United Kingdom	0.3%[5]	-0.3%	-0.6%
Russia	-0.2%	0.7%	0.3%
The Americas			
USA	1.1%	1.6%	1.4%
Brazil	1.2%	0.9%	1.2%
Asia			
China	5.6%	5.2%	5.2%
Japan	0.8%	1.3%	1.8%
India	6.3%	5.9%	6.1%
World	**2.1%**	**2.8%**	**2.9%**

Sources:
1 World Bank, Global Economic Prospects, June 2023.
2 International Monetary Fund (IMF), World Economic Outlook, April 2023.
3 IMF, World Economic Outlook Update, January 2023.
4 Deutsche Bundesbank, June 2023.
5 BCC – British Chambers of Commerce, June 2023.

Development of Key Customer Sectors and Sales Regions

With a 65% share of consolidated sales (PY: 61%), the automotive industry – with the exception of the replacement business – was Continental's most important customer group in the first half of 2023. The Automotive group sector accounted for the lion's share, but the Tires and ContiTech group sectors also generated significant sales in this market segment.

The second-biggest market segment for Continental was the global replacement-tire business, with 24% of total sales in the first half of 2023 (PY: 28%). Because passenger cars and light commercial vehicles make up a considerably higher share of the replacement-tire business, their development is particularly important to our economic success.

The third-biggest market segment for Continental was the global business with industrial customers and spare parts from the ContiTech group sector, with around 9% of total sales in the first half of 2023 (PY: 9%).

Development of production of passenger cars and light commercial vehicles

	H1 2023	2023
Europe	16%	7% to 9%
North America	12%	5% to 7%
China	7%	0% to 2%
Worldwide	**11%**	**3% to 5%**

Source: S&P Global
Europe with Western, Central and Eastern Europe incl. Russia and Türkiye.
Preliminary figures and own estimates.

Significantly disrupted supply chains in the first half of 2022 resulting from the war in Ukraine and pandemic-related lockdowns in China were the main reasons for the substantial increase in the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons in the first half of 2023. According to preliminary data, Europe, which was particularly affected in the previous year, recorded the highest growth of 16% thanks to stabilized supply chains. This also led to a rise in production of 12% in North America. In China, production increased by 7% compared with a weak first half of 2022. Global production volumes rose by 11% year-on-year, according to preliminary data.

In the second half of the year, we expect production volumes to be roughly on par with the first half of 2023. For the year as a whole, we expect the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons to increase by 3% to 5% (previously: 2% to 4%).

Development of production of medium and heavy commercial vehicles

	H1 2023	2023
Europe	13%	3% to 7%
North America	18%	3% to 7%

Source: S&P Global
Europe with Western, Central and Eastern Europe incl. Russia and Türkiye.
Preliminary figures and own estimates.

The production of medium and heavy commercial vehicles weighing more than 6 metric tons in our core markets of Europe and North America increased significantly year-on-year in the reporting period. The main reason for this was the stabilization of global supply chains and the fact that the previous year's figures were heavily affected by the war in Ukraine. At the same time, demand in North America in particular exceeded initial expectations.

For the year as whole, we currently expect the momentum seen in the first half of 2023 to slow in the second half of the year due to higher prior-year figures. Nevertheless, we are raising our full-year forecasts for both Europe and North America. For both regions, we now expect the production of medium and heavy commercial vehicles to increase by 3% to 7% overall. We previously expected it to develop by -2% to 2% in each case.

Development of replacement-tire markets for passenger cars and light commercial vehicles

	H1 2023	2023
Europe	-9%	-5% to -3%
North America	-8%	-3% to -1%
China	17%	14% to 16%
Worldwide	**-3%**	**-2% to 0%**

Source: Preliminary figures and own estimates.

Sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons declined year-on-year in Europe and North America in the reporting period. Following an already weak first quarter, the second quarter saw a further slight decline in demand in both core regions. Among other things, the expectation that prices may come down caused consumers to hold back on spending in the markets. In China, meanwhile, demand increased considerably following the measures taken to contain the COVID-19 pandemic in the prior-year period.

In Europe, we expect a slight improvement in demand over the remainder of the year compared with the first half of the year. For the year as a whole, we expect sales volumes to be down year-on-year due to persistently high dealer inventories. North America is expected to remain at around the previous year's level, mainly due to an anticipated significant increase in the fourth quarter. In China, after catch-up effects in the previous year, we anticipate a somewhat weaker third quarter, followed by a significant increase in demand in the final three months of the year. Globally, we expect sales volumes of replacement tires for passenger cars and light commercial vehicles to develop by -2% to 0% (previously: increase of 1% to 3%).

Development of replacement-tire markets for medium and heavy commercial vehicles

	H1 2023	2023
Europe	-16%	-8% to -6%
North America	-11%	-10% to -8%

Source: Preliminary figures and own estimates.

Due to advance purchases by tire dealers in the prior-year period, demand for replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons was significantly below the previous year's level in our core markets of Europe and North America in the reporting period.

While we anticipate an upward trend for the European market in the second half of the year, the North American market – following two strong years of sales – is likely to remain well below the previous year's level. For 2023 as a whole, we now expect demand in Europe to decline by 8% to 6% (previously: development of -1% to 2%). In North America, we currently expect demand to decline by 10% to 8% (previously: 5% to 2%).

Development of industrial production

	Q1 2023	Q2 2023	2023
Eurozone	0.8%	-0.4%	-1% to 1%
USA	0.8%	0.1%	-2% to 0%
China	3.9%	4.6%	4% to 6%

Source: Bloomberg, preliminary figures and own estimates.

In addition to vehicle production and the replacement business for the automotive industry, the development of various other industries is crucial to the success of our ContiTech group sector. ContiTech products are used in particular in equipment, machinery and vehicles for railway transport, mining, agriculture and other key industries. As well as the general development of gross domestic product, the development of industrial production is therefore regarded as an important indicator for ContiTech's business with industrial customers.

In the first quarter of 2023, industrial production in the eurozone and the USA initially saw a moderate rise. In the second quarter, however, production in the USA stagnated at around the comparatively strong level of the previous year, while it fell slightly in the eurozone. In China, industrial production increased following the temporary lockdowns to combat the COVID-19 pandemic in the prior-year period.

In the second half of the year, we expect industrial production in the eurozone and China to be roughly on par with the first half of the year. In the USA, we anticipate a weakening of the current trend and negative growth rates.

Earnings, Financial and Net Assets Position of the Continental Group

This half-year financial report has been prepared in euros. Unless otherwise stated, all amounts are shown in millions of euros (€ millions). Please note that differences may arise as a result of the use of rounded amounts and percentages.

	January 1 to June 30		Second Quarter	
Continental Group in € millions	**2023**	2022	**2023**	2022
Sales	20,732.0	18,722.4	10,425.9	9,444.1
EBITDA	1,990.0	1,780.9	919.8	848.6
in % of sales	9.6	9.5	8.8	9.0
EBIT	907.8	210.7	376.7	-164.6
in % of sales	4.4	1.1	3.6	-1.7
Net income attributable to the shareholders of the parent[1]	590.8	-11.2	208.6	-250.7
Basic earnings per share in €[1]	2.95	-0.06	1.04	-1.26
Diluted earnings per share in €[1]	2.95	-0.06	1.04	-1.26
Research and development expenses (net)[2,3]	1,547.9	1,454.0	757.4	708.5
in % of sales[2,3]	7.5	7.8	7.3	7.5
Depreciation and amortization[4]	1,082.1	1,570.2	543.1	1,013.2
thereof impairment[5]	8.7	443.9	8.3	447.0
Capital expenditure[6]	940.3	987.5	511.3	543.2
in % of sales	4.5	5.3	4.9	5.8
Operating assets as at June 30	21,264.5	20,471.6		
Number of employees as at June 30[7]	203,746	194,577		
Adjusted sales[8]	20,668.1	18,699.0	10,384.9	9,420.7
Adjusted operating result (adjusted EBIT)[9]	1,075.5	829.0	497.2	400.7
in % of adjusted sales	5.2	4.4	4.8	4.3
Free cash flow	-1,089.0	-870.6	-137.0	-697.4
Net indebtedness as at June 30	6,075.7	5,433.9		
Gearing ratio in %[1]	43.7	37.7		

The additional information relating to the second quarter was not part of the auditor's review.

1 The methodology used in the consolidated financial statements for the recognition of uncertain tax positions has been changed. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements in the 2022 annual report. The comparative period has been adjusted accordingly.
2 In the year under review, the presentation of income and expenses in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment was changed. They are now assigned to the relevant functional areas. The comparative period has been adjusted accordingly.
3 The assignment of income and expenses from certain business activities within the functional areas has been changed. The comparative period has been adjusted accordingly.
4 Excluding impairment on financial investments.
5 Impairment also includes necessary reversals of impairment losses.
6 Capital expenditure on property, plant and equipment, and software.
7 Excluding trainees.
8 Before changes in the scope of consolidation.
9 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Earnings Position

Business and sales performance
Consolidated sales for the first six months of 2023 rose by 10.7% year-on-year to €20,732.0 million (PY: €18,722.4 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 11.0%. This positive trend was mainly due to the significant increase in automotive production worldwide as well as price adjustments to offset higher costs for materials, logistics and energy.

Adjusted EBIT
Adjusted EBIT for the Continental Group increased by €246.4 million or 29.7% year-on-year to €1,075.5 million (PY: €829.0 million) in the first six months of 2023, corresponding to 5.2% (PY: 4.4%) of adjusted sales.

EBIT
The Continental Group's EBIT rose by €697.2 million or 331.0% year-on-year to €907.8 million (PY: €210.7 million) in the first six months of 2023, and the return on sales improved to 4.4% (PY: 1.1%). The cost of sales rose by €985.6 million to €16,245.2 million (PY: €15,259.6 million), primarily due to higher costs for raw materials, semi-finished products, energy, logistics and wages. In the prior year, impairment on goodwill and property, plant and equipment had a negative impact on EBIT.

Special effects in the first half of 2023
Total consolidated expense from special effects in the first six months of 2023 amounted to €114.2 million. Automotive accounted for €1.1 million of this, Tires for €108.6 million, ContiTech for €3.7 million, Contract Manufacturing for €0.1 million, and the holding for €0.8 million.

Impairment on property, plant and equipment resulted in expenses totaling €10.2 million (Automotive €5.0 million; Tires €5.3 million). In addition, reversals of impairment losses on property, plant and equipment resulted in income of €0.1 million in the Automotive group sector. These figures do not include impairment and reversals of impairment losses that arose in connection with restructuring.

Severance payments resulted in a negative special effect totaling €19.9 million (Automotive €6.1 million; Tires €7.6 million; ContiTech €5.3 million; Contract Manufacturing €0.1 million; holding €0.8 million).

In the Automotive group sector, restructuring expenses of €1.1 million were incurred. In addition, the reversal of restructuring provisions resulted in income of €1.4 million, and the sale of a building in connection with a restructuring resulted in income of €17.8 million.

In the Tires group sector, restructuring expenses of €0.8 million were incurred. There was also income in connection with restructuring of €1.8 million, which is entirely attributable to a reversal of impairment losses on property, plant and equipment.

In the ContiTech group sector, restructuring expenses of €1.4 million were incurred. These included impairment on property, plant and equipment in the amount of €0.3 million. In addition, the reversal of restructuring provisions resulted in income of €0.3 million.

Restructuring-related expenses resulted in an expense totaling €22.5 million (Automotive €8.2 million; Tires €12.9 million; ContiTech €1.4 million).

The sale of all Russian operations in the Tires group sector and some Russian operations in the ContiTech group sector resulted in expenses of €71.9 million for Tires and income of €6.3 million for ContiTech.

Allowances for doubtful accounts on accounts receivable and debt waivers in connection with the above-mentioned sale of Russian operations also led to expenses totaling €14.0 million (Tires €11.8 million; ContiTech €2.2 million).

