Management Report

The following management report is a combined management report as defined in Section 315 (5) of the German Commercial Code *(Handelsgesetzbuch – HGB)*, as the future opportunities and risks of the Continental Group and of the parent company, Continental AG, are inextricably linked.

23

Management Report

Glossary of Financial Terms

The following glossary of financial terms applies to the management report and the consolidated financial statements.

Adjusted EBIT. EBIT before amortization of intangible assets from purchase price allocation (PPA), changes in the scope of consolidation, and special effects. Special effects include, for example:

- Impairment (including impairment on goodwill)
- Income and expenses from restructuring measures
- Gains and losses from disposals of companies and business operations
- Significant special effects from non-recurring events; in particular, one-off effects from acquisitions of companies and business operations (e.g. negative goodwill, purchase price refunds) or significant changes to the corporate structure (e.g. spin-off effects)

Since it eliminates one-off effects, adjusted EBIT can also be used to compare operational profitability between periods.

Adjusted free cash flow. Free cash flow adjusted for acquisitions and divestments of companies and business operations. Since it eliminates one-off effects, adjusted free cash flow can also be used to compare financial strength between periods.

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

American depositary receipts (ADRs). ADRs securitize the ownership of shares and can refer to one, several or even a portion of a share. ADRs are traded on US stock exchanges in the place of foreign shares or shares that may not be listed on US stock exchanges.

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

Cash conversion ratio. Ratio of free cash flow excluding acquisitions and divestments of companies and business units, restructuring expenses, restructuring-related expenses and carve-out effects to net income attributable to the shareholders of the parent.

Changes in the scope of consolidation. Changes in the scope of consolidation include additions and disposals as part of share and asset deals as well as other transactions. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.

Continental Value Contribution (CVC). The absolute amount of additional value created. The delta CVC represents the change in absolute value creation compared with the prior year. The delta CVC allows us to monitor the extent to which operating units generate value-creating growth or employ resources more efficiently.

The CVC is measured by subtracting the weighted average cost of capital (WACC) from the return on capital employed (ROCE) and multiplying this by the average operating assets for the fiscal year. The WACC calculated for the Continental Group corresponds to the required minimum return. The cost of capital is calculated as the weighted average ratio of the cost of equity and borrowing costs.

Currency swap. Swap of principal payable or receivable in one currency into similar terms in another currency. Often used when issuing loans denominated in a currency other than the functional currency of the lender.

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

Dividend payout ratio. The ratio between the dividend for the fiscal year and the earnings per share.

EBIT. Earnings before interest and tax. In Continental's financial reports, this abbreviation is defined as earnings before financial result and tax. It is the result of ordinary business activities and is used to assess operational profitability.

EBITDA. Earnings before interest, tax, depreciation and amortization. In Continental's financial reports, this abbreviation is defined as earnings before financial result, tax, depreciation and amortization. It equals the sum of EBIT; depreciation of property, plant and equipment; amortization of intangible assets; and impairment, excluding impairment on financial investments. This key figure is used to assess operational profitability.

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

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

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

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

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

IAS. International Accounting Standards. Accounting standards developed and resolved by the IASB.

IASB. International Accounting Standards Board. Independent standardization committee.

IFRIC. International Financial Reporting Interpretations Committee (predecessor of the IFRS IC).

IFRS. International Financial Reporting Standards. The standards are developed and resolved by the IASB. In a broad sense, they also include the IAS, the interpretations of the IFRS IC or of the predecessor IFRIC as well as the former SIC.

IFRS IC. International Financial Reporting Standards Interpretations Committee.

Interest-rate swap. The exchange of interest payments between two parties. For example, this allows variable interest rates to be exchanged for fixed interest or vice versa.

Net indebtedness. The net amount of interest-bearing financial liabilities as recognized in the statement of financial position, the fair values of the derivative instruments, cash and cash equivalents, as well as other interest-bearing investments. This figure is the basis for calculating key figures of the capital structure.

Operating assets. The assets less liabilities as reported in the statement of financial position, without recognizing the net indebtedness, sale of trade accounts receivable, deferred tax assets, income tax receivables and payables, as well as other financial assets and debts. Average operating assets are calculated as at the end of the quarterly periods and, according to our definition, correspond to the capital employed.

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

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

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

Return on capital employed (ROCE). The ratio of EBIT to average operating assets for the fiscal year. The ROCE corresponds to the rate of return on the capital employed and is used to assess the company's profitability and efficiency.

SIC. Standing Interpretations Committee (predecessor of the IFRIC).

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

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

Working capital. Inventories plus trade accounts receivable less trade accounts payable. Sales of trade accounts receivable are not included.

Corporate Profile
Structure of the Continental Group

Automotive, Tires and ContiTech: the three strong pillars of the Continental Group.

Organizational structure
The Continental Group is divided into four group sectors: Automotive, Tires, ContiTech and Contract Manufacturing. As of January 1, 2023, these comprise a total of 18 business areas.

A group sector or business area with overall responsibility for a business, including its results, is classified according to product requirements, market trends, customer groups and distribution channels.

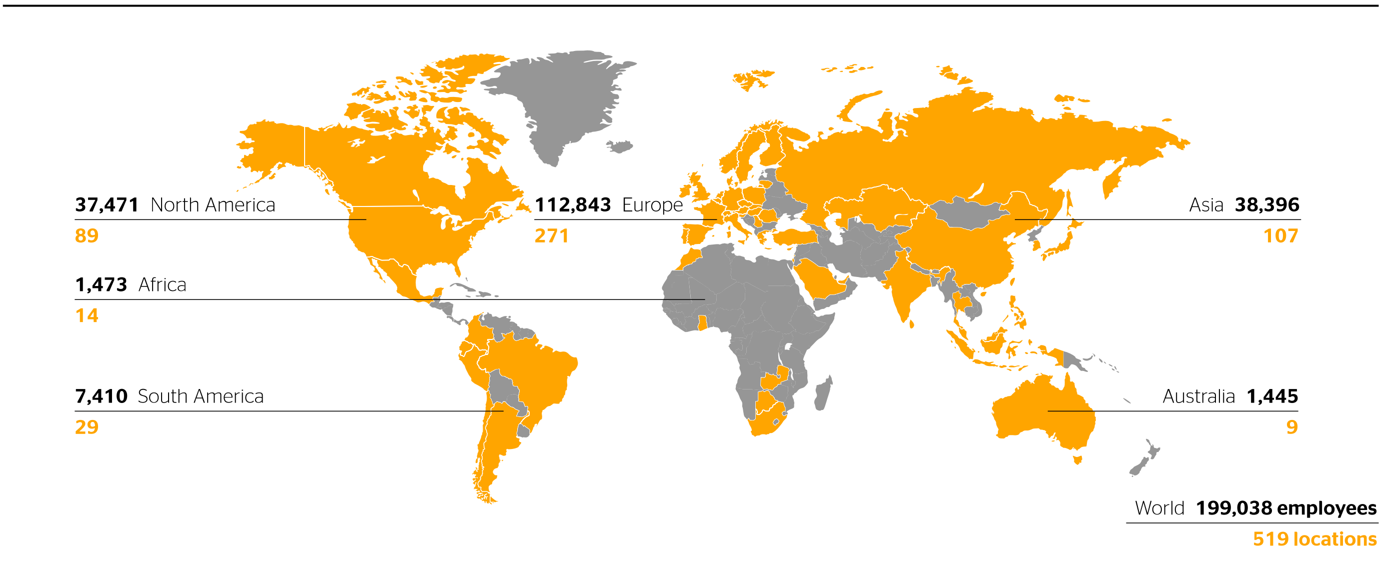
Business responsibility
Overall responsibility for managing the company is borne by the Executive Board of Continental Aktiengesellschaft (AG). The Automotive, Tires and ContiTech group sectors are each represented on the Executive Board.

The group functions of Continental AG are represented by the chairman of the Executive Board, the chief financial officer and the Executive Board member responsible for Human Relations, and assume the functions required to manage the Continental Group across the group sectors. They include, in particular, Finance, Controlling, Compliance, Law, IT, Human Relations, Sustainability, and Quality and Environment. The Group Purchasing group function is represented by the Executive Board member responsible for the Tires group sector.

Customer structure
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is our most important customer group. This industry is particularly important for the growth of the Automotive group sector. In the Tires group sector, sales to dealers and end users represent the largest share of the tire-replacement business. In the ContiTech group sector, the customer base is made up of the automotive industry and other key industries such as railway engineering, machine and plant construction, mining and the replacement business. In the Contract Manufacturing group sector, Vitesco Technologies constitutes the sole customer.

Companies and locations
Continental AG is the parent company of the Continental Group. In addition to Continental AG, the Continental Group comprises 477 companies, including non-controlled companies. The Continental team is made up of 199,038 employees at 519 locations for production, research and development, and administration in 57 countries and markets. Added to this are distribution locations, with 917 company-owned tire outlets and a total of around 5,228 franchises and operations with a Continental brand presence.

519 locations in 57 countries and markets



Structure of the Continental Group in 2022

Continental Group

Automotive	Tires	ContiTech	Contract Manufacturing

The **Automotive group sector** offers technologies for passive-safety, brake, chassis, motion and motion-control systems. Its portfolio also includes innovative solutions for assisted and automated driving, display and operating technologies, audio and camera solutions for the vehicle interior as well as intelligent information and communication technology associated with the mobility services of fleet operators and commercial vehicle manufacturers. Comprehensive activities relating to connectivity technologies, vehicle electronics and high-performance computers round off the range of products and services. The group sector is divided into five business areas:

- Architecture and Networking
- Autonomous Mobility
- Safety and Motion
- Smart Mobility
- User Experience

As of January 1, 2023, the Automotive group sector, including a development unit called Software and Central Technologies (SCT), is divided into six business areas.

With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the **Tires group sector** stands for innovative solutions in tire technology. Intelligent products and services related to tires and the promotion of sustainability complete the portfolio. For specialist dealers and fleet management, Tires offers digital tire monitoring and tire management systems, in addition to other services, with the aim of keeping fleets mobile and increasing their efficiency. With its tires, Continental contributes to safe, efficient and environmentally friendly mobility. In the reporting year, 22% of sales in Tires related to business with vehicle manufacturers, and 78% related to the tire-replacement business. The group sector is divided into five business areas:

- Original Equipment
- Replacement APAC
- Replacement EMEA
- Replacement The Americas
- Specialty Tires

The **ContiTech group sector** develops and manufactures, for example, cross-material, environmentally friendly and intelligent products and systems for the automotive industry, railway engineering, mining, agriculture and other key industries. The group sector draws on its long-standing knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. In the reporting year, 48% of sales in ContiTech related to business with automotive manufacturers, and 52% to business with other industries and in the automotive replacement market. The group sector is divided into six business areas:

- Advanced Dynamics Solutions
- Conveying Solutions
- Industrial Fluid Solutions
- Mobile Fluid Systems
- Power Transmission Group
- Surface Solutions

The contract manufacturing of products by Continental companies for Vitesco Technologies is consolidated in the **Contract Manufacturing group sector**. This contract manufacturing is not intended to be a permanent situation; rather, the operational separation of production will be promoted in the coming years, and the volume of contract manufacturing reduced. Contract Manufacturing includes one business area:

- Contract Manufacturing

Globally interconnected value creation
Research and development (R&D) took place at 94 locations in the reporting year, predominantly in close proximity to our customers to ensure that we can respond flexibly to their various requirements and to regional market conditions. This applies particularly to projects of the Automotive and ContiTech group sectors. In the Tires group sector, R&D is largely centrally organized, since product requirements for tires are much the same across the world. They are adapted according to the specific requirements of each market. Continental generally invests around 7% to 8% of sales in R&D each year. For more information, see the Research and Development section.