Special effects in the first half of 2022
Total consolidated expense from special effects in the first six months of 2022 amounted to €546.2 million. Automotive accounted for €397.3 million of this, Tires for €77.3 million, ContiTech for €70.7 million, Contract Manufacturing for €0.8 million, and the holding for €0.1 million.

The Continental Group immediately reviews intangible assets and property, plant and equipment, investment property and goodwill as soon as there is an indication of impairment (triggering event). The rise in the general interest rate level is an indication of impairment. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €57.3 million and property, plant and equipment impaired by €313.1 million in the Automotive group sector.

Owing to the sanctions imposed against or by Russia, intangible assets and property, plant and equipment were reviewed at the Russian companies. This led to a full impairment of all intangible assets and property, plant and equipment. In total, this resulted in impairment on property, plant and equipment of €74.2 million (Automotive €0.1 million; Tires €69.0 million; ContiTech €5.1 million) and on intangible assets of €0.4 million in the Tires group sector.

Together with the aforementioned effects, impairment on property, plant and equipment resulted in expenses totaling €390.5 million (Automotive €316.4 million; Tires €69.0 million; ContiTech €5.1 million; Contract Manufacturing €0.0 million). In addition, reversals of impairment losses on property, plant and equipment resulted in income of €3.5 million in the Automotive group sector. These figures do not include impairment and reversals of impairment losses that arose in connection with restructuring.

Severance payments resulted in a negative special effect totaling €18.6 million (Automotive €8.8 million; Tires €4.9 million; ContiTech €4.8 million; Contract Manufacturing €0.0 million; holding €0.1 million).

In the Automotive group sector, restructuring expenses of €2.0 million were incurred. These included impairment on property, plant and equipment in the amount of €1.5 million. In addition, the reversal of restructuring provisions resulted in income of €4.9 million.

In the Tires group sector, restructuring expenses of €0.6 million were incurred. These included impairment on property, plant and equipment in the amount of €0.1 million.

In the ContiTech group sector, restructuring expenses of €64.3 million were incurred. These included impairment on property, plant and equipment in the amount of €2.0 million. In addition, the reversal of restructuring provisions resulted in income of €5.4 million. These included reversals of impairment losses on property, plant and equipment in the amount of €4.4 million.

In the Contract Manufacturing group sector, the reversal of restructuring provisions resulted in income of €0.1 million.

Restructuring-related expenses resulted in an expense totaling €27.5 million (Automotive €21.2 million; Tires €2.8 million; ContiTech €2.6 million; Contract Manufacturing €0.9 million).

The disposal of companies resulted in income totaling €1.1 million (Tires €0.4 million; ContiTech €0.7 million).

Research and development

In the first six months of 2023, research and development expenses (net) rose by 6.5% compared with the same period of the previous year to €1,547.9 million (PY: €1,454.0 million), representing 7.5% (PY: 7.8%) of sales. The major portion of this (€1,291.0 million; PY: €1,212.4 million) related to Automotive, corresponding to 12.7% (PY: 14.2%) of sales.

Financial result

The negative financial result improved by €48.7 million year-on-year to €56.2 million (PY: €104.9 million) in the first half of 2023.

Interest income fell by €4.4 million year-on-year to €46.8 million (PY: €51.2 million) in the first six months of 2023. Interest income in connection with income tax payables resulted in income of €0.9 million (PY: €25.0 million). The higher prior-year figure was influenced in particular by the adjustment of provisions for possible interest payments on income tax liabilities, as a result of the interest rate being reduced again. For details, please refer to the comments in the 2022 annual report. In the first half of 2023, other interest income rose considerably year-on-year as a result of the general increase in interest rates.

Interest expense totaled €198.9 million in the first half of 2023 and was thus €88.0 million higher than the previous year's figure of €110.9 million. Interest expense from long-term employee benefits and expected income from long-term employee benefits and from pension funds amounted to a net expense of €42.0 million in the first half of the year (PY: €30.0 million). These interest effects do not include the interest income from the plan assets of the pension contribution funds or the interest expense from the defined benefit obligations of the pension contribution funds. Interest expense, resulting mainly from bank borrowings, capital market transactions and other financing instruments, was €156.9 million (PY: €80.9 million). The year-on-year increase was due to the general increase in interest rates in connection with the higher levels of net indebtedness.

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €39.5 million (PY: €25.6 million). The increase was due to the issuance of the two most recent euro bonds by Continental AG, with a total volume of €1,375.0 million.

The effects from currency translation resulted in a positive contribution to earnings of €107.1 million (PY: €0.4 million) in the first half of 2023. By contrast, effects from changes in the fair value of derivative instruments, and other valuation effects resulted in expenses totaling €11.2 million (PY: €45.6 million). Other valuation effects accounted for expenses of €13.1 million (PY: income of €1.9 million) in the reporting period. Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in the first half of 2023 were positively impacted by €109.0 million (PY: negatively impacted by €47.1 million). This resulted primarily from the development of the Chinese renminbi in relation to the euro.

Income tax expense

Income tax expense in the first half of 2023 amounted to €238.3 million (PY: €99.5 million). The tax rate in the reporting period was 28.0% (PY: 94.0%). In the previous year, the tax rate was primarily attributable to non-tax-effective accounting effects in connection with the net income affected by impairment.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent rose to €590.8 million (PY: -€11.2 million). After the first six months of 2023, basic earnings per share amounted to €2.95 (PY: -€0.06), the same amount as diluted earnings per share.

Financial Position

Reconciliation of cash flow
At €195.5 million as at June 30, 2023, cash outflow arising from operating activities was €40.9 million higher than the previous year's figure (PY: €154.5 million).

The €697.2 million rise in adjusted EBIT to €907.8 million (PY: €210.7 million) was offset by, among other things, the cash-effective increase in working capital, with a cash outflow of €1,540.4 million (PY: €1,185.6 million).

Interest payments increased by €77.9 million to €124.5 million (PY: €46.6 million). Income tax payments increased by €74.8 million to €350.5 million (PY: €275.8 million).

At €1,082.1 million, depreciation, amortization, impairment and reversal of impairment losses fell by €488.1 million from €1,570.2 million in the previous year.

Cash flow arising from investing activities amounted to an outflow of €893.5 million (PY: €716.1 million) in the first six months of 2023. Capital expenditure on property, plant and equipment, and software was up €92.7 million from €724.3 million to €817.0 million before leases and the capitalization of borrowing costs.

The acquisition and disposal of interests in companies resulted in a total cash outflow of €125.4 million (PY: €10.0 million). This cash outflow was primarily due to an acquisition in the ContiTech group sector.

These effects resulted in free cash flow of -€1,089.0 million (PY: -€870.6 million) in the first half of 2023. Free cash flow thus decreased by €218.4 million year-on-year.

Financing and indebtedness
As at June 30, 2023, the Continental Group's net indebtedness amounted to €6,075.7 million. This rose by €641.8 million compared with the year-on-year figure of €5,433.9 million and by €1,576.2 million compared with the figure of €4,499.4 million as at December 31, 2022. The increase compared with June 30, 2022, and compared with the end of 2022 is primarily attributable to the negative free cash flow of €127.8 million and €1,089.0 million, respectively, and to the dividend payment of €300.0 million in May 2023. Cash and cash equivalents as well as other financing instruments such as commercial paper issuances and the utilization of the syndicated loan were used to meet the financing requirements. The gearing ratio was up for the first half of 2023 at 43.7% (PY: 37.7%).

The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4,000.0 million and has an original term of five years. In November 2021, Continental exercised the second and final option to extend the term by one year. The lending banks then extended this financing commitment until December 2026 at unchanged conditions. As at June 30, 2023, Continental AG had utilized €300.0 million (PY: –) of this revolving loan. For further details regarding the syndicated loan, please refer to the comments in the 2022 annual report.

Under the Debt Issuance Programme (DIP), Continental AG issued two listed euro bonds in November 2022 and June 2023, with a total issue volume of €1,375.0 million. On November 30, 2022, a €625.0-million bond was issued. The issue price of this bond, which has a term of five years and a fixed interest rate of 3.625% p.a., was 100.000%. On June 1, 2023, a €750.0-million bond was issued, likewise with a term of five years. The issue price of this bond, which has a fixed interest rate of 4.000% p.a., amounted to 99.445%.

As at June 30, 2023, the Continental Group had liquidity reserves totaling €6,861.0 million (PY: €6,804.4 million), consisting of cash and cash equivalents of €2,271.5 million (PY: €1,907.4 million) and committed, unutilized credit lines of €4,589.4 million (PY: €4,897.0 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. The assessment of any restrictions related to cash and cash equivalents is made on each respective reporting date. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at June 30, 2023, unrestricted cash and cash equivalents totaled €1,771.6 million (PY: €1,404.9 million).

Reconciliation of net indebtedness

€ millions	June 30, 2023	December 31, 2022	June 30, 2022
Long-term indebtedness	4,450.3	4,006.0	4,686.4
Short-term indebtedness	4,123.8	3,688.7	2,879.5
Long-term derivative instruments and interest-bearing investments	-100.1	-105.8	-116.0
Short-term derivative instruments and interest-bearing investments	-126.8	-101.5	-108.6
Cash and cash equivalents	-2,271.5	-2,988.0	-1,907.4
Net indebtedness	**6,075.7**	**4,499.4**	**5,433.9**

Reconciliation of change in net indebtedness

	January 1 to June 30		Second Quarter	
€ millions	2023	2022	2023	2022
Net indebtedness at the beginning of the reporting period	**4,499.4**	**3,765.5**	**5,539.1**	**4,117.0**
Cash flow arising from operating activities	-195.5	-154.5	399.4	-278.8
Cash flow arising from investing activities	-893.5	-716.1	-536.4	-418.6
Cash flow before financing activities (free cash flow)	**-1,089.0**	**-870.6**	**-137.0**	**-697.4**
Dividends paid	-300.0	-440.0	-300.0	-440.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-20.1	-21.9	-15.8	-22.4
Non-cash changes	-136.7	-363.5	-60.5	-165.5
Other	-1.5	–	-1.4	–
Exchange-rate effects	-28.9	27.6	-21.9	8.4
Change in net indebtedness	**-1,576.2**	**-1,668.4**	**-536.6**	**-1,316.9**
Net indebtedness at the end of the reporting period	**6,075.7**	**5,433.9**	**6,075.7**	**5,433.9**

The additional information relating to the second quarter was not part of the auditor's review.

Capital expenditure (additions)

In the first half of 2023, capital expenditure on property, plant and equipment, and software amounted to €940.3 million (PY: €987.5 million). The Automotive group sector in particular contributed to the decrease of €47.3 million. The capital expenditure ratio after six months was 4.5% (PY: 5.3%).

A total of €514.9 million (PY: €571.7 million) of this capital expenditure was attributable to the Automotive group sector, representing 5.1% (PY: 6.7%) of sales. The capital expenditure was primarily attributable to production equipment for the manufacture of specific products and the implementation of new technologies. Investments were made primarily in production capacity at European best-cost locations as well as in Germany, China, Mexico and the USA. There were major additions related to the construction of new manufacturing plants for electronic brake systems, innovative display and operating solutions, and vehicle electronics. Investments were also made in the expansion of the new production site in Kaunas, Lithuania.

The Tires group sector invested €323.8 million (PY: €304.1 million), equivalent to 4.7% (PY: 4.6%) of sales. Investments were made in the expansion of production capacity at existing plants in European best-cost locations and in the USA, Germany, Brazil, China and Thailand. Quality assurance and cost-cutting measures were also implemented.

A total of €87.3 million (PY: €82.0 million) of this capital expenditure was attributable to the ContiTech group sector, representing 2.5% (PY: 2.6%) of sales. Production capacity was expanded in Germany, the USA, China, Brazil, France and Mexico. There were major additions relating to the expansion of production capacity in selected growth markets for the Surface Solutions, Mobile Fluid Systems and Power Transmission Group business areas. In addition, investments were made in all business areas to rationalize existing production processes.

The Contract Manufacturing group sector invested €2.2 million (PY: €5.3 million), equivalent to 0.8% (PY: 1.4%) of sales. The capital expenditure was primarily attributable to production equipment for the manufacture of specific products and the implementation of new technologies.

Net Assets Position

Compared with June 30, 2022, goodwill was down by €517.4 million at €3,203.9 million (PY: €3,721.3 million). Other intangible assets fell by €122.7 million to €906.3 million (PY: €1,029.1 million). Property, plant and equipment increased by €182.8 million to €11,423.4 million (PY: €11,240.6 million). Deferred tax assets were up €291.9 million at €2,211.7 million (PY: €1,919.8 million). Inventories increased by €769.7 million to €7,064.9 million (PY: €6,295.2 million), and trade accounts receivable rose by €123.4 million to €8,269.7 million (PY: €8,146.4 million). At €2,271.5 million, cash and cash equivalents were up €364.1 million from €1,907.4 million on the same date in the previous year. At €38,255.6 million (PY: €37,299.9 million), total assets as at June 30, 2023, were €955.8 million higher than on the same date in the previous year.

Equity including non-controlling interests was down €482.4 million at €13,914.5 million compared with €14,396.9 million as at June 30, 2022. Other comprehensive income fell by €844.8 million to -€1,400.4 million (PY: -€555.6 million). This was offset by the rise in retained earnings of €368.6 million. At €2,742.7 million, long-term employee benefits were up €744.5 million from €1,998.1 million in the previous year. This change was primarily attributable to the remeasurement of defined benefit pension plans as a result of changes in the actuarial assumptions made. Short-term indebtedness increased by €1,244.3 million compared with the same date in the previous year to €4,123.8 million (PY: €2,879.5 million).

The gearing ratio changed from 37.7% as at June 30, 2022, to 43.7% as at June 30, 2023. The equity ratio fell to 36.4% (PY: 38.6%).

Compared with December 31, 2022, total assets rose by €328.9 million to €38,255.6 million (PY: €37,926.7 million). In relation to the individual items of the statement of financial position, this is primarily due to the increase in trade accounts receivable of €502.1 million to €8,269.7 million (PY: €7,767.7 million) and the increase in inventories of €335.3 million to €7,064.9 million (PY: €6,729.6 million). Equity including non-controlling interests was up €179.5 million at €13,914.5 million compared with €13,735.0 million as at the end of 2022. Other comprehensive income changed by -€81.4 million to -€1,400.4 million (PY: -€1,318.9 million). Net income attributable to the shareholders of the parent resulted in an increase of €590.8 million. The gearing ratio changed from 32.8% as at December 31, 2022, to 43.7% as at June 30, 2023.

Employees

As at the end of the second quarter of 2023, the Continental Group had 203,746 employees, representing an increase of 4,708 in comparison to the end of 2022. Due to the expansion of the workforce in the area of research and development as well as increases in volumes, the number of employees in the Automotive group sector rose by a total of 4,531. In the Tires group sector, the sale of operations in Russia offset the adjustment to demand-driven production as well as the expansion of the workforce at trading companies and led to a reduction of 260 employees in total. As a result of the acquisition of the printing technology business of Trelleborg, a company with its operational headquarters in Lodi Vecchio, Italy, as well as higher order volumes, the total number of employees in the ContiTech group sector rose by 888. In the Contract Manufacturing group sector, the number of employees fell by 500.

Compared with the reporting date for the previous year, the number of employees in the Continental Group was up by a total of 9,169.

Reconciliation to operating assets as at June 30, 2023

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Total assets	**16,050.7**	**10,697.8**	**4,945.4**	**678.4**	**5,883.3**	**38,255.6**
Cash and cash equivalents	–	–	–	–	2,271.5	2,271.5
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	226.9	226.9
Other financial assets	55.1	32.5	9.1	0.3	18.6	115.7
Less financial assets	**55.1**	**32.5**	**9.1**	**0.3**	**2,517.1**	**2,614.1**
Less other non-operating assets	**-102.3**	**13.3**	**10.2**	**0.2**	**529.2**	**450.5**
Deferred tax assets	–	–	–	–	2,211.7	2,211.7
Income tax receivables	–	–	–	–	315.6	315.6
Less income tax assets	**–**	**–**	**–**	**–**	**2,527.3**	**2,527.3**
Segment assets	**16,097.8**	**10,652.0**	**4,926.2**	**678.0**	**309.7**	**32,663.7**
Total liabilities and provisions	**8,069.4**	**3,597.0**	**2,015.4**	**221.8**	**10,437.6**	**24,341.1**
Short- and long-term indebtedness	–	–	–	–	8,574.1	8,574.1
Other financial liabilities	–	–	–	–	498.7	498.7
Less financial liabilities	**–**	**–**	**–**	**–**	**9,072.8**	**9,072.8**
Deferred tax liabilities	–	–	–	–	90.5	90.5
Income tax payables	–	–	–	–	496.7	496.7
Less income tax liabilities	**–**	**–**	**–**	**–**	**587.2**	**587.2**
Less other non-operating liabilities	**1,425.4**	**654.7**	**523.3**	**42.9**	**635.8**	**3,282.0**
Segment liabilities	**6,644.0**	**2,942.4**	**1,492.2**	**178.9**	**141.8**	**11,399.2**
Operating assets	**9,453.8**	**7,709.6**	**3,434.0**	**499.1**	**168.0**	**21,264.5**

Reconciliation to operating assets as at June 30, 2022

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Total assets[1]	**15,442.4**	**10,827.1**	**4,825.8**	**961.5**	**5,243.0**	**37,299.9**
Cash and cash equivalents	–	–	–	–	1,907.4	1,907.4
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	224.6	224.6
Other financial assets	51.2	29.4	5.5	0.1	19.3	105.5
Less financial assets	**51.2**	**29.4**	**5.5**	**0.1**	**2,151.3**	**2,237.5**
Less other non-operating assets	**7.9**	**47.1**	**5.7**	**0.3**	**566.1**	**627.1**
Deferred tax assets[1]	–	–	–	–	1,919.8	1,919.8
Income tax receivables	–	–	–	–	348.9	348.9
Less income tax assets[1]	**–**	**–**	**–**	**–**	**2,268.7**	**2,268.7**
Segment assets	**15,383.3**	**10,750.6**	**4,814.6**	**961.1**	**256.9**	**32,166.5**
Total liabilities and provisions[1]	**8,442.4**	**4,327.9**	**2,264.7**	**349.4**	**7,518.5**	**22,903.0**
Short- and long-term indebtedness	–	–	–	–	7,565.9	7,565.9
Other financial liabilities	–	–	–	–	507.1	507.1
Less financial liabilities	**–**	**–**	**–**	**–**	**8,073.0**	**8,073.0**
Deferred tax liabilities	–	–	–	–	94.6	94.6
Income tax payables[1]	–	–	–	–	544.5	544.5
Less income tax liabilities[1]	**–**	**–**	**–**	**–**	**639.2**	**639.2**
Less other non-operating liabilities[1]	**2,060.9**	**970.7**	**728.4**	**90.4**	**-1,354.6**	**2,495.8**
Segment liabilities	**6,381.5**	**3,357.2**	**1,536.3**	**259.0**	**160.9**	**11,694.9**
Operating assets	**9,001.8**	**7,393.4**	**3,278.3**	**702.1**	**96.0**	**20,471.6**

1 The methodology used in the consolidated financial statements for the recognition of uncertain tax positions has been changed. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements in the 2022 annual report. The comparative period has been adjusted accordingly.

Development of the Group Sectors

	January 1 to June 30		Second Quarter	
Automotive in € millions	**2023**	2022	**2023**	2022
Sales	10,148.1	8,561.0	5,132.9	4,315.0
EBITDA	487.4	188.0	218.1	127.9
in % of sales	4.8	2.2	4.2	3.0
EBIT	-23.8	-714.2	-39.5	-509.9
in % of sales	-0.2	-8.3	-0.8	-11.8
Research and development expenses (net)[1,2]	1,291.0	1,212.4	628.5	586.3
in % of sales[1,2]	12.7	14.2	12.2	13.6
Depreciation and amortization[3]	511.3	902.2	257.6	637.8
thereof impairment[4]	4.9	371.7	4.6	370.5
Capital expenditure[5]	514.9	571.7	293.6	310.0
in % of sales	5.1	6.7	5.7	7.2
Operating assets as at June 30	9,453.8	9,001.8		
Number of employees as at June 30[6]	102,106	93,218		
Adjusted sales[7]	10,148.1	8,561.0	5,132.9	4,315.1
Adjusted operating result (adjusted EBIT)[8]	6.9	-279.7	-31.6	-107.0
in % of adjusted sales	0.1	-3.3	-0.6	-2.5

The additional information relating to the second quarter was not part of the auditor's review.

1 In the year under review, the presentation of income and expenses in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment was changed. They are now assigned to the relevant functional areas. The comparative period has been adjusted accordingly.
2 The assignment of income and expenses from certain business activities within the functional areas has been changed. The comparative period has been adjusted accordingly.
3 Excluding impairment on financial investments.
4 Impairment also includes necessary reversals of impairment losses.
5 Capital expenditure on property, plant and equipment, and software.
6 Excluding trainees.
7 Before changes in the scope of consolidation.
8 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Automotive

Business and sales performance

Sales volumes in the Automotive group sector were driven by the significant rise in automotive production. In the Safety and Motion business area, sales figures increased for brake systems as well as for airbag control units and wheel sensors. Sales volumes in the Autonomous Mobility business area increased in the area of radar and cameras in particular. Sales volumes of seamless connectivity technologies and high-performance computers in the Architecture and Networking business area were also up year-on-year. The Smart Mobility and User Experience business areas increased unit sales of display solutions and vehicle electronics, as well as unit sales in the commercial vehicle and independent replacement-parts business.

In addition to the strong operating growth, agreements reached with customers on price adjustments and to offset inflation-related effects had a positive impact on sales performance. Sales of the Automotive group sector were up 18.5% at €10,148.1 million (PY: €8,561.0 million) in the first six months of 2023 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 18.6%.

Adjusted EBIT

Adjusted EBIT for the Automotive group sector increased by €286.6 million or 102.5% year-on-year to €6.9 million (PY: -€279.7 million) in the first six months of 2023, corresponding to 0.1% (PY: -3.3%) of adjusted sales.

EBIT

Compared with the same period of the previous year, the Automotive group sector reported an increase in EBIT of €690.3 million or 96.7% to -€23.8 million (PY: -€714.2 million) in the first six months of 2023. The return on sales rose to -0.2% (PY: -8.3%).

Special effects

Please see our comments on pages 7 and 8 regarding the special effects for 2023 and 2022.

	January 1 to June 30		Second Quarter	
Tires in € millions	**2023**	2022	**2023**	2022
Sales	6,921.7	6,676.2	3,459.2	3,381.0
EBITDA	1,236.0	1,436.9	576.2	671.7
in % of sales	17.9	21.5	16.7	19.9
EBIT	831.1	947.6	373.4	389.7
in % of sales	12.0	14.2	10.8	11.5
Research and development expenses (net)[1]	168.3	160.4	83.8	80.5
in % of sales[1]	2.4	2.4	2.4	2.4
Depreciation and amortization[2]	404.9	489.3	202.8	282.0
thereof impairment[3]	3.5	69.5	3.5	69.4
Capital expenditure[4]	323.8	304.1	163.0	177.3
in % of sales	4.7	4.6	4.7	5.2
Operating assets as at June 30	7,709.6	7,393.4		
Number of employees as at June 30[5]	56,727	57,189		
Adjusted sales[6]	6,921.7	6,653.2	3,459.2	3,358.0
Adjusted operating result (adjusted EBIT)[7]	942.9	1,029.7	474.3	464.8
in % of adjusted sales	13.6	15.5	13.7	13.8

The additional information relating to the second quarter was not part of the auditor's review.