Continental processes a wide range of raw materials and semi-finished products. The purchasing volume in the reporting year was €28.4 billion in total, €19.3 billion of which was for production materials. Electronics and electromechanical components together make up around 35% of the Continental Group's purchasing volume for production materials, which are primarily used in the Automotive and Contract Manufacturing group sectors, while mechanical components account for around 19%. Natural rubber and oil-based chemicals as well as synthetic rubber and carbon black are key raw materials for the Tires and ContiTech group sectors. The total purchasing volume for these materials amounts to around 26% of the total volume for production materials. For more information, see the Development of Raw Materials Markets section in the economic report.

Production and sales in the Automotive and ContiTech group sectors are organized across regions. For the Tires group sector, economies of scale play a key role when it comes to tire manufacturing. Low production costs coupled with large volumes and proximity to our customers or high rates of regional growth constitute key success factors. For this reason, manufacturing takes place at major locations in the dominant automotive markets, namely Europe, the USA and China. Tires are sold worldwide via our dealer network with tire outlets and franchises, as well as through tire trading in general.

Globally interconnected value creation

R&D	Purchasing	Production	Sales & Distribution
Innovative €2.9 billion in expenditure	**Diverse** €28.4 billion in volumes	**Global** 207 locations	**Local** €39.4 billion in sales

Strategy of the Continental Group

Turning change into progress and opportunity.

In 2022, Continental developed a new vision and mission together with the entire Executive Board and managers from all group sectors, which it rolled out across the company:

CREATING VALUE FOR A BETTER TOMORROW.
OUR TECHNOLOGIES. YOUR SOLUTIONS. POWERED BY THE PASSION OF OUR PEOPLE.

The vision and mission are the foundation for our daily corporate activities. They link the challenges of the present to the key questions for the future:

- What do we stand for?
- What drives us?
- Where do we want to go?

The vision and mission provide us with pioneering guiding principles in an increasingly complex and highly dynamic market environment.

What do the new vision and mission mean for Continental?

- **“Creating value”**: Everything we do is designed to create value. This can be financial value for our shareholders but also value for our customers, our employees and the societies in which we operate.
- Our goal is to build **“a better tomorrow.”** With our products and services, we contribute to making the world a little better. We develop and produce the mobility of tomorrow, making it safer, more convenient and more sustainable. At the same time, a better tomorrow means acting now and not in the distant future. Every day. Tomorrow will be better than today, because every day we get a little better.
- **“Our technologies”**: We will achieve these improvements with the help of technology. We are a technology company and believe that we will only be able to tackle the challenges of our time by rapidly developing the right technologies.
- **“Your solutions”**: Rather than being an end in itself, however, our technology should help our customers make their products even better and more useful. This is what we mean by “Our technologies. Your solutions.” Because we are customer-focused in everything we do.
- **“Powered by the passion of our people”**: This makes it clear that Continental stands for a certain culture. A culture of mutual respect. A culture of togetherness. And a culture of passion.

Based on this, our aim is to become the most attractive and progressive employer. Ultimately, in order to achieve our vision, we want to attract and retain the best talent at Continental.

Amid the fierce competition for this talent, we impress with our innovative technologies, our culture of mutual respect, trust and togetherness, and our pronounced passion to win. With our new vision and mission, we aim to strengthen our employees’ commitment – the most important bond they have with Continental. Their commitment, enthusiasm and motivation are an expression of our passion to win and give us a key competitive advantage, more so now than ever.

All group sectors were involved in the development of the new vision and mission. They therefore represent an important basis for our daily activities and reflect the respective business identities of our broad-based corporation and the factors decisive for its success.

With our strategy, which was realigned to address the transformation in the mobility industry in 2020, we have paved the way for profitable growth over the coming years. Our overall organizational structure and management processes are fully aligned with this strategy. We see the transformation in the mobility industry as an opportunity. Our strategy is based on three cornerstones:

- Strengthening operational performance
- Differentiating the portfolio
- Turning change into opportunity

1. Strengthening operational performance
By strengthening our operational performance, we can ensure our future viability and competitiveness. We are aligning our cost structure to global market conditions. In 2019, we introduced appropriate measures with our Transformation 2019–2029 structural program, which we expect to generate gross savings of €850 million annually from 2024 onward.

The semiconductor shortage is an ongoing challenge for the automotive industry. Delivery backlogs and delivery times for semiconductors were at record highs in 2022, and the situation is not expected to improve substantially before 2025. Continental responded to the challenge by setting up a task force in fiscal 2021 and by establishing the Integrated Business Planning (IBP) unit in 2022. Operating internationally, the IBP unit manages supply and demand planning for all Automotive business areas and oversees volume planning for semiconductors in order to achieve a balance between customer demand and supplier deliveries.

2. Differentiating the portfolio

We continue to pursue the targeted differentiation of our product portfolio with a focus on growth and value. Our focus on growth is aimed at establishing strong market positions in innovative fields featuring highly dynamic growth, while our focus on value addresses saturated markets with stable but low growth.

In our Automotive, Tires and ContiTech group sectors, our focus on growth is centered around innovations for safe, connected and automated driving, which will be a critical factor in customers' future purchasing decisions. Vehicles require technologies from Continental, such as tires, brake systems, hoses for thermal management, digital solutions and services, as well as high-performance computers – irrespective of the vehicle's drive technology.

We are purposefully entering into partnerships that make us better and faster, in particular with smaller specialist firms and start-up companies. In the year under review, for example, we continued to invest in collaborations for assisted and autonomous driving. Funding that we do not contribute to partnerships is used to establish and develop our in-house expertise. Examples can be found in the Research and Development section starting on page 35 of this annual report.

When it comes to "value," our focus is on profitable product areas where we have solid competitive positions in markets with a high degree of maturity. These include, for example, display and control systems, surface materials and the European tire business. The aim here is to sustain profitability and generate sufficient funds to enable us to ensure competitive expansion geared to market and technology leadership in growth areas that as yet are unable to fully finance their ambitious growth themselves.

The portfolio strategy also includes possible acquisitions, divestments and partnerships. The business areas are regularly assessed to determine whether they are capable of creating the best possible value for Continental, and how their value can be maximized.

1

Strengthen operational performance

- Right-size cost structure
- Commitment to efficiency and quality

2

Differentiate our portfolio

- Win in growth businesses
- Manage value businesses for profitability and cash

3

Turn change into opportunity

- Embrace sustainability
- Focus on passion to win and transparency and ownership

3. Turning change into opportunity

Our comprehensive organizational structure helps us seize market opportunities and translate them into profit even more quickly. Transparent structures and a high level of autonomy make us more flexible in an increasingly complex market environment.

Sustainability is a key area in which Continental is turning change into opportunity. Continental has set out a sustainability ambition with four focus areas: carbon neutrality, emission-free mobility and industry, circular economy, and responsible value chain. It describes how, together with our partners, we seek to shape the transformation in the relevant topic areas along the entire value chain by 2050 at the latest. This sustainability ambition provides the framework and guidelines for existing strategies, programs and processes, as well as their further development. The systematic expansion of our business in particular with zero-tailpipe-emission vehicles contributes significantly toward achieving our ambitions in the area of carbon neutrality and emission-free mobility and industries, as well as toward reducing greenhouse gas emissions in the mobility sector. Detailed information on the implementation of our sustainability ambition can be found in the Sustainability and Combined Non-Financial Statement section starting on page 37 of this annual report.

We are sticking to our medium-term business outlook:

- In the Automotive group sector, we are focusing on the growing global demand for safe, connected and convenient mobility. This means, in particular, the development of non-differentiating software, which makes up around 60% of a vehicle's software. Such software consists of programs that are not critical for the marketing of vehicles, but that are necessary to ensure their safe operation. It is crucial to achieve cost advantages through standardization and scaling in this area. Forty percent of a vehicle's software relates to functions that make a visible difference, such as for automated driving or infotainment systems. For Automotive overall, we anticipate an adjusted EBIT margin of around 6% to 8% in the medium term as well as a return on capital employed (ROCE) of over 15%.

- We want to further consolidate our position among the world's top tire manufacturers, particularly in the growth markets of Asia and North America. In the passenger-car tire segment, we intend to expand our business with tires for electric mobility and ultra-high-performance tires. We also see future growth in vehicle fleet management services. For the Tires group sector, we anticipate an adjusted EBIT margin of around 12% to 16% in the medium term as well as an ROCE of over 20%.

- For the ContiTech group sector, the main opportunities are presented by the growing demand for digital and intelligent solutions. Business continues to be based on products and systems made from rubber, plastic, metal, textiles and electronic components, which in the future we will be able to combine with customized and digital service offerings. For ContiTech overall, we anticipate an adjusted EBIT margin of around 9% to 11% in the medium term as well as an ROCE of over 20%.

- At corporate level, we aim in the medium term to achieve an adjusted EBIT margin of around 8% to 11% and an ROCE of around 15% to 20%. The cash conversion ratio is expected to exceed 70%.

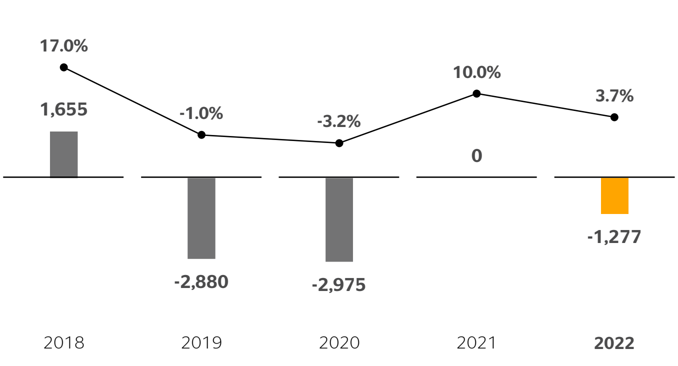
Corporate Management

The goal is the sustained increase in the Continental Group's value.

Value management

Value management at Continental is focused on value creation through profitable sales growth. Key financial performance indicators are sales, the adjusted EBIT margin, the amount of capital expenditure, free cash flow and capital employed. To allow us to use the financial performance indicators for management purposes as well, and to map the interdependencies between these indicators, we summarize them as key figures as part of a value-driver system. Our mid-term corporate objectives center on the sustainable enhancement of the value of each individual operating unit. This goal is achieved by generating a positive return on the capital employed that sustainably exceeds the associated equity and debt financing costs within each individual unit. Crucial to this is that the absolute contribution to value (the Continental Value Contribution (CVC)) increases year-on-year. This can be achieved by increasing the return on capital employed (with the costs of capital remaining constant), lowering the costs of capital (while maintaining the return on capital employed) or decreasing capital employed over time. The performance indicators used are EBIT, capital employed and the weighted average cost of capital (WACC), which is calculated from the proportional weight of equity and debt costs.

Continental Value Contribution (CVC) € millions **ROCE** %



For 2021, the figures for continuing operations are shown.

EBIT is the net total of sales, other income and expenses plus income from equity-accounted investees and from investments but before financial result and income tax expense. In the year under review, EBIT for the Continental Group was €0.8 billion.

Capital employed is the funds used by the company to generate its sales. At Continental, this figure is calculated as the average of operating assets as at the end of the quarterly reporting periods. In 2022, average operating assets amounted to €20.3 billion.

The return on capital employed (ROCE) represents the ratio of these two calculated values. Comparing a figure from the statement of income (EBIT) with one from the statement of financial position (capital employed) produces an integral analysis. We deal with the problem of the different periods of analysis by calculating the capital employed as an average figure over the ends of quarterly reporting periods. The ROCE amounted to 3.7% in 2022.

The weighted average cost of capital (WACC) is calculated to determine the cost of financing the capital employed. Equity costs are based on the return from a risk-free alternative investment plus a market risk premium, taking into account Continental's specific risk. Borrowing costs are calculated based on Continental's weighted debt-capital cost rate. Based on the long-term average, the weighted average cost of capital for our company is about 10%.

Value is added if the ROCE exceeds the weighted average cost of capital (WACC). We call this value added, produced by subtracting the WACC from the ROCE multiplied by average operating assets, the Continental Value Contribution (CVC). In 2022, the CVC amounted to -€1,277.2 million.