1 In the year under review, the presentation of income and expenses in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment was changed. They are now assigned to the relevant functional areas. The comparative period has been adjusted accordingly.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversals of impairment losses.
4 Capital expenditure on property, plant and equipment, and software.
5 Excluding trainees.
6 Before changes in the scope of consolidation.
7 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Tires

Business and sales performance
Sales figures in the original-equipment business were considerably higher than in the previous year in the first six months of 2023 due to a rise in vehicle production. By contrast, sales in the passenger-car tire replacement business, particularly in Europe and North America, were down year-on-year due to the consistently high inventories in trade and the price reduction anticipated on the market. In the commercial-vehicle tire business, sales figures were considerably lower in the reporting period than in the previous year.

Sales of the Tires group sector were up 3.7% at €6,921.7 million (PY: €6,676.2 million) in the first six months of 2023 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 5.2%. This was primarily attributable to positive price and product-mix effects.

Adjusted EBIT
Adjusted EBIT for the Tires group sector fell by €86.8 million or 8.4% year-on-year to €942.9 million (PY: €1,029.7 million) in the first six months of 2023, corresponding to 13.6% (PY: 15.5%) of adjusted sales.

EBIT
Compared with the same period of the previous year, the Tires group sector reported a decline in EBIT of €116.5 million or 12.3% to €831.1 million (PY: €947.6 million) in the first six months of 2023. The return on sales fell to 12.0% (PY: 14.2%).

Special effects
Please see our comments on pages 7 and 8 regarding the special effects for 2023 and 2022.

ContiTech in € millions	January 1 to June 30 2023	2022	Second Quarter 2023	2022
Sales	3,472.7	3,183.7	1,741.9	1,613.3
EBITDA	346.0	220.7	174.0	76.4
in % of sales	10.0	6.9	10.0	4.7
EBIT	194.1	61.9	97.7	-7.4
in % of sales	5.6	1.9	5.6	-0.5
Research and development expenses (net)[1]	88.6	81.2	45.0	41.8
in % of sales[1]	2.6	2.6	2.6	2.6
Depreciation and amortization[2]	151.8	158.8	76.3	83.8
thereof impairment[3]	0.3	2.7	0.3	7.1
Capital expenditure[4]	87.3	82.0	45.8	43.5
in % of sales	2.5	2.6	2.6	2.7
Operating assets as at June 30	3,434.0	3,278.3		
Number of employees as at June 30[5]	42,686	41,414		
Adjusted sales[6]	3,408.7	3,183.2	1,700.9	1,612.8
Adjusted operating result (adjusted EBIT)[7]	218.4	162.7	109.2	79.4
in % of adjusted sales	6.4	5.1	6.4	4.9

The additional information relating to the second quarter was not part of the auditor's review.

1 In the year under review, the presentation of income and expenses in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment was changed. They are now assigned to the relevant functional areas. The comparative period has been adjusted accordingly.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversals of impairment losses.
4 Capital expenditure on property, plant and equipment, and software.
5 Excluding trainees.
6 Before changes in the scope of consolidation.
7 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

ContiTech

Business and sales performance
Sales of the ContiTech group sector were up 9.1% at €3,472.7 million (PY: €3,183.7 million) in the first six months of 2023 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales rose by 7.4%. While sales in automotive original equipment were considerably higher than in the previous year, sales in the industrial and replacement business were only slightly higher than in the previous year. The main reason for this was the ongoing comprehensive price measures. Significantly higher volumes were also recorded in the automotive original-equipment business. The industrial and replacement business continued to develop positively, particularly in the area of conveyor belts and air spring systems as well as industrial hoses.

Adjusted EBIT
Adjusted EBIT for the ContiTech group sector increased by €55.7 million or 34.2% year-on-year to €218.4 million (PY: €162.7 million) in the first six months of 2023, corresponding to 6.4% (PY: 5.1%) of adjusted sales.

EBIT
Compared with the same period of the previous year, the ContiTech group sector reported an increase in EBIT of €132.3 million or 213.8% to €194.1 million (PY: €61.9 million) in the first six months of 2023. The return on sales rose to 5.6% (PY: 1.9%).

Special effects
Please see our comments on pages 7 and 8 regarding the special effects for 2023 and 2022.

	January 1 to June 30		Second Quarter	
Contract Manufacturing in € millions	**2023**	2022	**2023**	2022
Sales	290.6	388.9	136.3	179.0
EBITDA	28.9	33.8	12.5	12.6
in % of sales	10.0	8.7	9.2	7.0
EBIT	15.4	15.3	5.9	3.6
in % of sales	5.3	3.9	4.3	2.0
Research and development expenses (net)[1]	0.0	0.0	0.0	0.0
in % of sales[1]	0.0	0.0	0.0	0.0
Depreciation and amortization[2]	13.6	18.5	6.6	9.0
thereof impairment[3]	–	0.0	–	0.0
Capital expenditure[4]	2.2	5.3	1.2	3.3
in % of sales	0.8	1.4	0.9	1.8
Operating assets as at June 30	499.1	702.1		
Number of employees as at June 30[5]	1,692	2,289		
Adjusted sales[6]	290.6	388.9	136.3	179.0
Adjusted operating result (adjusted EBIT)[7]	15.4	16.1	5.9	4.0
in % of adjusted sales	5.3	4.1	4.4	2.2

The additional information relating to the second quarter was not part of the auditor's review.

1 In the year under review, the presentation of income and expenses in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment was changed. They are now assigned to the relevant functional areas. The comparative period has been adjusted accordingly.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversals of impairment losses.
4 Capital expenditure on property, plant and equipment, and software.
5 Excluding trainees.
6 Before changes in the scope of consolidation.
7 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Contract Manufacturing

Business and sales performance
In the Contract Manufacturing group sector, sales volumes decreased year-on-year in the first six months of 2023. This corresponds to the contractually agreed procedure between Continental and Vitesco Technologies.

Sales of the Contract Manufacturing group sector were down 25.3% at €290.6 million (PY: €388.9 million) in the first six months of 2023 compared with the same period of the previous year. Before changes in the scope of consolidation and exchange-rate effects, sales declined by 26.8%.

Adjusted EBIT
Adjusted EBIT for the Contract Manufacturing group sector decreased by €0.7 million or 4.1% year-on-year to €15.4 million (PY: €16.1 million) in the first six months of 2023, corresponding to 5.3% (PY: 4.1%) of adjusted sales.

EBIT
EBIT for the Contract Manufacturing group sector increased slightly year-on-year in the first six months of 2023 to €15.4 million (PY: €15.3 million). The return on sales rose to 5.3% (PY: 3.9%).

Special effects
Please see our comments on pages 7 and 8 regarding the special effects for 2023 and 2022.

Report on Risks and Opportunities

Due to the continuing effects of supply shortages for specific semiconductors, as well as the tense geopolitical situation, there is still a risk of significant negative effects on the Continental Group's sales and procurement markets. The expected economic consequences could negatively impact the earnings, financial and net assets position.

For details of the other main risks and opportunities, please refer to our comments in the 2022 annual report.

Report on Expected Developments and Outlook

As mentioned on pages 4 and 5 of the economic report, Continental now expects the production of passenger cars and light commercial vehicles to increase by 3% to 5% year-on-year in 2023 (previously: 2% to 4%). For the tire-replacement business, we expect sales volumes to develop by -2% to 0% (previously: 1% to 3%). The industrial business is currently showing signs of stabilizing at the previous year's level in the eurozone; in the USA we anticipate a figure of between -2% and 0% for the year as a whole, and in China we expect a recovery in demand of 4% to 6%.

In the second half of the year, negative effects from cost inflation for key inputs in the Automotive group sector will be roughly on par with the first half of the year. For the Tires and ContiTech group sectors, on the other hand, we expect cost inflation to ease. In addition, we expect slight cost reductions from the procurement of production materials for the Tires group sector. Higher costs for materials, wages and salaries as well as energy and logistics – amounting to around €1.4 billion (previously: €1.7 billion) – are expected to weigh heavily on our earnings position in fiscal 2023.

Based on all of the assumptions mentioned as well as current exchange rates, Continental expects the following key financial figures for fiscal 2023:

- We now expect the **Continental Group** to achieve sales in the range of around €41.5 billion to €44.5 billion (previously: €42 billion to €45 billion) and an adjusted EBIT margin of around 5.5% to 6.5%.
- We expect our **Automotive** group sector to achieve sales of around €20.5 billion to €21.5 billion and an adjusted EBIT margin of around 2% to 3%. This includes higher costs for materials, wages and salaries as well as logistics of around €1 billion.
- We now expect our **Tires** group sector to achieve sales of around €14.0 billion to €15.0 billion (previously: €14.5 billion to €15.5 billion) and an adjusted EBIT margin of around 12% to 13%. This includes the expected negative impact from higher costs, primarily for wages and salaries, of around €200 million (previously: €400 million for wages and salaries as well as energy and logistics).
- We expect our **ContiTech** group sector to achieve sales of around €6.8 billion to €7.2 billion and an adjusted EBIT margin of around 6% to 7%. This includes the expected negative impact from higher costs for materials, wages and salaries as well as energy of around €200 million (previously: €300 million).
- In the **Contract Manufacturing** group sector, we anticipate sales of around €400 million to €600 million and an adjusted EBIT margin of around 0%.
- As in the previous year, consolidated **amortization from purchase price allocations** is again expected to be below €150 million and affect mainly the Automotive and ContiTech group sectors.
- We also expect negative **special effects** of around €350 million for 2023 (previously: around €150 million). This does not affect the outlook for adjusted EBIT margins.
- In 2023, we expect the negative **financial result** to be around €350 million before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects.
- The **tax rate** is expected to be around 27%.
- The **capital expenditure ratio** is expected to be around 6% of sales in fiscal 2023.
- In 2023, we are planning on **adjusted free cash flow** of around €0.8 billion to €1.2 billion.

This outlook takes into account the current anticipated impact of certain ongoing supply shortages, particularly for semiconductors, on production volumes in 2023.

Consolidated Financial Statements

Consolidated Statement of Income

	January 1 to June 30		Second Quarter	
€ millions	**2023**	2022	**2023**	2022
Sales	**20,732.0**	**18,722.4**	**10,425.9**	**9,444.1**
Cost of sales[1,2]	-16,245.2	-15,259.6	-8,208.5	-7,968.6
Gross margin on sales[1,2]	**4,486.9**	**3,462.8**	**2,217.4**	**1,475.6**
Research and development expenses[1,2]	-2,032.4	-1,942.4	-1,002.9	-970.6
Selling and logistics expenses[1,2]	-1,253.2	-1,174.1	-629.6	-599.5
Administrative expenses[1]	-626.7	-551.5	-322.3	-292.6
Other income[1]	733.7	732.5	373.2	419.6
Other expenses[1]	-413.9	-320.3	-268.4	-196.6
Income from equity-accounted investees	12.7	3.1	8.8	-1.0
Other income from investments	0.8	0.6	0.6	0.6
EBIT	**907.8**	**210.7**	**376.7**	**-164.6**
Interest income[3]	46.8	51.2	24.3	14.7
Interest expense	-198.9	-110.9	-112.8	-62.8
Effects from currency translation	107.1	0.4	77.8	-4.9
Effects from changes in the fair value of derivative instruments, and other valuation effects	-11.2	-45.6	-11.5	-14.7
Financial result[3]	**-56.2**	**-104.9**	**-22.2**	**-67.7**
Earnings before tax[3]	**851.6**	**105.8**	**354.5**	**-232.3**
Income tax expense	-238.3	-99.5	-133.7	-9.7
Net income[3]	**613.3**	**6.3**	**220.8**	**-242.0**
Non-controlling interests	-22.6	-17.5	-12.2	-8.7
Net income attributable to the shareholders of the parent[3]	590.8	-11.2	208.6	-250.7
Basic earnings per share in €[3]	2.95	-0.06	1.04	-1.26
Diluted earnings per share in €[3]	2.95	-0.06	1.04	-1.26

The additional information relating to the second quarter was not part of the auditor's review.