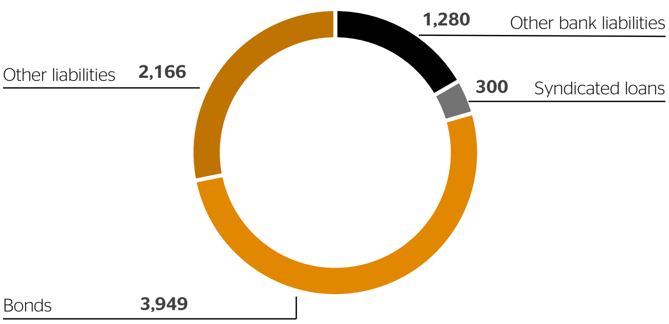
ROCE by group sector (%)	**2022**	2021
Automotive	-11.1	-4.6
Tires	23.0	25.7
ContiTech	5.1	16.8
Contract Manufacturing	1.5	29.0
Continental Group	**3.7**	**10.0**

Financing strategy

Our financing strategy aims to support the value-adding growth of the Continental Group while at the same time complying with an equity and liabilities structure adequate for the risks and rewards of our business.

The Finance & Treasury group function provides the necessary financial framework to finance corporate growth and secure the long-term existence of the company. The company's annual investment requirements are likely to range from 6% to 7% of sales in the coming years.

Composition of gross indebtedness (€7,695 million)



Our goal is to finance ongoing investment requirements from the operating cash flow. Other investment projects, such as acquisitions, should be financed from a balanced mix of equity and debt depending on the ratio of net indebtedness to equity (gearing ratio) and the liquidity situation to achieve constant improvement in the respective capital market environment. In general, the gearing ratio should be below 40% in the coming years and not exceed 60% in general. If justified by extraordinary financing reasons or specific market circumstances, we can rise above this ratio under certain conditions. The equity ratio should exceed 30%. In the reporting year, the equity ratio was 36.2% and the gearing ratio 32.8%.

Gross indebtedness amounted to €7,694.7 million as at December 31, 2022. Key financing instruments are the syndicated loan with a revolving credit line of €4.0 billion that has been granted until December 2026, and bonds issued on the capital market. Our gross indebtedness should be a balanced mix of liabilities to banks and other sources of financing on the capital market. For short-term financing in particular, we use a wide range of financing instruments. As at the end of 2022, this mix consisted of bonds (51%), a syndicated loan (4%), other bank liabilities (17%) and other indebtedness (28%) based on gross indebtedness. The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4.0 billion and has an original term of five years. The margin will also depend on the Continental Group's sustainability performance. 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.

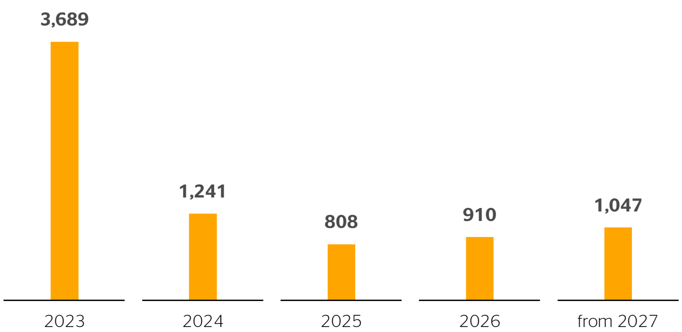
The company strives to have at its disposal unrestricted liquidity of about €1.5 billion. This is supplemented by committed, unutilized credit lines from banks in order to cover liquidity requirements at all times. These requirements fluctuate during a calendar year owing in particular to the seasonal nature of some business areas. In addition, the amount of liquidity required is also influenced by corporate growth. Unrestricted cash and cash equivalents amounted to €2,441.3 million as at December 31, 2022. There were also committed and unutilized credit lines of €4,573.5 million.

As at December 31, 2022, €300.0 million of the revolving credit line of €4.0 billion had been utilized. Around 51% of gross indebtedness is financed on the capital market in the form of bonds. The interest coupons vary between 0.0% and 3.625% p.a. The most recent bond issue took place in November 2022 in anticipation of the upcoming bond maturities in 2023. A bond with a volume of €625.0 million, a term of five years and an interest rate of 3.625% p.a. was placed with investors. The bonds with maturities between 2023 and 2027 ensure a balanced overall maturity profile for the repayment amounts. In addition to the forms of financing already mentioned, there were also bilateral credit lines with various banks in the amount of €2,182.5 million as at December 31, 2022. Continental's corporate financing instruments currently also include sale-of-receivables programs and commercial paper programs. As in the previous year, Continental had two commercial paper programs in Germany and the USA in 2022. As at the end of 2022, the nominal volume of the commercial paper issued under the German program was €350.0 million.

Maturity profile

Continental strives for a balanced maturity profile of its liabilities in order to be able to repay the amounts due each year from free cash flow as far as possible. Aside from short-term indebtedness, most of which can be rolled on to the next year, two bonds in the amounts of €500.0 million and €750.0 million, respectively, will mature in 2023. The other bonds issued in 2019, 2020 and 2022 require repayments of €725.0 million in 2024, €600.0 million in 2025, €750.0 million in 2026 and €625.0 million in 2027.

Maturities of gross indebtedness (€7,695 million)



Continental's credit rating unchanged

In the reporting period, Continental AG was rated by the three rating agencies Standard & Poor's, Fitch and Moody's, each of which maintained their investment-grade credit ratings in 2022. The rating outlook from Moody's improved from negative to stable. The most recent rating adjustment took place in spring 2020, when all three rating agencies adjusted their long-term credit rating downward by one notch. Our goal remains a credit rating of BBB/BBB+.

Credit rating for Continental AG

	Dec. 31, 2022	Dec. 31, 2021
Standard & Poor's[1]		
Long-term	BBB	BBB
Short-term	A-2	A-2
Outlook	negative	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	negative

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

Research and Development

Continental is driving forward the future of mobility, making it safer, cleaner and more convenient.

For more than 150 years Continental has been revolutionizing the way we move. Today, the industry is being shaped by forward-looking technologies such as automated and autonomous driving, smart infotainment and holistic connectivity, but also fundamental trends such as digitalization, sustainability and cost saving, which are just as much a part of the future of mobility as efficient safety technologies and driving comfort.

Autonomous and intelligent solutions connected to the cloud
Continental has expanded its portfolio for assisted and partially automated driving with the system-on-chip family from Ambarella, which enables faster processing of increased sensor data in the vehicle and paves the way for autonomous mobility. This helps ensure higher levels of environmental perception and therefore safer mobility. By reducing energy consumption and battery weight, the chip set can also increase the range of electric vehicles. It complements Continental's solutions for assisted driving and further promotes vehicle automation.

Milestone in the development of future brake systems
Continental has introduced a new technology with its first customer, changing from a wet to a semi-dry brake system. The Future Brake System, which includes several new components, uses "dry" electromechanical brakes on the rear axle that do not require brake fluid. The brakes on the front axle continue to operate hydraulically. The new technology also includes the MK C2, a second-generation brake-by-wire system. The start of production at a North American car manufacturer is planned for 2025.

Program to increase R&D efficiency in the Automotive group sector
Continental launched the Automotive R&D Excellence Program in 2022, a strategic initiative to improve the competitiveness of product development within the Automotive group sector and ensure business success. Its goal is to create an organization that is able to adapt quickly to market needs, utilize state-of-the-art processes, methodologies and tools, identify effective business priorities and implement structured business solutions. Due to its holistic approach, the program consists of over 100 representatives and experts from all Automotive business areas, divided into nine work packages and three work streams.

Continental tires with polyester made from recycled PET bottles available throughout Europe since the summer
Continental tires containing polyester from recycled PET bottles have been available in Europe since June 2022. ContiRe.Tex technology can completely replace the polyester conventionally used in tire casings. It was first unveiled by Continental less than one year earlier in September 2021 and is the first technology of its kind to be used in tire production. Three tire lines featuring polyester from recycled PET bottles are currently on offer, each available in five sizes: the PremiumContact 6, the EcoContact 6 and the AllSeasonContact.

The specially developed technology uses polyester yarn obtained from used PET bottles that would not otherwise be recycled, without requiring any intermediate chemical steps. The bottles used come exclusively from regions without a closed recycling loop. Around 40 recycled PET bottles are used for each set of standard-size passenger car tires. This sustainable technology is much more efficient than other known methods for processing PET bottles into high-performance polyester yarns. By using recycled polyester yarn, Continental is taking a further step toward circular economies across product lines. Tires manufactured with ContiRe.Tex technology have a "Contains Recycled Material" logo on the sidewall.

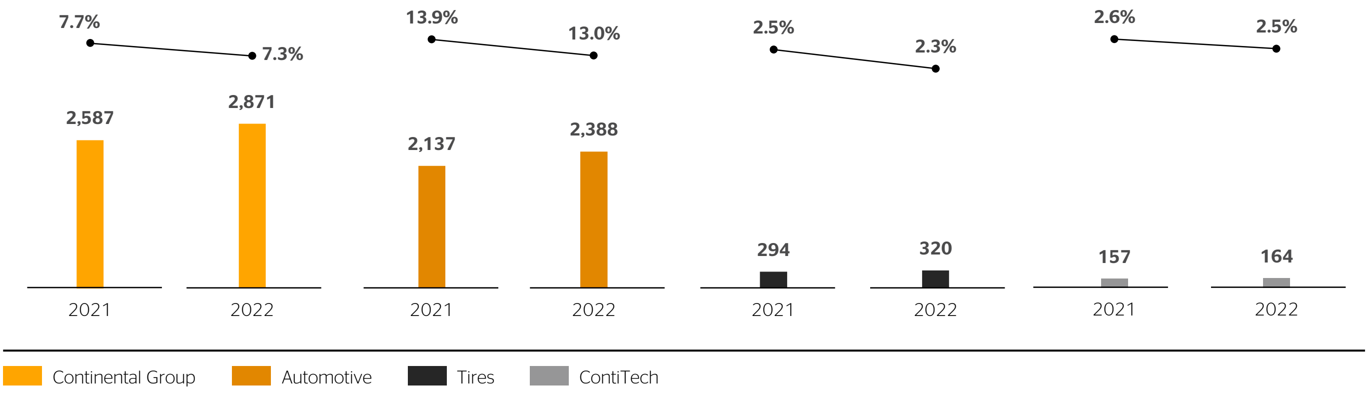
	2022		2021	
Research and development expenses (net)	€ millions	% of sales	€ millions	% of sales
Automotive	2,387.7	13.0	2,136.6	13.9
Tires	319.8	2.3	293.8	2.5
ContiTech	163.8	2.5	156.5	2.6
Contract Manufacturing	0.1	0.0	–0.1	0.0
Continental Group	**2,871.4**	**7.3**	**2,586.8**	**7.7**
Capitalization of research and development expenses	**24.4**		**31.5**	
in % of research and development expenses	0.8		1.2	
Depreciation on research and development expenses	**46.4**		**44.0**	

ContiConnect 2.0: digital tire management of the future
Continental has launched a comprehensive enhancement of its ContiConnect system that combines intelligent tire management with digital, service-based tire solutions. With ContiConnect 2.0, tires for passenger cars, trucks, buses and off-road vehicles can be serviced exactly when needed. In addition to the previous functions such as continuous tire pressure monitoring, the newly developed version also allows fleet customers to digitally track the remaining mileage, tread depth and condition of all tires in their fleets. The coordination of vehicle and tire services generates cost efficiency, lowers emissions and strengthens sustainability. In the off-road vehicle sector, ContiConnect is already used frequently by fleet customers in construction, intralogistics and at ports.

Three new tire solutions for sustainable passenger and goods transport over short and long distances
At the IAA Transportation 2022 in Hanover, Continental presented a range of innovative tire solutions aimed at improving the sustainability of passenger and goods transport over short and long distances. The Conti Urban, for example, is a concept tire specially designed for electric buses and delivery vehicles of the future. The prototype, which has already been approved for road use and could soon go into a trial phase with customers, consists of nearly 50 percent renewable and recycled materials. After a single retreading, this figure rises to more than 90 percent. Furthermore, the concept tire's noise level has been specially optimized. Continental believes that greater sustainability is essential for urban buses and delivery vehicles. In particular, as the demand for inner-city passenger and freight transport is constantly growing, more and more electrified city buses are being registered too.

CONTI LoadSense: powerful load monitoring system for conveyor belts
With CONTI LoadSense, a newly developed monitoring system, Continental is expanding its portfolio for predictive maintenance and status monitoring for conveyor systems. Customers can track all aspects of their installations' carrying capacity thanks to the system's reliable data. The Continental system uses radar and ultrasonic sensors to monitor the material flow on the conveyor belt around the clock. It scans the material and the belt from different angles to determine the position of the load and belt. The data is then correlated to calculate the volume flow and determine potential material losses. Because standardized limits (CEMA, DIN and ISO standards) are automatically incorporated into the system software, the customer can rely on the safe and efficient operation of the conveyor system and digitally track process performance in real time. System alarms automatically report when critical process conditions are detected. CONTI LoadSense can be retrofitted to conveyor systems and is suitable for all conveyor belts.

R&D expenses (net) € millions **R&D ratio** %



Sustainability and Combined Non-Financial Statement

The following section constitutes the combined non-financial statement in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e of the German Commercial Code (*Handelsgesetzbuch – HGB*), for the Continental Group and Continental AG, for fiscal 2022.

It contains, in a separate section, the information that needs to be disclosed for fiscal 2022 in accordance with Art. 8 of EU Taxonomy Regulation 2020/852 in conjunction with Art. 10 (2) of Delegated Regulation 2021/2178.

The independent auditor's report also covers the combined non-financial statement and can be found starting on page 109.

Information on Reporting

Use of a framework
No individual framework was used for the preparation of the combined non-financial statement. Continental sees the full implementation of an individual framework as inappropriate, in particular due to the definitions of materiality, which deviate from the *HGB*. However, individual reporting elements such as the preparation of individual indicators are aligned with existing reporting standards, as indicated accordingly in the relevant text passages.

Material reporting topic areas
The Executive Board of Continental adopted a sustainability ambition in autumn 2020 on the basis of a survey of customers, investors and employees, among others. For the combined non-financial statement, the topic areas included in the ambition were assessed as to their materiality in accordance with Section 289c (2) *HGB*. To this end, they were analyzed in terms of risks and opportunities for the company and their effects on non-financial matters. As a result, the following eight topic areas were identified as reporting topic areas: carbon-neutrality, emission-free mobility and industries, circular economy, responsible value chain, good working conditions, green and safe factories, benchmark in quality, and sustainable management practice. By managing these topics, the key transformation opportunities and risks related to sustainability are addressed. The reporting topic areas remained valid for fiscal 2022 and were approved by the Executive Board.

An overview of the reporting topic areas and their correlation with non-financial aspects can be found in the table "Continental sustainability reporting topic areas."

Presentation of the business model and risks
The required information on the business model can be found in the Structure of the Continental Group section starting on page 26 and in the Strategy of the Continental Group section starting on page 29. Information on risks can be found in the report on risks and opportunities starting on page 88. Beyond this, no additional risks in relation to non-financial topic areas were identified pursuant to Section 289c (3) *HGB*.

Presentation of concepts, results and performance indicators
Continental completed the spin-off of Vitesco Technologies on September 15, 2021. The performance indicators for fiscal 2021 only relate to continuing operations and therefore exclude Vitesco Technologies, which was spun off on September 15, 2021.

In accordance with the *HGB*, the performance indicators are not the most significant corporate management indicators, which means that they are not required to be integrated into the report on expected developments.

References
Wherever necessary for comprehension, the combined non-financial statement contains references to amounts reported in the consolidated financial statements, including notes.

References to information in other sections of the management report and the consolidated financial statements are officially part of this combined non-financial statement. References to information outside of the management report and the consolidated financial statements are not officially part of this combined non-financial statement.

Full sustainability reporting
Full sustainability reporting on all relevant topic areas for the Continental sustainability ambition can be found in the integrated sustainability report. This consolidates the information from the combined non-financial statement, the consolidated management report, the consolidated financial statements and other sources, as well as further supplementary information, in a modular format.

The integrated sustainability report will be published in April 2023 and will be available online at www.continental-sustainability.com.

Sustainability Management in the Continental Group

Ambition, strategy and program
Sustainability is a driver of innovation for Continental during the current transformation of mobility and industries, and is thus firmly anchored in its corporate strategy in the cornerstone of "turning change into opportunity." Sustainability is also a key component in our vision of "creating value for a better tomorrow."

In the Continental Group's sustainability ambition, we describe how we want to shape this transformation in the relevant topic areas with respect to sustainability in order to seize transformation opportunities and mitigate transformation risks. Along with the relevant guidelines, this sustainability ambition brings together existing strategies, programs and processes, as well as their further development. The specific ambitions, strategies, programs and processes are presented in the following sections for the reporting topic areas of the combined non-financial statement. The entire ambition can be found online at www.continental-sustainability.com.

Continental sustainability reporting topic areas

	Continental sustainability ambition topic areas	Material reporting topic areas for the non-financial statement in accordance with Sections 315b and 315c *HGB* in conjunction with Sections 289b to 289e *HGB*	Allocation of material reporting topic areas to non-financial aspects in accordance with Section 289c (2) *HGB*
Four focus areas of sustainability[1]	Carbon neutrality	X	Environmental matters
	Emission-free mobility and industries	X	Environmental matters
	Circular economy	X	Environmental matters
	Responsible value chain	X	Environmental matters, employee matters, social matters, respect for human rights
Eight sustainability essentials[2]	Good working conditions	X	Employee matters, respect for human rights
	Green and safe factories	X	Environmental matters, employee matters, respect for human rights
	Innovations and digitalization		–
	Benchmark in quality	X	Environmental matters, social matters
	Safe mobility		–
	Long-term value creation		–
	Sustainable management practice	X	Anti-corruption and bribery matters, employee matters
	Corporate citizenship		–

1 For our four focus areas, we are committed to achieving our strong, visionary ambitions by 2050 at the latest, together with our partners along the value chain.
2 Our eight sustainability essentials are at the core of our sustainability management.

Management, organization and responsibilities

Within the Executive Board, the Executive Board member for Group Human Relations (director of Labor Relations) and Group Sustainability is responsible for sustainability. Sustainability management within the Continental Group is regulated by a dedicated internal sustainability policy.

The Group Sustainability group function is further supplemented by sustainability functions in the group sectors as well as coordinators in several business areas and countries. The key sustainability functions were expanded and strengthened in 2022.

The Group Sustainability Steering Committee is responsible for assessing interdepartmental issues, weighing up risks and opportunities and discussing relevant Executive Board decisions in advance. In fiscal 2022, it consisted of the entire Executive Board as well as the heads of the sustainability functions at corporate level and group sector level as well as the heads of other relevant group functions. The committee is chaired by the Executive Board member for Group Human Relations (director of Labor Relations) and Group Sustainability and managed by the head of the Group Sustainability group function. Some of the group sectors have their own interdepartmental sustainability committees, which are coordinated by the relevant sustainability functions.

The sustainability performance indicators are consolidated in the Continental Group's sustainability scorecard, which is approved annually by the Group Sustainability Steering Committee on behalf of the Executive Board. The scorecard is based on defined quality criteria for the indicators, is continuously developed further and establishes the formal basis for integrating sustainability into other corporate processes.

The topic of sustainability is also an integral part of the Continental Group's strategy development. Significant investments must be reviewed and assessed as to their contribution to sustainability as a standard part of the approval process. For the Automotive, Tires and ContiTech group sectors, detailed roadmaps for the implementation of sustainability ambitions in the relevant topic areas are under development.

Remuneration

The Executive Board and managers are measured against the achievement of sustainability goals. Long-term remuneration components (long-term incentive – LTI) are thus linked to sustainability aspects. The LTI plans are updated on an annual basis. For more information, see the remuneration report on our website under Company/Executive Board.

Cultural change

In order to support cultural change in the organization, we stepped up internal communication with respect to sustainability in fiscal 2022, held numerous events and further integrated the topic into key internal event formats for managers. These events include the annual Global Sustainability Conference, which is attended by Continental employees from all over the world.

Development of Material Topic Areas

Carbon neutrality

Our ambition

As set out in our sustainability ambition, we strive for 100% carbon neutrality along our entire value chain (products, operations and supply) by 2050 at the latest, together with our partners along the value chain.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets as well as the resulting transformation opportunities and risks.

Concept

We have set ourselves the corporate target of achieving carbon neutrality throughout our production processes. In terms of Scope 1 and market-based Scope 2 CO_2 emissions in accordance with the Greenhouse Gas (GHG) Protocol, we aim to be carbon-neutral by 2040 (2040 climate goal).

The corporate target of carbon neutrality throughout our production processes is managed by the Group Environmental and Climate Protection group function as part of the corporate roadmap for decarbonization. The group sectors are each responsible for the implementation of appropriate programs and must report on this internally on a regular basis.

Together with the group sectors, the "Decarbonization Roadmap 2040" group project team has set clear interim targets for each group sector and defined two key steps:

- 100% procurement of electricity from renewable sources (Scope 2), which has already been implemented since 2020.
- 100% carbon neutrality for remaining energy consumption by 2040 (Scopes 1 and 2), through
  - the reduction of CO_2 emissions by means of energy efficiency projects
  - the substitution of fossil fuels
  - and the neutralization of unavoidable CO_2 emissions.

We have set ourselves the interim target of reducing our own emissions to 0.7 million metric tons of CO_2 by 2030. This represents a reduction of more than 30% compared with 2021.

Scope 1 and market-based Scope 2 CO_2 emissions have also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

In terms of Scope 3 CO_2 emissions in accordance with the GHG Protocol, we aim to achieve carbon neutrality by 2050 at the latest in line with our sustainability ambition. To this end, we have identified various levers throughout the value chain. These relate to the use phase of our products, coupled with the global shift toward emission-free mobility and industries, product design and the conversion of materials used to renewable and recycled materials, as well as generally a transition to circular processes.

For more information on our concepts in this respect, see the sections on emission-free mobility and industries and circular economy in this combined non-financial statement.

It will also be necessary to increase the use of green electricity along the supply chain. The Business Partner Code of Conduct was expanded accordingly with a view to carbon neutrality in 2021. The implementation of carbon neutrality throughout the value chain is managed in the individual group sectors, each of which is responsible for taking appropriate measures. In addition, achieving carbon neutrality throughout our value chains requires joint sustainability efforts with customers, suppliers and other partners.

The Continental Group's 2040 climate goal and ambition for 2050 were reviewed by the Science Based Targets initiative (SBTi) in 2020. On the basis of the method used, the linear derivations for 2030 were validated and confirmed as being compliant with the Paris climate agreement. The derived absolute emission reductions for Scope 1 and Scope 2 are set to keep us on track for the 1.5°C pathway.

We also offer customers our Net|Zero|Now immediate action program for climate change mitigation – an additional building block to help them achieve their climate targets along the entire value chain. In addition to Continental products for emission-free vehicles, the program is also offered for the combustion-engine vehicle and industrial businesses, as well as being used internally, such as at events. Continental is working with partners on certified ecosystem restoration, especially on reforestation projects, to remove CO_2 from the atmosphere and ease the global CO_2 budget by means of "negative emissions." To this end, Continental has defined its own quality criteria, beyond the requirements for the respective register. Under Net|Zero|Now, the currently remaining "carbon backpack" of the relevant Continental business can be fully or partially neutralized by an appropriately defined amount, for example. The carbon backpack is defined as all emissions generated by processes at Continental (Scopes 1 and 2) and its suppliers as well as following end of use (Scope 3), but not customer- and product-use-related emissions (e.g. the Scope 3 emissions generated during a product's use phase). These are calculated individually within the group sectors. The amount of negative emissions used under Net|Zero|Now is determined and documented accordingly within the group sectors. Continental has purchased a quota of certified projects. Appropriate certificates are issued to Continental in stages and subsequently deleted from the register. A systematic process is then in place at corporate level to ensure that appropriate issued and deleted (i.e. reserved) certificates are available for the amount used by the group sectors in the respective fiscal year and that these are not used more than once in the internal allocation across fiscal years and group sectors.