1 In the year under review, the presentation of income and expenses in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment was changed. They are now assigned to the relevant functional areas. The comparative period has been adjusted accordingly.
2 The assignment of income and expenses from certain business activities within the functional areas has been changed. The comparative period has been adjusted accordingly.
3 The methodology used in the consolidated financial statements for the recognition of uncertain tax positions has been changed. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements in the 2022 annual report. The comparative period has been adjusted accordingly.

Consolidated Statement of Comprehensive Income

	January 1 to June 30		Second Quarter	
€ millions	**2023**	2022	**2023**	2022
Net income[1]	**613.3**	**6.3**	**220.8**	**-242.0**
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plans[2]	-59.8	2,310.5	-32.7	1,620.8
Fair value adjustments[2]	-63.1	2,332.6	-31.1	1,638.2
Currency translation[2]	3.3	-22.1	-1.6	-17.4
Other investments	-51.4	-1.2	-1.6	-1.2
Fair value adjustments[2]	-51.6	-0.8	-1.5	-0.9
Currency translation[2]	0.3	-0.4	0.0	-0.3
Tax on other comprehensive income	22.1	-688.5	8.5	-492.2
Items that may be reclassified subsequently to profit or loss				
Currency translation[2]	-24.3	561.3	-29.0	245.9
Effects from currency translation[2]	-95.4	561.3	-100.1	245.9
Reclassification adjustments to profit or loss	71.2	–	71.2	–
Other comprehensive income	**-113.4**	**2,182.1**	**-54.8**	**1,373.3**
Comprehensive income[1]	**500.0**	**2,188.4**	**166.0**	**1,131.3**
Attributable to non-controlling interests	9.4	-19.7	14.9	-4.9
Attributable to the shareholders of the parent[1]	509.3	2,168.7	180.8	1,126.4

The additional information relating to the second quarter was not part of the auditor's review.

1 The methodology used in the consolidated financial statements for the recognition of uncertain tax positions has been changed. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements in the 2022 annual report. The comparative period has been adjusted accordingly.
2 Including non-controlling interests.

Consolidated Statement of Financial Position

Assets

€ millions	June 30, 2023	December 31, 2022	June 30, 2022
Goodwill	3,203.9	3,218.2	3,721.3
Other intangible assets	906.3	973.7	1,029.1
Property, plant and equipment	11,423.4	11,467.2	11,240.6
Investment property	11.5	11.5	12.1
Investments in equity-accounted investees	313.1	305.1	313.6
Other investments	131.1	170.0	183.2
Deferred tax assets[1]	2,211.7	2,059.2	1,919.8
Defined benefit assets	97.4	93.1	110.4
Long-term derivative instruments and interest-bearing investments	100.1	105.8	116.0
Long-term other financial assets	255.6	270.0	261.2
Long-term other assets	67.8	114.9	109.9
Non-current assets[1]	**18,721.9**	***18,788.7***	**19,017.2**
Inventories	7,064.9	6,729.6	6,295.2
Trade accounts receivable	8,269.7	7,767.7	8,146.4
Short-term contract assets	142.1	99.8	117.2
Short-term other financial assets	143.4	140.0	134.1
Short-term other assets	1,199.7	1,033.8	1,224.8
Income tax receivables	315.6	277.6	348.9
Short-term derivative instruments and interest-bearing investments	126.8	101.5	108.6
Cash and cash equivalents	2,271.5	2,988.0	1,907.4
Assets held for sale	–	–	–
Current assets	**19,533.7**	***19,138.0***	**18,282.6**
Total assets[1]	**38,255.6**	***37,926.7***	**37,299.9**

1 The methodology used in the consolidated financial statements for the recognition of uncertain tax positions has been changed. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements in the 2022 annual report. The comparative period has been adjusted accordingly.

Equity and liabilities

€ millions	**June 30, 2023**	*December 31, 2022*	June 30, 2022
Issued/subscribed capital	512.0	*512.0*	512.0
Capital reserves	4,155.6	*4,155.6*	4,155.6
Retained earnings[1]	10,201.3	*9,910.5*	9,832.6
Other comprehensive income	-1,400.4	*-1,318.9*	-555.6
Equity attributable to the shareholders of the parent[1]	**13,468.5**	***13,259.2***	**13,944.6**
Non-controlling interests	446.0	*475.8*	452.3
Total equity[1]	**13,914.5**	***13,735.0***	**14,396.9**
Long-term employee benefits	2,742.7	*2,623.5*	1,998.1
Deferred tax liabilities	90.5	*57.5*	94.6
Long-term provisions for other risks and obligations	616.0	*624.1*	827.8
Long-term indebtedness	4,450.3	*4,006.0*	4,686.4
Long-term other financial liabilities	9.6	*10.0*	10.7
Long-term contract liabilities	7.3	*7.8*	7.2
Long-term other liabilities	25.5	*31.0*	21.3
Non-current liabilities	**7,941.9**	***7,359.9***	**7,646.1**
Short-term employee benefits	1,272.7	*1,274.7*	1,173.9
Trade accounts payable	6,940.9	*7,637.0*	6,765.5
Short-term contract liabilities	188.8	*232.4*	255.8
Income tax payables[1]	496.7	*525.7*	544.5
Short-term provisions for other risks and obligations[1]	962.8	*1,036.8*	1,057.8
Short-term indebtedness	4,123.8	*3,688.7*	2,879.5
Short-term other financial liabilities	1,603.9	*1,763.8*	1,726.4
Short-term other liabilities	809.6	*672.7*	853.4
Current liabilities[1]	**16,399.2**	***16,831.8***	**15,256.9**
Total equity and liabilities[1]	**38,255.6**	***37,926.7***	**37,299.9**

1 The methodology used in the consolidated financial statements for the recognition of uncertain tax positions has been changed. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements in the 2022 annual report. The comparative period has been adjusted accordingly.

Consolidated Statement of Cash Flows

	January 1 to June 30		Second Quarter	
€ millions	**2023**	2022	**2023**	2022
Net income[1]	**613.3**	**6.3**	**220.8**	**-242.0**
Income tax expense	238.3	99.5	133.7	9.7
Financial result[1]	56.2	104.9	22.2	67.7
EBIT	**907.8**	**210.7**	**376.7**	**-164.6**
Interest paid	-124.5	-46.6	-70.7	-32.2
Interest received	56.0	24.9	23.5	13.7
Income tax paid	-350.5	-275.8	-183.0	-167.5
Dividends received	1.5	2.1	0.9	1.7
Depreciation, amortization, impairment and reversal of impairment losses	1,082.1	1,570.2	543.1	1,013.2
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	-13.5	-3.7	-9.4	0.4
Gains/losses from the disposal of assets, companies and business operations	39.2	-6.6	41.7	-5.5
Changes in				
inventories	-341.7	-1,110.6	125.5	-636.3
trade accounts receivable	-507.2	-833.1	126.1	-224.2
trade accounts payable	-691.6	758.1	-400.7	198.3
employee benefits and other provisions	-75.4	-129.0	-216.5	-228.4
other assets and liabilities	-177.7	-315.1	42.0	-47.4
Cash flow arising from operating activities	**-195.5**	**-154.5**	**399.4**	**-278.8**
Cash flow from the disposal of assets	61.9	36.9	48.3	25.1
Capital expenditure on property, plant and equipment, and software	-817.0	-724.3	-455.7	-423.0
Capital expenditure on intangible assets from development projects and miscellaneous	-12.9	-18.7	-6.2	-10.0
Cash flow from the disposal of companies and business operations	39.7	-0.6	39.7	0.4
Acquisition of companies and business operations	-165.1	-9.4	-162.5	-11.1
Cash flow arising from investing activities	**-893.5**	**-716.1**	**-536.4**	**-418.6**
Cash flow before financing activities (free cash flow)	**-1,089.0**	**-870.6**	**-137.0**	**-697.4**
Issuance of bonds[2]	750.0	—	750.0	—
Repayment of lease liabilities[2]	-154.4	-154.2	-76.8	-74.3
Change in other indebtedness[2]	182.2	1,085.2	-160.0	839.0
Change in derivative instruments and interest-bearing investments[2]	-22.8	-12.5	1.6	-28.5
Other cash changes	-6.5	-24.2	-2.8	-25.4
Dividends paid	-300.0	-440.0	-300.0	-440.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-20.1	-21.9	-15.8	-22.4
Cash flow arising from financing activities	**428.4**	**432.4**	**196.0**	**248.5**
Change in cash and cash equivalents	**-660.6**	**-438.2**	**59.0**	**-448.9**
Cash and cash equivalents at the beginning of the reporting period	2,988.0	2,269.1	2,252.1	2,323.9
Effect of exchange-rate changes on cash and cash equivalents	-55.9	76.5	-39.6	32.4
Cash and cash equivalents at the end of the reporting period	**2,271.5**	**1,907.4**	**2,271.5**	**1,907.4**

The additional information relating to the second quarter was not part of the auditor's review.

1 The methodology used in the consolidated financial statements for the recognition of uncertain tax positions has been changed. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements in the 2022 annual report. The comparative period has been adjusted accordingly.
2 The presentation of the change in indebtedness was revised in the 2022 annual report. The previous year's figures have been adjusted accordingly.

Consolidated Statement of Changes in Equity

					Difference from					
€ millions	Issued/ subscribed capital[1]	Capital reserves	Retained earnings[2]	Successive purchases	remeasurement of defined benefit plans	currency translation	financial instruments[3]	Subtotal[2]	Non-controlling interests	**Total[2]**
As at January 1, 2022[2]	**512.0**	**4,155.6**	**10,283.9**	**-311.8**	**-1,994.9**	**-507.8**	**79.0**	**12,216.0**	**452.5**	**12,668.5**
Net income[2]	–	–	-11.2	–	–	–	–	-11.2	17.5	**6.3**
Other comprehensive income	–	–	–	–	1,621.1	560.0	-1.2	2,179.9	2.2	**2,182.1**
Net profit for the period[2]	**–**	**–**	**-11.2**	**–**	**1,621.1**	**560.0**	**-1.2**	**2,168.7**	**19.7**	**2,188.4**
Dividends paid/resolved	–	–	-440.0	–	–	–	–	-440.0	-24.8	**-464.8**
Other changes[4]	0.0	0.0	-0.1	–	–	–	–	-0.1	4.9	**4.8**
As at June 30, 2022[2]	**512.0**	**4,155.6**	**9,832.6**	**-311.8**	**-373.8**	**52.2**	**77.8**	**13,944.6**	**452.3**	**14,396.9**
As at January 1, 2023	**512.0**	**4,155.6**	**9,910.5**	**-311.8**	**-773.9**	**-295.9**	**62.7**	**13,259.2**	**475.8**	**13,735.0**
Net income	–	–	590.8	–	–	–	–	590.8	22.6	**613.3**
Other comprehensive income	–	–	–	–	-40.9	7.7	-48.3	-81.5	-31.9	**-113.4**
Net profit for the period	**–**	**–**	**590.8**	**–**	**-40.9**	**7.7**	**-48.3**	**509.3**	**-9.4**	**500.0**
Dividends paid/resolved	–	–	-300.0	–	–	–	–	-300.0	-20.4	**-320.5**
Other changes[4]	–	–	–	0.0	–	–	–	0.0	–	**0.0**
As at June 30, 2023	**512.0**	**4,155.6**	**10,201.3**	**-311.7**	**-814.7**	**-288.2**	**14.4**	**13,468.5**	**446.0**	**13,914.5**

1 Divided into 200,005,983 (PY: 200,005,983) outstanding shares with dividend and voting rights.
2 The methodology used in the consolidated financial statements for the recognition of uncertain tax positions has been changed. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements in the 2022 annual report. The comparative period has been adjusted accordingly.
3 The change in the difference arising from financial instruments, including deferred taxes, was due to other investments of -€48.3 million (PY: -€1.2 million).
4 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