Results of the concept

Own CO_2 emissions amounted to 0.99 million metric tons of CO_2 in fiscal 2022 (PY: 1.05 million metric tons of CO_2). These are calculated as the sum of Scope 1 and market-based Scope 2 CO_2 emissions. The decrease in direct CO_2 emissions (Scope 1) in fiscal 2022 is attributable to energy efficiency measures to reduce fossil fuel consumption as a result of the energy crisis, particularly in Europe.

Following the switch to green electricity for reported energy consumption in fiscal 2020, Continental's total CO_2 emissions (Scopes 1 and 2) have been reduced by 70% compared with fiscal 2019, as this green electricity produces no CO_2 emissions. Appropriate green energy attribute certificates were purchased for the full volume of reported purchased electricity not already covered by other instruments (such as green electricity contracts, power purchase agreements or self-generated electricity from renewable sources). Due to national register processes, not all deletions of energy attribute certificates were available for small residual quantities at the time the report was prepared.

Carbon neutrality performance indicators[1]	2022[2]	2021[2]
Direct CO_2 emissions (Scope 1) in millions of metric tons of CO_2	0.76	0.82
Indirect CO_2 emissions (Scope 2) in millions of metric tons of CO_2[3]	0.23	0.23
Total own CO_2 emissions (Scopes 1 and 2) in millions of metric tons of CO_2	**0.99**	**1.05**

1 Definitions in accordance with the GHG Protocol. Scope 1 includes emissions from the burning of fossil fuels as part of Continental's own processes, and Scope 2 includes emissions from purchased electricity, steam and heat. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).
2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.
3 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (September 2021) were used.

Within the Net|Zero|Now program, negative emissions were used for the first time in 2022 and amounted to 0.03 million metric tons of CO_2.

Carbon neutrality performance indicators	2022	2021
Use of negative CO_2 emissions (CO_2 removal) in millions of metric tons of CO_2[1]	**0.03**	n. a.

1 Generated through voluntary carbon credits. These are obtained solely from reforestation and afforestation projects and are reserved exclusively for Continental in the Gold Standard, VCS, American Carbon Registry and Climate Action Reserve registries.

Continental improved its climate change mitigation rating with global non-profit organization CDP (formerly operating as the Carbon Disclosure Project) from B to A- in 2022.

For more information on carbon neutrality, including reporting on indirect CO_2 emissions along the value chain (Scope 3 of the GHG Protocol), see the integrated sustainability report on our website at www.continental-sustainability.com.

Emission-free mobility and industries

Our ambition

As set out in our sustainability ambition, we strive for 100% emission-free mobility and industry by 2050 at the latest, together with our partners along the value chain. "Emission-free" refers to zero emissions of greenhouse gases and nitrogen oxides (NOx), for example. It does not include harmless emissions such as steam, non-toxic, biodegradable particle emissions or minimal noise emissions.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets as well as the resulting transformation opportunities and risks.

Concept

Continental is shaping the transformation toward emission-free mobility and emission-free industries with customer-oriented solutions, such as for electric mobility, emission-free railway engineering, bicycles and wind turbines. In doing so, we rely both on new product developments and on the further development of our existing product portfolio. Components, software and products from Continental can be found in a wide range of electric vehicles, for example – from tires to high-performance computers and interior surfaces. For current examples of innovative products and systems from Continental, see the Research and Development section of this annual report.

The respective group sectors and business areas are responsible for implementing this sustainability ambition, particularly with regard to portfolio development, product strategies and business models, and are supported by the group functions of the Continental Group. To this end, relevant aspects have been and will continue to be incorporated in portfolio analyses, and are included in the strategy and business development processes for the group sectors and business areas.

For the implementation of our concept with respect to emission-free mobility and industries, we record our allocated business with emission-free mobility and industries as a performance indicator. This consists of allocated business with zero-tailpipe-emission vehicles as well as allocated low-carbon business beyond business with zero-tailpipe-emission vehicles. Clearly allocated sales are recorded. In terms of vehicles, these include sales of tires, displays, sensors, electronic control units, artificial leather and hoses for emission-free passenger cars and trucks, as well as air springs for emission-free trains and trams; in terms of other business, they include sales of hoses for wind turbines or photovoltaic systems.

Results of the concept

In fiscal 2022, the allocated business with emission-free mobility and industries amounted to a total of €2,805 million (PY: €991 million).

This increase in fiscal 2022 was partly due to the increase in allocated business with zero-tailpipe-emission vehicles of €986 million to €1,657 million. The year-on-year growth is attributable in particular to the growing market success of electric mobility, since Continental's products can now be found in many mass-produced models.

In addition, for allocated low-carbon business beyond business with zero-tailpipe-emission vehicles, the replacement business with highly efficient tires with low rolling resistance for the existing fleet of vehicles already on the market was included for the first time. As a result, the volume for this business multiplied.

Emission-free mobility and industries performance indicators	**2022**	2021
Allocated business with zero-tailpipe-emission vehicles in millions of euros[1, 2]	1,657	986
Allocated low-carbon business beyond business with zero-tailpipe-emission vehicles in millions of euros[3]	1,148	6
Allocated business with emission-free mobility and industries in millions of euros	**2,805**	**991**

1 Definition: allocated business with zero-tailpipe-emission vehicles comprises all business with products for vehicles transporting goods and people that qualify as Taxonomy-eligible low-carbon technologies for transport under the delegated regulation (2021/2800) for climate change mitigation and adaptation, supplementing the Taxonomy Regulation (2020/852).

2 The business can be allocated via the vehicle manufacturer, the vehicle platform or the product specification, for example. The data includes both pure business and attributable business, such as in the case of combined vehicle platforms. For the Tires, ContiTech and Contract Manufacturing group sectors, the sales reported at the end of the year were included. For Contract Manufacturing, this was based on an estimation by the customer Vitesco Technologies. In the case of the Automotive group sector, a calculation was carried out for passenger cars and light commercial vehicles using internal, vehicle-specific planning data for sales and external data for production quantities, and for medium and heavy commercial vehicles this was based on the relevant customer portfolio.

3 Definition: allocated low-carbon business beyond business with zero-tailpipe-emission vehicles measures business that enables our customers to significantly contribute to climate change mitigation and is considered Taxonomy-eligible under the delegated regulation (2021/2800) for climate change mitigation and adaptation, supplementing the Taxonomy Regulation (2020/852), excluding low-carbon technologies for transport except the replacement business with highly efficient tires with low rolling resistance (label classes A and B) for the existing fleet of vehicles already on the market, which is included for the first time for 2022.

For more information on emission-free mobility and industries, see the integrated sustainability report on our website at www.continental-sustainability.com.

Circular economy

Our ambition

As set out in our sustainability ambition, we strive for 100% closed resource and product cycles by 2050 at the latest, together with our partners along the value chain.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets as well as the resulting transformation opportunities and risks.

Concept

The switch to a circular economy is a profound and complex transformation process for Continental, which at the same time is highly relevant for the achievement of other topic areas of the company's sustainability ambition. The group sectors are responsible for implementing circularity, in particular with respect to product design, business models, material use and material procurement. They have each started to design and/or implement specific initiatives and projects that are aimed at improving the use of product-related, technological and biological cycles. In addition, work is continuously being done on the durability, recyclability and adaptability of products. To cite some examples:

- The Automotive group sector offers its customers the remanufacturing of components such as high-quality displays for selected products.
- The Tires group sector has concluded a development agreement with Pyrum Innovations, a specialist in scrap tire pyrolysis.
- The ContiTech group sector has launched skai VyP Coffee, an upholstery fabric made partly from recycled and processed coffee grounds.

For more information, see the respective press release on our website under Press.

With regard to operational waste management, as a further key component of the circular economy, we have set ourselves the corporate target of increasing the waste for recovery quota to 95% by 2030. Waste for recovery includes material recycling, thermal recovery or any other form of recycling or reuse. This objective gives priority to recycling over disposal. The implementation of the corporate target is managed by Group Environmental and Climate Protection as part of operational environmental management.

For more information on the organization of operational environmental management, see the section on green and safe factories in this combined non-financial statement. The waste for recovery quota has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Corporate Governance/Executive Board.

Results of the concept

The waste for recovery quota was at 85% in fiscal 2022 (PY: 81%). This was mainly due to the successful implementation of local projects as well as to market conditions, which allowed for increased waste recovery.

Circular economy performance indicator	**2022[2]**	2021[2]
Waste for recovery quota in %[1]	85	81

1 Definition: proportion of waste that has been sent for material recycling, thermal recovery or any other form of recycling or reuse.
2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.

For more information on the circular economy, see the integrated sustainability report on our website at www.continental-sustainability.com.

Responsible value chain

Our ambition

As set out in our sustainability ambition, we strive for 100% responsible sourcing and business partnerships by 2050 at the latest, together with our partners along the value chain.

Our understanding of a responsible value chain thus refers to our supply chain and customer relationships and to our own locations.

Of central importance for our ambition are the requirements and speed of transformation of our customers, industries and markets as well as the resulting transformation opportunities and risks.

Concept

In the reporting year, a comprehensive management system for ensuring due diligence within a responsible value chain was developed and launched. The global implementation of the system in stages is designed to achieve continuous improvement and to respect both human and environmental rights along the value chain. This covers both Continental's own operations and in particular those of direct suppliers. For this purpose, responsibilities, rules and processes are clearly defined, including control mechanisms. The management system is guided by specific commitments in the areas of labor standards, occupational health and safety, the environment, safety practices and land rights. The aim of the system is to ensure the corresponding laws are observed and recognized, in particular the requirements under the German Supply Chain Due Diligence Act *(Lieferkettensorgfaltspflichtengesetz)*. It is also aimed at systematically applying due diligence procedures, reducing risks, supporting the implementation of customer requirements and supplementing the existing internal control system.

Within the system, our Business Partner Code of Conduct defines the fundamental requirements, among others for our suppliers, and for their suppliers, including with regard to human rights, working conditions, environmental protection, conflict minerals and anti-corruption. The Code of Conduct is updated regularly to reflect changes or adjustments to legislation. For suppliers of natural rubber, our sourcing policy for sustainable natural rubber additionally applies. Violations of our rules can be reported via the Integrity Hotline, which is available around the clock and worldwide.

When Continental is notified about violations of our Business Partner Code of Conduct, these will be checked, and, if necessary, further appropriate measures will be initiated necessary. Where business partners are proven to have violated our Business Partner Code of Conduct, Continental requests and monitors remedial measures and reserves the right to terminate the business relationship as a last resort.

Sustainability aspects are also taken into consideration at various other points in supplier management. For example, selected suppliers are evaluated based on various criteria using self-assessment questionnaires, which we collect via the generally accepted sustainability platforms for our industries, such as EcoVadis and NQC. These questionnaires are reviewed annually at the corporate level. Furthermore, selective local audits or other audit activities – such as in relation to the existence of management systems – are also carried out.

We also continue to develop our approach for the responsible value chain in dialog with external stakeholders and support the development of industry-wide standards, for example through our participation in industry dialog with the German government on human rights in the automotive industry. Here, we have worked in particular to cultivate a shared understanding of industry risks and due diligence requirements. We are also involved in initiatives and associations such as econsense, the Responsible Business Alliance (RBA) and the Global Platform for Sustainable Natural Rubber (GPSNR).

Responsible sourcing is the responsibility of the relevant purchasing organizations, which are established at Continental by group sector, product group and country, for example. A corporate purchasing network regularly deals with responsible sourcing topics as well. The Group Quality group function coordinates the management of conflict minerals, including the corresponding reporting processes.

Results of the concept

To further increase transparency and sustainability in Continental's natural rubber supply chain, the joint venture "Rubberway," which was founded in 2019, was rolled out further for the digital risk analysis of the upstream supply chain. The joint project with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in the Indonesian province of West Kalimantan, which has been in place since 2018, was also further expanded. The aim of the project is to jointly drive forward the implementation of a digital system for the traceability of natural rubber from the project region. By optimizing the supply chain and offering training in the sustainable cultivation of natural rubber, smallholders are supported in boosting the quantity, quality and yield of their produce and in this way improving their income. In addition, a cultivation strategy designed around sustainability prevents clearing and deforestation, thereby conserving valuable resources. As part of a development project with Security Matters (SMX), Continental is working on testing a tamper-proof means of verification of the geographical origin of natural rubber using marker technologies. In fiscal 2022, field testing was successfully completed, and the marker substance could be verified beyond doubt throughout the entire tire production process.

As at December 31, 2022, 1,009 valid supplier self-assessment questionnaires were available via the two sustainability platforms EcoVadis and NQC (PY: 631). This corresponds to a completion rate of 63% of suppliers selected for this process (PY: 53%). The increase in the number of available valid supplier self-assessment questionnaires and the higher completion rate are due to the onboarding of ContiTech suppliers in EcoVadis and the follow-up activities with suppliers to update and renew their self-assessment questionnaires.

Responsible value chain performance indicator	2022	2021
Number of available valid supplier self-assessment questionnaires (as at December 31)[1]	1,009	631

1 Based on the self-assessment questionnaires via the sustainability platforms EcoVadis and NQC completed by suppliers selected for this process.

We present further performance indicators for the implementation of a responsible value chain with regard to our own locations in the sections on good working conditions as well as green and safe factories in this combined non-financial statement.

For more information on the responsible value chain, see the integrated sustainability report on our website at www.continental-sustainability.com.

Good working conditions

Our ambition

As set out in our sustainability ambition, we provide inspiring, healthy and fair working conditions.

Concept

The Continental Group's Code of Conduct sets out the foundation for good working conditions as the basis of our global collaboration, including respect for human rights and fair working conditions. Employees receive training on compliance with the Code of Conduct. The management system being rolled out for a responsible value chain also includes the company's own activities (see responsible value chain).

Our HR strategy is geared toward meeting staffing requirements in terms of both quantity and quality. The two HR strategy initiatives "Industrialize Best Fit" and "Enable Transformation" are therefore focused on efficiently and effectively bringing together the right people and positions and shaping the digital and technological transformation and cultural shift toward new forms of collaboration. Workforce planning, the search for, diagnostic selection and development of talent (in particular in the areas of software and IT), the promotion of employee diversity and lifelong learning, the further development of the management culture and the flexibilization of working hours are therefore essential action fields of strategic HR work.

We are tackling the impact of our Transformation 2019–2029 structural program, which among other things is associated with the transformation in mobility and is likely to change up to 23,000 jobs worldwide, with targeted training measures for the employees affected. New career prospects and employment opportunities are to be opened up on the internal as well as the external employment markets.

Those responsible for HR are the HR functions at Continental Group, group sector, business area and country level, which work together in a global network. A special network of country coordinators for labor relations is also part of this organization.

We measure the success of HR work against the OUR BASICS Live Sustainable Engagement index, which is calculated on the basis of the annual employee survey. The index measures employee agreement on topics such as whether they personally back the company values and whether they are proud to work for Continental. Other performance indicators we consult are the sickness rate and the unforced fluctuation rate. The sickness rate measures sickness-related absence relative to contractual work time, and the unforced fluctuation rate measures the voluntary departure of employees from the company relative to the average number of employees.

The OUR BASICS Live Sustainable Engagement index has also been part of the LTI plans for the members of the Executive Board and managers since fiscal 2020. The sickness rate is also part of this, although only for the plans launched in fiscal 2020. For more information, see the remuneration report on our website under Company/Corporate Governance/Executive Board.

Results of the concept

In fiscal 2022, the Sustainable Engagement index was 80% (PY: 80%) and therefore on par with the previous year.

The sickness rate was unchanged at 3.7% (PY: 3.7%). For the unforced fluctuation rate, we recorded a slight increase to 7.8% (PY: 7.0%).

Information about personnel expenses in fiscal 2022 (i.e. wages and salaries, social security contributions and pension and post-employment benefit costs) can be found in Note 9 of the notes to the consolidated statement of income in this annual report. Employee benefits such as pensions, post-employment benefits and long-term bonus payments are broken down in Note 29 of the notes to the consolidated statement of financial position.

Good working conditions performance indicators	2022	2021
OUR BASICS Live Sustainable Engagement index in %[1, 2]	80	80
Sickness rate in %[3, 4]	3.7	3.7
Unforced fluctuation rate in %[4, 5]	7.8	7.0

1 Definition: employee agreement on topics relating to sustainable engagement in the employee survey OUR BASICS Live.
2 This is based on the responses of 46,199 participants (PY: 47,472 participants) as a representative random sample of Continental's group sectors and countries. The participation rate was 75% (PY: 75%).
3 Definition: sickness-related absence relative to contractual work time.
4 Excluding leasing personnel (i.e. permanent staff only).
5 Definition: voluntary departure of employees from the company relative to the average number of employees.

For more information on good working conditions, see the integrated sustainability report on our website at www.continental-sustainability.com.

Green and safe factories

Our ambition

As set out in our sustainability ambition, we conduct our business processes in a safe and responsible manner based on systematic management and the protection of people and the environment.

Concept

Our company policy for environment, safety and health protection (ESH) defines corporate-wide guidelines for green and safe factories. On this basis, we pursue ESH targets for the Continental Group as a whole: all persons in our company are to be protected against accidents and work-related sickness, and their health is to be actively promoted. CO_2 emissions, energy use, water consumption and waste generation at the locations are to be reduced, and the waste for recovery quota and energy efficiency at the locations increased.

Local management systems drive forward the implementation of these guidelines. The concrete organizational and technical requirements can be found in the relevant ESH management manuals for the group sectors. Many locations have additionally undergone external certification audits. The certified business activities are assessed annually to determine how many employees are covered by environmental management, energy management, and occupational safety and health management systems. The accident rate – the number of accidents per million working hours – is used as an effectiveness indicator for occupational safety and health management. The accident rate has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. Continental has set itself the goal of reducing the accident rate to 2.2 accidents per million working hours by 2030. For more information, see the remuneration report on our website under Company/Corporate Governance/Executive Board.

Group Environmental and Climate Protection and Group Safety and Health are responsible for the related strategic, corporate-wide ESH management process, and are supplemented by corresponding functions in the individual group sectors. Local operational environment, safety and health protection is the responsibility of the locations and is coordinated by local ESH managers in each case.

Results of the concept

As at December 31, 2022, the majority of our employees throughout the Continental Group were covered by the management systems of the certified business activities. The environmental management system certification covered 76% of employees (PY: 76%), the energy management system certification covered 40% of employees (PY: 40%), and the occupational safety and health management system certification covered 62% of employees (PY: 62%). The figures were therefore on par with the previous year.

The accident rate amounted to 2.5 accidents per million working hours in fiscal 2022 (PY: 2.6 accidents per million working hours) and was therefore at a similar level to the previous year.

Green and safe factories performance indicators	**2022**	2021
Environmental management system certification (ISO 14001)[1] Employee coverage (as at December 31) in %	76	76
Energy management system certification (ISO 50001)[1] Employee coverage (as at December 31) in %	40	40
Occupational safety and health management system certification (ISO 45001 or similar)[1] Employee coverage (as at December 31) in %	62	62
Accident rate (number of accidents per million working hours)[2, 3]	2.5	2.6

1 Valid certification and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.
2 Definition: number of accidents during working hours per million paid working hours. Counted from more than one lost day, i.e. with at least one lost day beyond the day of the accident.
3 Excluding leasing personnel (i.e. permanent staff only) and way-to-work accidents.

For more information on green and safe factories, see the integrated sustainability report on our website at www.continental-sustainability.com.

Benchmark in quality

Our ambition

As set out in our sustainability ambition, we are recognized by our customers and society as being a benchmark in quality by ensuring safe and sustainable products.

Concept

The decisive factor in becoming a benchmark in quality is a quality-oriented company culture. Our quality policy sets out guidelines for product and process quality at Continental. Product recalls, product liability claims and proceedings as a result of quality defects represent a business risk that we want to avoid due to the resulting losses of sales, costs, and loss of customer and market acceptance. For more information, see the report on risks and opportunities in this annual report.

Local management systems drive forward the implementation of these guidelines. The concrete organizational and technical requirements can be found in the relevant quality management manuals for the group sectors. The extent of these certifications is assessed on an annual basis as to how many employees they cover with respect to quality management systems. The number of new field quality events is used as an effectiveness indicator for our quality management. A field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental on the basis of a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.

The Group Quality group function as well as the quality functions at various levels in the Continental Group, which work together in a global network, are responsible for the strategic, corporate-wide quality management process.

Results of the concept

As at December 31, 2022, certified quality management systems covered 83% of our employees throughout the Continental Group (PY: 84%).

Thirty new field quality events were identified in fiscal 2022 (PY: 36).

Benchmark in quality performance indicators	**2022**	2021
Quality management system certification (ISO 9001 or similar)[1] Employee coverage (as at December 31) in %	83	84
New field quality events (as at December 31)[2]	30	36

1 Valid certification and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.

2 Definition: a field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental based on a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.

Information about the scope of warranty and product liability claims in fiscal 2022 can be also found in Note 38 of the other disclosures in the notes to the consolidated financial statements.

For more information on benchmark in quality, see the integrated sustainability report on our website at www.continental-sustainability.com.

Sustainable management practice

Our ambition

As set out in our sustainability ambition, we implement effective management processes, fair business practices and responsible corporate governance with a balanced view of different perspectives.

Concept

Group Compliance, which is divided into a central team and regional functions, is responsible for preventing violations in the areas of corruption, antitrust law, money laundering and data protection. This structure is supplemented by compliance coordinators in the countries and at the locations. The fundamental principles of compliance management are set out in the Continental Group's compliance manual.

Continental strives for a holistic compliance management system based on a comprehensive analysis of potential compliance risks, followed by the implementation of appropriate policies and procedures, training, consulting, monitoring and controls that lead to ongoing lessons learned and system improvements. The Integrity Hotline and an ombudsman's office are on hand to offer support in the detection of violations.

As a further cornerstone for sustainable management practice, we are committed to promoting employee diversity, which we understand as internationality, a balanced gender ratio, and a range of experiences and age categories. We have set ourselves the corporate target of increasing the share of female executives and senior executives to 25% by 2025 and to up to 30% by 2030.

We intend to achieve this in particular by promoting cultural change in the organization through the expansion of women's networks and the holding of diversity workshops and specific events. Gender diversity – the share of female executives and senior executives – has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Corporate Governance/Executive Board.

For more information on sustainable management practice and our diversity concept, see the Corporate Governance section of this annual report. For more information on compliance, see the "Structure of the internal control system" section in the report on risks and opportunities.

Results of the concept

As at December 31, 2022, Continental had increased its share of female executives and senior executives to 19.1% (PY: 17.8%). The increase in the representation of women at management level proves that our initiatives and measures to promote gender diversity are having an effect. The share excluding the USA amounted to 18.8%. For the long-term remuneration of executives, separate analysis of the key figure excluding the USA is necessary for legal reasons.

Sustainable management practice performance indicator	2022	2021
Gender diversity – share of female executives and senior executives (as at December 31) in %	19.1	17.8
of which share of female executives and senior executives excluding the USA (as at December 31) in %	18.8	n. a.

For more information on sustainable management practice, see the integrated sustainability report on our website at www.continental-sustainability.com.

Information in Accordance with the EU Taxonomy Regulation

The EU Taxonomy is a classification system for determining sustainable economic activities in the real economy. The following disclosures are the mandatory disclosures of the Continental Group in accordance with Art. 8 of EU Taxonomy Regulation 2020/852.