Explanatory Notes to the Consolidated Financial Statements

Segment report for the period from January 1 to June 30, 2023

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
External sales	10,144.4	6,866.8	3,431.1	289.8	–	20,732.0
Intercompany sales	3.8	54.9	41.6	0.7	-101.0	–
Sales (total)	**10,148.1**	**6,921.7**	**3,472.7**	**290.6**	**-101.0**	**20,732.0**
EBIT (segment result)	-23.8	831.1	194.1	15.4	-108.9	907.8
in % of sales	-0.2	12.0	5.6	5.3	–	4.4
Depreciation and amortization[1]	511.3	404.9	151.8	13.6	0.5	1,082.1
thereof impairment[2]	4.9	3.5	0.3	–	–	8.7
Capital expenditure[3]	514.9	323.8	87.3	2.2	12.1	940.3
in % of sales	5.1	4.7	2.5	0.8	–	4.5
Operating assets as at June 30	9,453.8	7,709.6	3,434.0	499.1	168.0	21,264.5
Number of employees as at June 30[4]	102,106	56,727	42,686	1,692	535	203,746
Adjusted sales[5]	10,148.1	6,921.7	3,408.7	290.6	-101.0	20,668.1
Adjusted operating result (adjusted EBIT)[6]	6.9	942.9	218.4	15.4	-108.1	1,075.5
in % of adjusted sales	0.1	13.6	6.4	5.3	–	5.2

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversals of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Segment report for the period from January 1 to June 30, 2022

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
External sales	8,560.1	6,626.1	3,147.4	388.8	–	18,722.4
Intercompany sales	0.9	50.1	36.3	0.1	-87.4	–
Sales (total)	**8,561.0**	**6,676.2**	**3,183.7**	**388.9**	**-87.4**	**18,722.4**
EBIT (segment result)	-714.2	947.6	61.9	15.3	-99.9	210.7
in % of sales	-8.3	14.2	1.9	3.9	–	1.1
Depreciation and amortization[1]	902.2	489.3	158.8	18.5	1.4	1,570.2
thereof impairment[2]	371.7	69.5	2.7	0.0	–	443.9
Capital expenditure[3]	571.7	304.1	82.0	5.3	24.4	987.5
in % of sales	6.7	4.6	2.6	1.4	–	5.3
Operating assets as at June 30	9,001.8	7,393.4	3,278.3	702.1	96.0	20,471.6
Number of employees as at June 30[4]	93,218	57,189	41,414	2,289	467	194,577
Adjusted sales[5]	8,561.0	6,653.2	3,183.2	388.9	-87.4	18,699.0
Adjusted operating result (adjusted EBIT)[6]	-279.7	1,029.7	162.7	16.1	-99.8	829.0
in % of adjusted sales	-3.3	15.5	5.1	4.1	–	4.4

1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversals of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects.

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to June 30, 2023

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Sales	**10,148.1**	**6,921.7**	**3,472.7**	**290.6**	**-101.0**	**20,732.0**
Changes in the scope of consolidation[1]	–	–	-64.0	–	–	-64.0
Adjusted sales	**10,148.1**	**6,921.7**	**3,408.7**	**290.6**	**-101.0**	**20,668.1**
EBITDA	**487.4**	**1,236.0**	**346.0**	**28.9**	**-108.4**	**1,990.0**
Depreciation and amortization[2]	-511.3	-404.9	-151.8	-13.6	-0.5	-1,082.1
EBIT	**-23.8**	**831.1**	**194.1**	**15.4**	**-108.9**	**907.8**
Amortization of intangible assets from purchase price allocation (PPA)	29.7	3.2	26.9	–	–	59.9
Changes in the scope of consolidation[1]	–	–	-6.4	–	–	-6.4
Special effects						
Impairment on goodwill	–	–	–	–	–	–
Impairment[3]	4.9	5.3	–	–	–	10.2
Restructuring[4]	-18.1	-1.0	1.1	–	–	-18.0
Restructuring-related expenses	8.2	12.9	1.4	–	–	22.5
Severance payments	6.1	7.6	5.3	0.1	0.8	19.9
Gains and losses from disposals of companies and business operations	–	71.9	-6.3	–	–	65.6
Other[5]	–	11.8	2.2	–	–	14.0
Adjusted operating result (adjusted EBIT)	**6.9**	**942.9**	**218.4**	**15.4**	**-108.1**	**1,075.5**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversals of impairment losses. It does not include impairment that arose in connection with a restructuring and impairment on financial investments and goodwill.
4 Also includes restructuring-related reversals of impairment losses of €1.8 million in the Tires segment and impairment losses of €0.3 million in the ContiTech segment.
5 Includes allowances for doubtful accounts on accounts receivable and debt waivers from the sale of all Russian operations in the Tires segment and some Russian operations in the ContiTech segment in Russia.

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) from January 1 to June 30, 2022

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Sales	**8,561.0**	**6,676.2**	**3,183.7**	**388.9**	**–87.4**	**18,722.4**
Changes in the scope of consolidation[1]	–	–23.0	–0.4	–	–	–23.4
Adjusted sales	**8,561.0**	**6,653.2**	**3,183.2**	**388.9**	**–87.4**	**18,699.0**
EBITDA	**188.0**	**1,436.9**	**220.7**	**33.8**	**–98.5**	**1,780.9**
Depreciation and amortization[2]	–902.2	–489.3	–158.8	–18.5	–1.4	–1,570.2
EBIT	**–714.2**	**947.6**	**61.9**	**15.3**	**–99.9**	**210.7**
Amortization of intangible assets from purchase price allocation (PPA)	37.3	7.1	32.1	–	–	76.5
Changes in the scope of consolidation[1]	–	–2.3	–2.0	–	–	–4.3
Special effects						
Impairment on goodwill	57.3	–	–	–	–	57.3
Impairment[3]	312.9	69.4	5.1	0.0	–	387.4
Restructuring[4]	–2.9	0.6	58.9	–0.1	–	56.5
Restructuring-related expenses	21.2	2.8	2.6	0.9	–	27.5
Severance payments	8.8	4.9	4.8	0.0	0.1	18.6
Gains and losses from disposals of companies and business operations	–	–0.4	–0.7	–	–	–1.1
Other	–	–	–	–	–	–
Adjusted operating result (adjusted EBIT)	**–279.7**	**1,029.7**	**162.7**	**16.1**	**–99.8**	**829.0**

1 Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2 Excluding impairment on financial investments.
3 Impairment also includes necessary reversals of impairment losses. It does not include impairment that arose in connection with a restructuring and impairment on financial investments and goodwill.
4 Also includes restructuring-related impairment losses totaling €3.6 million (Automotive €1.5 million; Tires €0.1 million; ContiTech €2.0 million) and a reversal of impairment losses of €4.4 million in the ContiTech segment.

Reconciliation of EBIT to net income

	January 1 to June 30		Second Quarter	
€ millions	**2023**	2022	**2023**	2022
Automotive	-23.8	-714.2	-39.5	-509.9
Tires	831.1	947.6	373.4	389.7
ContiTech	194.1	61.9	97.7	-7.4
Contract Manufacturing	15.4	15.3	5.9	3.6
Other/Holding/Consolidation	-108.9	-99.9	-60.8	-40.6
EBIT	**907.8**	**210.7**	**376.7**	**-164.6**
Financial result[1]	-56.2	-104.9	-22.2	-67.7
Earnings before tax[1]	**851.6**	**105.8**	**354.5**	**-232.3**
Income tax expense	-238.3	-99.5	-133.7	-9.7
Net income[1]	**613.3**	**6.3**	**220.8**	**-242.0**
Non-controlling interests	-22.6	-17.5	-12.2	-8.7
Net income attributable to the shareholders of the parent[1]	**590.8**	**-11.2**	**208.6**	**-250.7**

The additional information relating to the second quarter was not part of the auditor's review.

1 The methodology used in the consolidated financial statements for the recognition of uncertain tax positions has been changed. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements in the 2022 annual report. The comparative period has been adjusted accordingly.

Segment reporting

Information on the development of the Continental Group's four segments or group sectors can be found in the consolidated management report as at June 30, 2023.

Accounting principles

These interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the end of the reporting period and endorsed by the European Union. These also include the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor, the International Financial Reporting Interpretations Committee (IFRIC), and the former Standing Interpretations Committee (SIC). The interim financial statements were prepared in condensed form in compliance with IAS 34, *Interim Financial Reporting*. The same accounting policies have been applied in the interim financial statements as in the consolidated financial statements for 2022. These accounting policies are described in detail in the 2022 annual report. In addition, the IFRS amendments and new regulations effective as at June 30, 2023, have also been applied in the interim financial statements. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2022 annual report.

The IFRS amendments and new regulations effective as at June 30, 2023, had no material effect on the reporting of the Continental Group.

Income tax expense is calculated based on the estimated, weighted average tax rate expected for the year as a whole. Tax effects of specific significant items that can only be allocated to the respective period under review are taken into account.

Although certain elements of the Continental Group's business are seasonal, the overall comparability of the consolidated financial reports is not compromised. All significant effects in the current period are shown in this report. Changes in the recognition or measurement of assets and liabilities within the scope of company acquisitions are presented retrospectively once the final purchase price allocation has been determined.

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

Adjustment of prior-year figures in the consolidated interim financial statement as at June 30, 2023

In order to increase transparency, Continental changed how income and expenses are presented in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment in the reporting year. Previously, these items were reported under other income and other expenses; as of fiscal 2023, they are assigned to the respective functional areas. This retrospective adjustment due to an amendment of the accounting policies in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, led to a €441.7 million increase in the cost of sales, a €5.6 million increase in research and development expenses, a €9.9 million increase in selling and logistics expenses and a €0.7 million increase in administrative expenses for the period from January 1, 2022, to June 30, 2022. At the same time, other income fell by €6.3 million and other expenses by €464.2 million.

In addition, the presentation of specific expenses (primarily personnel expenses) incurred in connection with the provision of development services to external customers was adjusted in the Automotive segment. Previously, these expenses were reported under research and development expenses; now, they are reported under cost of sales. The adjustment led to a retrospective reduction in research and development expenses of €61.3 million while simultaneously increasing cost of sales by the same amount for the period from January 1, 2022, to June 30, 2022.

In the Tires segment, the reporting of personnel expenses incurred in connection with activities in the workshops of tire companies was adjusted in the reporting year. Previously, these expenses were reported under selling and logistics expenses; now, they are reported under cost of sales. The adjustment led to a retrospective reduction in selling and logistics expenses of €93.2 million while simultaneously increasing cost of sales by the same amount for the period from January 1, 2022, to June 30, 2022.

Impact of the war in Ukraine on accounting in the reporting period
Due to the ongoing war in Ukraine and the unclear development of the geopolitical situation in the reporting period, Continental AG sold all Russian operations in the Tires segment and some Russian operations in the ContiTech segment in the second quarter of 2023. For further details, please refer to the section on acquisition and disposal in these statements. Following the sale, only immaterial operations in the Automotive and ContiTech segments remained in Russia as at June 30, 2023.

Impact of the macroeconomic environment and climate-related aspects on accounting in the reporting period
Based on available information, the effects of the current macroeconomic environment on the accounting of the Continental Group were continuously reviewed in the reporting period. The macroeconomic environment continued to be shaped in particular by high inflation and the development of interest rates in the reporting period. This had no material effect on the reporting of the Continental Group in the reporting period.

No significant effects of climate-related risk factors on reporting were identified in the reporting period. There were also no significant effects on individual items in the reporting period. For a detailed description of the areas identified on which climate-related issues could have an effect, please refer to the 2022 annual report.

Companies consolidated
In addition to the parent company, the number of companies consolidated includes 478 (PY: 470) domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10, *Consolidated Financial Statements*, or that are classified as joint arrangements or associates. Of these, 402 (PY: 392) are fully consolidated and 76 (PY: 78) are accounted for using the equity method.

The number of companies consolidated has increased by a total of one since December 31, 2022. Six companies were acquired, while one company was founded. Companies no longer included in the scope of consolidation are attributable to mergers, disposals and liquidations.

Since June 30, 2022, the number of companies consolidated has increased by a total of eight. Seven new companies were founded, and 14 companies were acquired. Two companies were sold, and five companies were merged. Six liquidations also led to a reduction in the number of companies consolidated.

Acquisition and disposal of companies and business operations
In the ContiTech segment, final purchase allocations for share deals in 2022 led to a total increase in purchase prices of €0.3 million. The resulting changes to purchase price allocations resulted in an increase in other intangible assets of €0.5 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at June 30, 2023.

In the Surface Solutions business area, ContiTech Global Holding Netherlands B.V., Maastricht, Netherlands, acquired 100% of the shares in Printing Solutions Sweden Holding AB, Trelleborg, Sweden, on May 2, 2023. The company, a leading manufacturer of surface solutions for the printing industry, generated sales of €125.9 million in fiscal 2022. Through the acquisition, the ContiTech segment is expanding its expertise in the area of printing technology for offset and digital printing in particular. The consideration transferred accounted for €223.8 million and was paid in cash up to an outstanding purchase price liability of €1.0 million. The formerly incidental acquisition costs incurred were recognized as other expenses in the amount of €3.5 million. The preliminary purchase price allocation resulted in goodwill of €8.8 million and intangible assets of €31.5 million in the Surface Solutions business area. If the transaction had been completed on January 1, 2023, net income after tax would have increased by €2.5 million and sales by €40.4 million. Since the transaction was completed on May 2, 2023, the entity has generated sales of €19.2 million and, taking into account effects from the purchase price allocation, contributed earnings after tax of -€1.4 million to net income. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at June 30, 2023.

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

	Fair value at date of first-time consolidation
Acquired net assets in € millions	Printing Solutions
Other intangible assets	31.5
Property, plant and equipment	60.9
Other investments	13.4
Deferred tax assets	0.4
Long-term other financial assets	0.1
inventories	41.8
Trade accounts receivable	28.9
Short-term other financial assets	1.2
Short-term other assets	6.5
Income tax receivables	0.1
Cash and cash equivalents	79.0
Long-term employee benefits	–1.7
Deferred tax liabilities	–15.6
Long-term provisions for other risks and obligations	–1.2
Long-term indebtedness	–3.1
Long-term other liabilities	–0.8
Short-term employee benefits	–3.8
Trade accounts payable	–15.5
Short-term contract liabilities	–0.2
Income tax payables	–1.1
Short-term provisions for other risks and obligations	–0.6
Short-term indebtedness	–2.4
Short-term other financial liabilities	–2.0
Short-term other liabilities	–1.0
Purchased net assets	**215.0**
Consideration transferred	223.8
Goodwill	**8.8**

In the second quarter of 2023, all Russian operations in the Tires segment and some Russian operations in the ContiTech segment were sold. The purchase price of €78.0 million was paid in cash.

The carrying amounts of outgoing net assets amounted to €81.2 million, €39.9 million of which are cash and cash equivalents. The entire transaction resulted in expenses of €79.2 million.

Revenue from contracts with customers

The following tables show the breakdown of sales in accordance with IFRS 15, *Revenue from Contracts with Customers*, into main geographical markets, segments and customer groups.

Sales from contracts with customers from January 1 to June 30, 2023

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Germany	2,492.7	855.9	637.3	83.3	-46.7	4,022.5
Europe excluding Germany	2,585.1	2,638.3	895.2	124.2	-19.8	6,222.9
North America	2,264.1	2,066.8	1,103.7	73.9	-23.0	5,485.5
Asia-Pacific	2,566.6	952.6	604.4	9.2	-3.5	4,129.3
Other countries	239.6	408.1	232.0	0.0	-7.9	871.8
Sales by region	**10,148.1**	**6,921.7**	**3,472.7**	**290.6**	**-101.0**	**20,732.0**
Automotive original-equipment business	9,574.4	1,927.0	1,661.7	279.8	-26.5	13,416.4
Industrial/replacement business	573.7	4,994.7	1,811.0	10.8	-74.5	7,315.6
Sales by customer type	**10,148.1**	**6,921.7**	**3,472.7**	**290.6**	**-101.0**	**20,732.0**
Goods	9,949.5	6,533.6	3,333.9	290.5	-95.3	20,012.3
Services	119.7	388.1	65.4	0.0	-5.4	567.9
Project business	78.9	–	73.4	–	-0.4	151.9
Sales by product type	**10,148.1**	**6,921.7**	**3,472.7**	**290.6**	**-101.0**	**20,732.0**

Sales from contracts with customers from January 1 to June 30, 2022

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Germany	1,812.7	790.1	593.1	157.9	-44.1	3,309.7
Europe excluding Germany	2,140.1	2,532.4	847.2	94.2	-11.8	5,602.1
North America	2,090.6	2,005.8	930.4	78.6	-20.8	5,084.6
Asia-Pacific	2,306.6	926.3	593.7	58.1	-2.9	3,881.8
Other countries	211.0	421.6	219.3	0.1	-7.8	844.2
Sales by region	**8,561.0**	**6,676.2**	**3,183.7**	**388.9**	**-87.4**	**18,722.4**
Automotive original-equipment business	8,025.0	1,493.8	1,475.3	378.7	-21.6	11,351.2
Industrial/replacement business	536.0	5,182.4	1,708.4	10.2	-65.8	7,371.2
Sales by customer type	**8,561.0**	**6,676.2**	**3,183.7**	**388.9**	**-87.4**	**18,722.4**
Goods	8,390.0	6,307.5	3,026.7	388.5	-72.9	18,039.8
Services	84.2	368.7	63.4	0.4	-4.1	512.6
Project business	86.8	–	93.6	–	-10.4	170.0
Sales by product type	**8,561.0**	**6,676.2**	**3,183.7**	**388.9**	**-87.4**	**18,722.4**

Impairment
The Continental Group immediately reviews other intangible assets and property, plant and equipment, investment property, financial investments and goodwill as soon as there is an indication of impairment (triggering event). Material impairment losses were not recognized as a result of these reviews in the period under review.

Income tax expense
Income tax expense in the first half of 2023 amounted to €238.3 million (PY: €99.5 million). The tax rate in the reporting period was 28.0% (PY: 94.0%). In the previous year, the tax rate was primarily attributable to non-tax-effective accounting effects in connection with the net income affected by impairment.

Leases
The following table shows the right-of-use assets as at June 30, 2023:

€ millions	June 30, 2023	December 31, 2022
Land and buildings	1,047.4	1,090.7
Technical equipment and machinery	3.7	4.6
Other equipment, factory and office equipment	68.2	65.8
Total right-of-use assets	**1,119.4**	**1,161.1**

The lease liabilities as at June 30, 2023, are shown in the following table:

€ millions	June 30, 2023	December 31, 2022
Lease liabilities	**1,183.9**	**1,242.4**
Short-term	275.7	285.0
Long-term	908.2	957.4

Long-term employee benefits
Compared with December 31, 2022, the remeasurement of defined benefit plans as at June 30, 2023, led to a €44.0 million decline (PY: €1,441.8 million increase) in other comprehensive income, which resulted from a decline in discount rates (PY: rise in discount rates). The corresponding reduction in equity contrasted with a rise in long-term employee benefits of €63.7 million (PY: decline of €2,041.7 million). The discount rates used for the remeasurement for the key countries as at June 30, 2023, were 3.54% in Germany (December 31, 2022: 3.65%), 5.34% in the USA (December 31, 2022: 5.40%), 5.10% in the United Kingdom (December 31, 2022: 4.80%) and 3.50% in France (December 31, 2022: 3.75%).

Cash changes in pension and similar obligations
Pension funds exist solely for pension obligations – particularly in Germany, the USA, Canada and the UK – and not for other benefit obligations. These pension funds qualify as plan assets. In the period from January 1 to June 30, 2023, the companies of the Continental Group made regular payments of €10.5 million (PY: €52.3 million) into these pension funds.

Payments for pension obligations totaled €123.0 million (PY: €121.0 million) in the period from January 1 to June 30, 2023. Payments for obligations similar to pensions totaled €7.0 million (PY: €6.6 million).

Net pension cost in the reporting period can be summarized as follows:

	January 1 to June 30, 2023						January 1 to June 30, 2022					
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Total
Current service cost	52.8	1.1	0.5	0.5	10.4	**65.3**	103.4	1.6	0.8	1.0	11.0	117.8
Interest on defined benefit obligations	66.4	22.2	0.8	6.2	8.6	**104.2**	33.1	15.1	0.7	3.9	5.6	58.4
Expected return on the pension funds	-31.3	-22.6	-0.8	-7.2	-3.7	**-65.6**	-10.6	-15.7	-0.7	-4.1	-2.1	-33.2
Effect of change of asset ceiling	–	–	–	–	0.1	**0.1**	–	–	–	–	0.0	0.0
Other pension income and expenses	–	0.7	0.1	–	0.0	**0.8**	–	0.8	0.1	–	0.1	1.0
Net pension cost	**87.9**	**1.4**	**0.6**	**-0.5**	**15.4**	**104.8**	**125.9**	**1.8**	**0.9**	**0.8**	**14.6**	**144.0**

The net cost of healthcare and life insurance benefit obligations for the Continental Group in the USA and Canada can be broken down as follows:

	January 1 to June 30	
€ millions	**2023**	2022
Current service cost	0.3	0.4
Interest on healthcare and life insurance benefit obligations	3.3	2.1
Net cost	**3.6**	**2.5**

Financing and indebtedness
As at June 30, 2023, the Continental Group's net indebtedness amounted to €6,075.7 million. This rose by €641.8 million compared with the year-on-year figure of €5,433.9 million and by €1,576.2 million compared with the figure of €4,499.4 million as at December 31, 2022. The increase compared with June 30, 2022, and compared with the end of 2022 is primarily attributable to the negative free cash flow of €127.8 million and €1,089.0 million, respectively, and to the dividend payment of €300.0 million in May 2023. Cash and cash equivalents as well as other financing instruments such as commercial paper issuances and the utilization of the syndicated loan were used to meet the financing requirements. The gearing ratio was up for the first half of 2023 at 43.7% (PY: 37.7%).

The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4,000.0 million and has an original term of five years. In November 2021, Continental exercised the second and final option to extend the term by one year. The lending banks then extended this financing commitment until December 2026 at unchanged conditions. As at June 30, 2023, Continental AG had utilized €300.0 million (PY: –) of this revolving loan. For further details regarding the syndicated loan, please refer to the comments in the 2022 annual report.

Under the Debt Issuance Programme (DIP), Continental AG issued two listed euro bonds in November 2022 and June 2023, with a total issue volume of €1,375.0 million. On November 30, 2022, a €625.0-million bond was issued. The issue price of this bond, which has a term of five years and a fixed interest rate of 3.625% p.a., was 100.000%. On June 1, 2023, a €750.0-million bond was issued, likewise with a term of five years. The issue price of this bond, which has a fixed interest rate of 4.000% p.a., amounted to 99.445%.

As at June 30, 2023, the Continental Group had liquidity reserves totaling €6,861.0 million (PY: €6,804.4 million), consisting of cash and cash equivalents of €2,271.5 million (PY: €1,907.4 million) and committed, unutilized credit lines of €4,589.4 million (PY: €4,897.0 million).

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the aforementioned cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. The assessment of any restrictions related to cash and cash equivalents is made on each respective reporting date. Taxes to be paid on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at June 30, 2023, unrestricted cash and cash equivalents totaled €1,771.6 million (PY: €1,404.9 million).