Specific information on the implementation of disclosure requirements in accordance with the EU Taxonomy Regulation

There continues to be uncertainty for Continental with respect to the reporting to be carried out as per the EU Taxonomy Regulation and the application of the regulations concerning Taxonomy-aligned economic activities. This is mainly because unclear wording continues to be used in the regulations and notes on determining Taxonomy-eligible – and in particular Taxonomy-aligned – economic activities as well as the calculations for key performance indicators for turnover, capital expenditure and operating expenditure. As a result, these regulations and notes are still open to interpretation.

From Continental's perspective, there is also uncertainty about the interaction between the various regulations, delegated acts and official answers to frequently asked questions. Furthermore, the short implementation period granted by the EU Taxonomy Regulation and the published delegated acts means that many questions of interpretation related to implementation have not yet been conclusively clarified. The EU Platform on Sustainable Finance, a permanent expert group set up by the European Commission, also explicitly points toward this in its report to the Commission dated October 2022. In interpreting the regulation, we also take into consideration the publicly communicated assessments of industry associations in the supplier and automotive industries as well as the reporting practices of European suppliers for 2021.

For the supplier industry, the European Commission additionally determined in its preliminary answers to frequently asked questions dated December 19, 2022, that the explicit handling of components – for the transport sector, for example – would be governed in more detail in later revisions of the delegated regulation. Continental therefore continues to explicitly stress the difficulty of classifying suppliers within the framework of the EU Taxonomy.

Taxonomy-eligible economic activities

As part of our sustainability ambition, we strive for carbon neutrality and emission-free mobility and industries by 2050 at the latest (see also the sections on carbon neutrality and on emission-free mobility and industries in this combined non-financial statement) and thus for the expansion of clean and carbon-neutral mobility. With this in mind, we have introduced performance indicators at a corporate level as part of our sustainability scorecard, with the aim of monitoring our progress. From this scorecard, we classify the allocated business with emission-free mobility and industries as the indicator that comprises all economic activities to be disclosed for Continental as Taxonomy-eligible with respect to the environmental target of climate change mitigation in accordance with the EU Taxonomy Regulation. It consists of allocated business with zero-tailpipe-emission vehicles and allocated low-carbon business beyond business with zero-tailpipe-emission vehicles. These activities are not identified as Taxonomy-eligible under Annex II to the delegated climate act (climate change adaptation).

All other economic activities of the Continental Group that are not included in the aforementioned economic activities are classified as Taxonomy-non-eligible for the reporting year.

In particular, the allocation of the economic activity is a decisive factor for this classification, since a direct connection should be demonstrated for economic activities upstream in the value chain, as stated by the Platform on Sustainable Finance in its report to the Commission dated October 2022.

We therefore classify the allocated business with zero-tailpipe-emission vehicles under category 3.6 ("Manufacture of other low-carbon technologies") of the delegated regulation for climate change mitigation (EU 2021/2139, Annex I), since it makes a substantial contribution toward increasing "clean or climate-neutral mobility" in accordance with Art. 10 (1) c) in conjunction with Art. 10 (1) i) of the EU Taxonomy Regulation. From Continental's perspective, it additionally meets the conditions for enabling activities as defined in Art. 16 of the EU Taxonomy Regulation, since this economic activity does not lead to lock-in effects and has a substantial positive environmental impact, on the basis of life-cycle considerations. The majority of CO_2 emissions from vehicles and vehicle components occur during the use phase, whereby a substantial positive environmental impact can generally be assumed for zero-tailpipe-emission vehicles and their components, as stated by Annex I to the delegated regulation for climate change mitigation in relation to vehicles.

This classification is also based on the European Commission's answer in its frequently asked questions dated December 2022, which states that the manufacture of specific car and vehicle components cannot be classified under the activity "Manufacture of low-carbon technologies for transport" (3.3) as standard, since the EU Taxonomy does not provide for any general regulation for upstream activities.

Furthermore, the allocated low-carbon business beyond business with zero-tailpipe-emission vehicles is reported as Taxonomy-eligible. In addition to various industrial businesses, it covers for the first time the replacement business with highly efficient tires with low rolling resistance for the existing fleet of vehicles already on the market. This tire market business with the two highest label classes of A and B is classified under category 3.6 ("Manufacture of other low-carbon technologies"). Label classes A and B are currently clearly above the market average and – compared with lower label classes – aim at relevant reductions of emissions in the transport sector.

For the replacement business, the condition that the substantial reductions be achieved without so-called lock-in effects is also met, since the improvement is achieved for the fleet that is already on the market. Conversely, the original-equipment business, with highly efficient tires for vehicles with combustion engines, is likewise considered to be pursuing substantial reductions, but is not considered to be compatible with the principle of avoiding lock-in effects that is relevant to enabling activities as defined in Art. 16 of the EU Taxonomy Regulation. This classification is also supported by the Platform on Sustainable Finance, even if this assessment is not binding. As a result of this, in its report to the Commission dated October 2022 concerning lock-in effects, it is assumed that there would be lock-in effects for enabling technologies for vehicles with combustion engines and for hybrid vehicles in the original equipment business, which are still Taxonomy-eligible until 2025, and that these lock-in effects would not be incurred for electric or emission-free vehicles.

The various industrial businesses reported by Continental as Taxonomy-eligible economic activities primarily comprise the manufacture of components for wind turbines and photovoltaic systems and, for the first time, the manufacture of materials for industrial plant insulation. Contrary to the reporting for fiscal 2021, Continental is also allocating these businesses to category 3.6 ("Manufacture of other low-carbon technologies"), since the economic activities pursue substantial reductions and therefore make significant contributions to the expansion of renewable energies and energy saving, for example through insulation in industrial plants. This classification can be justified by the European Commission's answer in its frequently asked questions dated December 2022, which states that the intermediate steps in the value chain are not automatically Taxonomy-eligible if the description relates only to the manufacture of end products. In addition, the description of the economic activities in accordance with categories 3.1 to 3.5 does not recognize these components.

For all classifications presented under category 3.6, Continental believes it is irrelevant which functions the supplier technologies in emission-free vehicles or other end products fulfill, as long as they facilitate the goals set out in Art. 10 (1) and pursue the aim set out in the activity description for category 3.6 of achieving substantial reductions in CO_2 emissions over their entire life cycle.

We base the classification on the information publicly available at the time the report was prepared.

Taxonomy-eligible turnover

The information on turnover is prepared in accordance with section 1.1.1 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) and in compliance with IFRS accounting regulations (see tables at the end of this non-financial statement). The method of determination selected by Continental ensures that double counting is avoided.

Information on the Continental Group's total turnover (the denominator of the key figure calculation) can be found in the consolidated statement of income of this annual report under "Sales."

Taxonomy-eligible capital expenditure and operating expenditure

Taxonomy-eligible capital expenditure and operating expenditure have been recorded in accordance with the delegated regulation on disclosure obligations (2021/2178) and taking into account the clarifications made by the European Commission in October 2022.

The figures for Taxonomy-eligible capital expenditure and operating expenditure under category a are allocations based on the proportion of Taxonomy-eligible turnover. For reasons connected to the business model, the equipment, machinery and buildings of the Continental Group are thus used both for Taxonomy-eligible activities and for other activities. This applies both to capital expenditure and operating expenditure for assets or processes associated with Taxonomy-eligible activities (category a).

The allocation takes place at business area level for capital expenditure and at group sector level for operating expenditure, and not according to the individual locations, in order to avoid double counting, take into account internal business and consolidation effects and reflect the Continental Group's matrix structure. Such an allocation approach is also recommended in principle by the Platform on Sustainable Finance in its report to the Commission dated October 2022, which states, for enabling activities, that capital expenditure and operating expenditure should be reported on the basis of their proportion of turnover, provided the activities are Taxonomy-eligible and that they not do not include activities that are Taxonomy-non-eligible.

The individual measures assessed as Taxonomy-eligible as well as the acquisition of products from Taxonomy-eligible economic activities under category c were recorded separately and deducted prior to allocation. The allocation selected by Continental and the prior deduction from category c ensures that double counting for capital expenditure and operating expenditure is avoided.

In assessing category c, Continental assumes that Taxonomy-eligible capital expenditure and operating expenditure may result from the acquisition of products from Taxonomy-eligible economic activities and the implementation of individual measures that enable Continental's business activities to become low-carbon or reduce their greenhouse gas emissions. These products and measures include economic activities that actively contribute to achieving our decarbonization roadmap. They comprise the following economic activities listed in Annex I to the delegated regulation for climate change mitigation:

- 3.3 Manufacture of low-carbon technologies for transport through the purchase of vehicles
- 7.3 Installation, maintenance and repair of energy efficiency equipment, which specifically includes equipment insulation, building insulation and installation and replacement of energy-efficient light sources
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- 7.6 Installation, maintenance and repair of renewable energy technologies, such as photovoltaic systems

The information on capital expenditure is prepared in accordance with section 1.1.2 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) in compliance with IFRS accounting regulations. Information on the Continental Group's total capital expenditure can be found in the notes to the consolidated financial statements in the segment reporting (Note 1) of this annual report. The information refers to capital expenditure in the intangible assets (Note 14), property, plant and equipment (Note 15), leases (Note 16) and investment property (Note 17) presented in the notes to the consolidated financial statements.

Operating expenditure is defined in accordance with section 1.1.3 of Annex 1 to the delegated regulation on disclosure obligations (2021/2178) and has been calculated on an imputed basis as described above. For the denominator of the key figure calculation for operating expenditure, Continental takes into account direct, non-capitalized costs incurred in the fiscal year as a result of research and development (net), building refurbishment measures, short-term leasing, and maintenance and repairs.

Continental notes that, from its perspective, various interpretations with respect to the requirements concerning capital expenditure and operating expenditure, particularly for category c and for operating expenditure more generally, continue to result in uncertainty when determining Taxonomy-related information.

Taxonomy-aligned economic activities

Continental does not currently report any economic activities as being Taxonomy-aligned.

For all economic activities that are reported under category 3.6, specific comparative life-cycle assessments are required in order to also report these as being Taxonomy-aligned. These must demonstrate substantial savings to life-cycle emissions compared with the highest-performing alternative technology or solution available on the market or the highest-performing alternative product available on the market. External verification of the life-cycle assessments must also take place in accordance with predefined standards. A simplified life-cycle consideration, as called for by the Taxonomy Regulation (2020/852) itself, is no longer sufficient in accordance with the delegated regulation for climate change mitigation (2021/2139) for category 3.6.

These specific comparative life-cycle assessments are currently not possible from Continental's perspective for a number of reasons:

- The allocated business with zero-tailpipe-emission vehicles is defined by the fact that the end products are zero-tailpipe-emission vehicles. Through the reported Taxonomy-eligible economic activities, Continental facilitates the manufacture of such vehicles as a supplier. Vehicle emissions are not reduced here, however, since by definition they are already considered to be emission-free. Even if a life-cycle assessment were feasible, it would therefore not be able to demonstrate any substantial savings. Continental has also come to the same conclusion for all components within allocated low-carbon business beyond business with zero-tailpipe-emission vehicles, provided the respective end products are not associated with direct emissions. This applies to components of renewable energy technologies, for example.

- For further allocated low-carbon business beyond business with zero-tailpipe-emission vehicles, such life-cycle assessments would theoretically be possible but, from Continental's perspective, both for practical reasons and because of unclear requirements for economic activities reported as Taxonomy-eligible, they cannot be verifiably implemented in compliance with the regulation.

  - Practical reasons for this include the fact that the economic activities concerned consist of a large number of products that can be found in a wide range of applications. Assuming that individual products were a permitted functional unit for the life-cycle assessment, life-cycle assessments would theoretically be possible for individual applications of these products. For the entire scope of economic activities, however, this would be neither appropriate nor feasible within the specified time.

  - According to Continental's analysis, a potentially simplified consideration at product group level or comparable aggregations has thus far been governed neither by the delegated regulation nor by the EU Commission's answers to frequently asked questions such that an external verifier has been able to verifiably ascertain the calculation in compliance with the regulation.