Financial instruments

The tables below show the carrying amounts and fair values of financial assets and liabilities, whereby non-current and current items are presented together. In addition, the relevant measurement categories are shown according to IFRS 9, *Financial Instruments*, and the levels of the fair value hierarchy relevant for calculating fair value according to IFRS 13, *Fair Value Measurement*.

€ millions	Measurement category in acc. with IFRS 9	**Carrying amount as at June 30, 2023**	**Fair value as at June 30, 2023**	thereof Level 1	thereof Level 2	thereof Level 3
Other investments[1]	FVOCIwoR	109.0	109.0	2.7	–	106.3
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	32.7	32.7	–	32.7	–
Debt instruments	FVPL	90.5	90.5	90.5	–	–
Debt instruments	at cost	103.7	103.7	–	–	–
Trade accounts receivable without lease receivables						
Trade accounts receivable	at cost	8,088.4	8,088.4	–	–	–
Bank drafts	FVOCIwR	164.7	164.7	–	164.7	–
Trade accounts receivable	FVPL	12.8	12.8	–	12.8	–
Other financial assets without lease receivables						
Other financial assets	FVPL	120.7	120.7	0.7	120.0	–
Other financial assets	at cost	264.9	264.9	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	2,179.2	2,179.2	–	–	–
Cash and cash equivalents	FVPL	92.3	92.3	92.3	–	–
Financial assets without lease receivables		**11,259.0**	**11,259.0**	**186.2**	**330.3**	**106.3**
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	20.0	20.0	–	20.0	–
Other indebtedness	at cost	7,370.2	7,280.5	4,494.0	527.8	–
Trade accounts payable	at cost	6,940.9	6,940.9	–	–	–
Other financial liabilities	at cost	1,613.5	1,613.5	–	–	–
Financial liabilities without lease liabilities		**15,944.6**	**15,854.9**	**4,494.0**	**547.7**	**–**
Aggregated according to categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		164.7				
Financial assets (FVOCIwoR)		109.0				
Financial assets (FVPL)		349.1				
Financial assets (at cost)		10,636.2				
Financial liabilities (FVPL)		20.0				
Financial liabilities (at cost)		15,924.6				

1 Excluding investments in unconsolidated affiliated companies.

€ millions	Measurement category in acc. with IFRS 9	Carrying amount as at Dec. 31, 2022	Fair value as at Dec. 31, 2022	thereof Level 1	thereof Level 2	thereof Level 3
Other investments[1]	FVOCIwoR	160.2	160.2	4.7	–	155.5
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	31.4	31.4	–	31.4	–
Debt instruments	FVPL	74.0	74.0	74.0	–	–
Debt instruments	at cost	101.9	101.9	–	–	–
Trade accounts receivable without lease receivables						
Trade accounts receivable	at cost	7,636.5	7,636.5	–	–	–
Bank drafts	FVOCIwR	114.9	114.9	–	114.9	–
Trade accounts receivable	FVPL	12.5	12.5	–	12.5	–
Other financial assets without lease receivables						
Other financial assets	FVPL	127.1	127.1	1.2	125.9	–
Other financial assets	at cost	267.5	267.5	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	2,774.6	2,774.6	–	–	–
Cash and cash equivalents	FVPL	213.4	213.4	213.4	–	–
Financial assets without lease receivables		**11,514.0**	**11,514.0**	**293.3**	**284.7**	**155.5**
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	20.6	20.6	–	20.6	–
Other indebtedness	at cost	6,431.7	6,295.7	3,726.8	766.2	–
Trade accounts payable	at cost	7,637.0	7,637.0	–	–	–
Other financial liabilities	at cost	1,773.8	1,773.8	–	–	–
Financial liabilities without lease liabilities		**15,863.1**	**15,727.1**	**3,726.8**	**786.8**	**–**
Aggregated according to categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		114.9				
Financial assets (FVOCIwoR)		160.2				
Financial assets (FVPL)		458.4				
Financial assets (at cost)		10,780.5				
Financial liabilities (FVPL)		20.6				
Financial liabilities (at cost)		15,842.5				

1 Excluding investments in unconsolidated affiliated companies.

Abbreviations:
- at cost: measured at amortized cost
- FVOCIwR: fair value through other comprehensive income with reclassification
- FVOCIwoR: fair value through other comprehensive income without reclassification
- FVPL: fair value through profit or loss

Levels of the fair value hierarchy according to IFRS 13, *Fair Value Measurement*:
- Level 1: quoted prices in active markets for identical instruments
- Level 2: quoted prices in active markets for similar instruments or measurement methods for which all major input factors are based on observable market data
- Level 3: measurement methods for which the major input factors are not based on observable market data

For financial instruments accounted for at FVOCIwoR 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 based on non-observable market data (Level 3). If external valuation reports or information from other financing rounds is available, these are used. If such information is not available, the measurement is performed according to the measurement method that is deemed appropriate and realizable in each case: for example, according to the discounted cash flow method or by valuation according to multiples using ratios based on purchase prices for comparable transactions. Measurement at amortized cost is only considered the best estimate of the fair value of financial assets if the most recent information available for fair value measurement is insufficient. Financial instruments accounted for at FVOCIwoR are centrally monitored with regard to any changes to the major non-observable input factors and continuously checked for changes in value.

The following table shows the changes to financial instruments at Level 3:

€ millions	Other investments
As at January 1, 2022	**159.5**
Valuation effects recognized in other comprehensive income	–0.7
Additions	10.2
Convertible note conversion	0.5
Exchange-rate effects	3.6
As at June 30, 2022	**173.1**
As at January 1, 2023	**155.5**
Valuation effects recognized in other comprehensive income	–49.6
Additions	1.5
Exchange-rate effects	–1.1
As at June 30, 2023	**106.3**

Of the financial instruments remaining at Level 3, there were no indications of any significant change in the value of the financial investments as at the reporting date. For reasons of materiality, a sensitivity analysis is not required.

Litigation and compensation claims

In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12.0 million (around €2.3 million) on CBIA, which was then reduced to BRL 10.8 million (around €2.0 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In February 2023, the court of first instance rendered a verdict against CBIA and lifted the ban on the enforcement of the financial penalty against CBIA (at that time an amount of BRL 34.2 million (around €6.5 million)). CBIA filed a motion for clarification requesting that the preliminary injunction against enforcement remain in full force up until a final and unappealable ruling is made. This motion was denied, and CBIA will file an appeal against this decision. In case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

As a result of investigations that came to light in 2014, the European Commission imposed a fine of €44.0 million on Continental AG; Continental Teves AG & Co. oHG, Frankfurt am Main, Germany; and Continental Automotive GmbH, Hanover, Germany; on February 21, 2018, for the unlawful exchange of information. This involved specific brake components. Continental has paid this fine. Customers have since approached Continental to claim for damages, in some cases for specific amounts. In September 2022, Mercedes-Benz AG and Mercedes-Benz Group AG filed a civil lawsuit against Continental AG and three other companies of the Continental Group before the High Court in London, United Kingdom. Mercedes-Benz has yet to attach any specific amount to its claim. Continental has challenged the British court's jurisdiction in this case. Mercedes-Benz Group AG subsequently filed for declaratory judgment action with the Hanover District Court against Continental AG and two other companies of the Continental Group in December 2022. The High Court in London, United Kingdom, denied the jurisdiction of the British courts in May 2023 and rejected the plaintiffs' application for legal remedy (leapfrog appeal, appeal from first instance) against this decision in June 2023. The plaintiffs have not appealed this decision. The lawsuit before the High Court in London, United Kingdom, has therefore been resolved. In April 2023, several companies of the Stellantis Group as well as several companies of the Renault Group filed a civil lawsuit in each case against Continental AG and three other companies of the Continental Group before the High Court in London, United Kingdom. Both the Stellantis Group and the Renault Group are yet to attach any specific amount to their claims, and these are also yet to be delivered to Continental.

On March 3, 2021, the Brazilian antitrust authorities (Conselho Administrativo de Defesa Econômica, CADE), acting on the basis of the issues addressed by the European Commission and described above, formally initiated proceedings against Continental Teves AG & Co. oHG, Frankfurt am Main, Germany, and certain former employees for alleged unlawful exchange of competition-sensitive information concerning hydraulic brake systems. Continental considers it possible that this proceeding will end with a fine. If Continental is found responsible for any violation, CADE could impose a fine on the company of 0.1% to 20% of its revenue or that of the Continental Group in Brazil in the year prior to when the administrative proceedings were launched (2020). Non-pecuniary penalties may also be possible. Furthermore, customers allegedly affected by the alleged exchange of information could claim for damages if indeed a violation of Brazilian antitrust law is established.

Other than this, there were no significant new findings or developments in the reporting period with regard to the litigation and compensation claims described in the 2022 annual report.

Contingent liabilities and other financial obligations
As at June 30, 2023, there were no material changes in the contingent liabilities and other financial obligations described in the 2022 annual report.

Appropriation of net income
As at December 31, 2022, Continental AG reported net retained earnings of €3,134.9 million (PY: €2,591.6 million). On April 27, 2023, the Annual Shareholders' Meeting resolved to pay out a dividend of €1.50 per share to the shareholders of Continental AG for the past fiscal year. The total distribution is therefore €300,008,974.50 for 200,005,983 shares entitled to dividends. The remaining retained earnings were carried forward to new account.

Earnings per share
Basic earnings per share rose to €2.95 (PY: -€0.06) in the first half of 2023 and to €1.04 (PY: -€1.26) for the period from April 1 to June 30, 2023. The figures for basic earnings per share were the same as for diluted earnings per share.

Transactions with related parties
In the period under review, there were no material changes with regard to content in transactions with related parties compared with December 31, 2022. For further information, please refer to the comments in the 2022 annual report.

German Corporate Governance Code
The annual declaration by the Executive Board and Supervisory Board of Continental AG on the German Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act *(Aktiengesetz – AktG)*, is made permanently available to shareholders on the Continental Group's website. Earlier declarations pursuant to Section 161 *AktG* can also be found there.

Significant Events after June 30, 2023

Continental announced a restructuring measure in the Automotive segment after the reporting period. This is expected to result in additions to personnel restructuring provisions amounting to a low nine-figure sum. The agreed measure is to be initiated from 2024 onward and will be carried out gradually until the end of 2027.

Other than this, there were no significant events after June 30, 2023.

Hanover, July 25, 2023

Continental Aktiengesellschaft
The Executive Board

Responsibility Statement by the Company's Legal Representatives

To the best of our knowledge, and in accordance with the applicable accounting principles 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 Continental Group, and the interim consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Hanover, July 25, 2023

Continental Aktiengesellschaft
The Executive Board

Review Report

To Continental Aktiengesellschaft, Hanover

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the explanatory notes to the consolidated interim financial statements – and the interim consolidated management report of Continental Aktiengesellschaft, Hanover, for the period from January 1 to June 30, 2023, which are part of the half-year financial report pursuant to § (Article) 115 *WpHG* ("*Wertpapierhandelsgesetz*": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim consolidated management report in accordance with the provisions of the German Securities Trading Act applicable to interim consolidated management reports is the responsibility of the parent company's Executive Board. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim consolidated management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim consolidated management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim consolidated management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim consolidated management reports. A review is limited primarily to inquiries of company personnel and analytical procedures 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 express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim consolidated management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim consolidated management reports.

Hanover, August 1, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Sven Rosorius Wirtschaftsprüfer (German Public Auditor)	Dr. Arne Jacobi Wirtschaftsprüfer (German Public Auditor)

Financial Calendar

2023	
Annual Press Conference	March 8
Analyst and Investor Conference Call	March 8
Annual Shareholders' Meeting	April 27
Quarterly Statement as at March 31, 2023	May 10
Half-Year Financial Report as at June 30, 2023	August 9
Quarterly Statement as at September 30, 2023	November 8

2024	
Annual Press Conference	March
Analyst and Investor Conference Call	March
Annual Shareholders' Meeting	April 26
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

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