  - In addition, the Commission provided its first and – from Continental's perspective – not very clear answers for the assessment of the "substantial saving" to be demonstrated as well as the definition of comparable technologies and their performance for the first time in its answers to frequently asked questions dated December 2022. From Continental's perspective, due to their short-term nature, the Commission's comments can no longer be taken into consideration, are not yet sufficiently binding prior to publication in the Official Journal and also still do not offer a sufficiently reliable framework for comparable life-cycle assessments.

In all cases, the Commission's statement in its answers to frequently asked questions dated December 2022 that the detailed clarification of classification for suppliers is still pending also applies. From Continental's perspective, this also includes the more reliable clarification relating to life-cycle considerations by suppliers.

Since Continental is not currently reporting any activities as Taxonomy-aligned, no Taxonomy-aligned capital expenditure or operating expenditure has been reported either. The reporting of Taxonomy-aligned capital expenditure and operating expenditure under category c is currently not possible from Continental's perspective, since sufficient proof of compliance with the technical assessment criteria and minimum protection requirements along the value chain cannot currently be provided.

Information to be disclosed in accordance with the EU Taxonomy Regulation

For the following overviews of Taxonomy information, it should be noted that these were prepared in accordance with the guidelines for the templates in Annex 2 to the delegated regulation on disclosure obligations (2021/2178).

Given the uncertainties and interpretations of the Taxonomy Regulation, this restriction is relevant since it means, for example, that the designations as environmentally sustainable or non-environmentally sustainable activities only relate to the assessment as per the EU Taxonomy Regulation and not more generally.

Continental has no economic activities according to the complementary delegated regulation for gas and nuclear activities (2022/1214) and therefore does not provide the specific templates.

Templates in Accordance with the EU Taxonomy Regulation

Proportion of turnover from products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities – disclosure covering 2022

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, 2022	Taxonomy-aligned proportion of turnover, 2021	Category (enabling activity)	Category (transitional activity)
		€ millions	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0.0%**														**0.0%**	**n. a.**		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low-carbon technologies	3.6	2,804.6	7.1%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**2,804.6**	**7.1%**														**0.0%**	**n. a.**		
Total (A.1 + A.2)		**2,804.6**	**7.1%**														**0.0%**	n. a.		
B. Taxonomy activities																				
Turnover of Taxonomy-non-eligible activities (B)		**36,604.3**	**92.9%**																	
Total (A + B)		**39,408.9**	**100.0%**																	

The tables listed here are the "templates for KPIs of non-financial undertakings" as required by Annex II of delegated regulation 2021/2178. For the sake of simplicity, Continental uses the following terms synonymously outside of these tables:
- *"economic activities" and "business activities"*
- *"environmentally sustainable activities (Taxonomy-aligned)" and "Taxonomy-aligned economic activities"*
- *"Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)" and "Taxonomy-eligible economic activities"*

Proportion of capital expenditure for products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities – disclosure covering 2022

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, 2022	Taxonomy-aligned proportion of CapEx, 2021	Category (enabling activity)	Category (transitional activity)
		€ millions	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0.0%**														**0.0%**	n. a.		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of low-carbon technologies for transport	3.3	0.1	0.0%																	
Manufacture of other low-carbon technologies	3.6	171.9	7.1%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	1.4	0.1%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0.7	0.0%																	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	1.5	0.1%																	
Installation, maintenance and repair of renewable energy technologies	7.6	7.4	0.3%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**183.1**	**7.5%**														**0.0%**	n. a.		
Total (A.1 + A.2)		**183.1**	**7.5%**														**0.0%**	n. a.		
B. Taxonomy activities																				
CapEx of Taxonomy-non-eligible activities (B)		**2,243.3**	**92.5%**																	
Total (A + B)		**2,426.4**	**100.0%**																	

The tables listed here are the "templates for KPIs of non-financial undertakings" as required by Annex II of delegated regulation 2021/2178. For the sake of simplicity, Continental uses the following terms synonymously outside of these tables:
- *"economic activities" and "business activities"*
- *"environmentally sustainable activities (Taxonomy-aligned)" and "Taxonomy-aligned economic activities"*
- *"Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)" and "Taxonomy-eligible economic activities"*

Proportion of operating expenditure for products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities – disclosure covering 2022

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, 2022	Taxonomy-aligned proportion of OpEx, 2021	Category (enabling activity)	Category (transitional activity)
		€ millions	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities Taxonomy-aligned) (A.1)		**0.0**	**0.0%**														**0.0%**	n. a.		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of low-carbon technologies for transport	3.3	0.0	0.0%																	
Manufacture of other low-carbon technologies	3.6	219.7	6.1%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	0.1	0.0%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0.0	0.0%																	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	0.1	0.0%																	
Installation, maintenance and repair of renewable energy technologies	7.6	0.1	0.0%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**220.1**	**6.1%**														**0.0%**	n. a.		
Total (A.1 + A.2)		**220.1**	**6.1%**														**0.0%**	n. a.		
B. Taxonomy activities																				
OpEx of Taxonomy-non-eligible activities (B)		**3,362.3**	**93.9%**																	
Total (A + B)		**3,582.4**	**100.0%**																	

The tables listed here are the "templates for KPIs of non-financial undertakings" as required by Annex II of delegated regulation 2021/2178. For the sake of simplicity, Continental uses the following terms synonymously outside of these tables:
- *"economic activities" and "business activities"*
- *"environmentally sustainable activities (Taxonomy-aligned)" and "Taxonomy-aligned economic activities"*
- *"Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)" and "Taxonomy-eligible economic activities"*

Information on the Development of Other Sustainability Topic Areas

Information on the development of topic areas that have been identified as being relevant to the sustainable development of the company, but according to an internal analysis were not classified as being relevant to reporting for the combined non-financial statement, can be found in the locations specified below:

- Innovation and digitalization: the Research and Development section on pages 35 and 36 of this annual report and in the integrated sustainability report
- Safe mobility: the Research and Development section on pages 35 and 36 of this annual report and in the integrated sustainability report
- Long-term value creation: the Corporate Management section on pages 32 and 33 of this annual report and in the integrated sustainability report
- Corporate citizenship: in the integrated sustainability report

The integrated sustainability report is available online at www.continental-sustainability.com.

Economic Report
General Conditions

Macroeconomic Development

Rising inflation rates, which were exacerbated by the war in Ukraine, and interest rate hikes by many central banks to combat inflation dampened global economic development in 2022. According to the January 2023 World Economic Outlook Update (WEO Update) published by the International Monetary Fund (IMF), the global economy grew by 3.4% in fiscal 2022, which was below the IMF's forecast of 4.4% growth from January 2022.

According to statistical office Eurostat, gross domestic product (GDP) in the eurozone rose by 3.5% year-on-year in 2022. In Germany, GDP rose by 1.9%, according to the Federal Statistical Office. The other major eurozone economies of France, Italy and Spain reported growth rates ranging from just under 3% to around 5%, according to the IMF. Other European economies recorded similar economic growth rates to the eurozone in 2022. The United Kingdom, for example, achieved growth of 4.1%, according to the IMF. For Russia, however, the IMF estimated a 2.2% decline in GDP.

In North America, the USA posted GDP growth of 2.1% in 2022, according to the Bureau of Economic Analysis. For Canada and Mexico, the IMF reported GDP growth of 3.5% and 3.1%, respectively. Other countries in the Americas also saw continued economic recovery in 2022. For Brazil, for example, the IMF estimated GDP growth of 3.1%.

Asian countries also recorded a continued economic revival in the year under review, according to the IMF. Very high growth rates were achieved in 2022 by India's economy, with GDP growth of 6.8%, and by the Association of Southeast Asian Nations (ASEAN), with GDP growth of 5.2%. According to the IMF, lower growth rates were reported for China and for Japan, with GDP growth of 3.0% and 1.4%, respectively.

Development of Key Customer Sectors and Sales Regions

With a 61% share of consolidated sales (PY: 61%), the automotive industry – with the exception of the replacement business – was Continental's most important customer group in fiscal 2022. The Automotive group sector accounted for the lion's share, but the Tires and ContiTech group sectors also generated significant sales figures in this market segment.

The second-biggest market segment for Continental was the global replacement-tire business for passenger cars and commercial vehicles, with 28% of total sales in fiscal 2022 (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 (PY: 9%).

Continental's biggest sales region in the reporting year was still Europe, which accounted for 47% of sales (PY: 49%), followed by North America at 27% (PY: 25%) and Asia-Pacific at 22% (PY: 22%).

Development of new passenger-car registrations

In 2022, there was a decline in the number of newly registered cars in many of the world's automotive markets. The availability of many car models remained mostly limited due to a shortage of semi-finished products, particularly semiconductors. This was accompanied by increased car prices, high inflation rates for other consumer goods and uncertainty among many consumers triggered by the war in Ukraine.

According to preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), 11.3 million new vehicles were registered in the European car market (EU27, EFTA and the United Kingdom) in 2022, 4% fewer than in the previous year. Passenger car sales fell by 6% in Japan and by 8% in the USA. Brazil recorded a slight decline of 1%. In Russia, passenger car sales plummeted by 59% in 2022 as a result of many international automotive manufacturers withdrawing due to the war in Ukraine.

By contrast, according to the VDA, sales in China – the world's largest car market – rose by 10% to 23.2 million units in 2022, thanks in part to a tax reduction on the majority of cars sold. In India, sales of new vehicles rose by 23% to 3.8 million units in 2022.

According to preliminary data from car manufacturer Renault, new-car registrations in 2022 were on par with the previous year worldwide.

Development of production of passenger cars and light commercial vehicles

Disrupted supply chains resulting from the war in Ukraine and pandemic-related lockdowns in China put a strain on the production of passenger cars and light commercial vehicles weighing less than 6 metric tons in many regions in the first half of 2022. Europe was particularly affected.

In the second half of the year, the supply situation stabilized. The availability of semiconductors, which had previously been in very short supply, also improved. As a result, many manufacturers noticeably expanded their production.

According to preliminary data, Europe as a whole recorded a 1% decline in the production of passenger cars and light commercial vehicles in the reporting year as a result of the sharp production decrease in Russia and reduced volumes in other Eastern European countries.

By contrast, North America and China increased their production by 10% and 6% in 2022.

According to preliminary figures, global production for 2022 rose by 7% to 82.4 million units.

Development of production of medium and heavy commercial vehicles
The production of medium and heavy commercial vehicles weighing more than 6 metric tons was initially affected by disrupted supply chains in our core European market in the reporting period. In Eastern Europe, in particular, production was also heavily impaired as a result of the war in Ukraine. As the year progressed, production in Western and Central Europe rose again, virtually offsetting the decline in production in Eastern Europe for 2022 overall. According to preliminary data, overall production volumes fell by 1% year-on-year.

In our other core market of North America, strong economic growth led to a considerable upturn in demand and a 9% increase in the production of medium and heavy commercial vehicles, according to preliminary figures.

Development of replacement-tire markets for passenger cars and light commercial vehicles
Following a strong first quarter in 2022, the following three quarters saw a significant decline in demand in Europe and North America. Higher prices due to the substantial increase in costs caused by the war in Ukraine led to purchases being made in advance by many tire dealers.

Sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons rose by 2% in Europe (excluding Russia) for 2022 as a whole. In North America, demand fell by 4% in the year under review. In China, the measures taken to contain the COVID-19 pandemic led to a 14% slump in sales volumes. According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles fell by 2% in the reporting year.

Development of replacement-tire markets for medium and heavy commercial vehicles
In our core markets of Europe (excluding Russia) and North America, preliminary data indicates that year-on-year demand for replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons rose by 6% and 13%, respectively, in 2022.

Development of industrial production
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 reporting period, industrial production in the eurozone was affected by disrupted supply chains and increased costs, mainly in the second quarter. By contrast, industrial production in the USA increased considerably in 2022. In China, the temporary lockdowns to combat the COVID-19 pandemic affected development in the second and fourth quarters of 2022 in particular. This was countered by stronger industrial production in the first and third quarters.

Development of Raw Materials Markets

In the year under review, the sanctions imposed against Russia initially led to a shortage of many raw materials, which in turn caused sharp price rises. Expanded offerings from other suppliers and a decline in demand as a result of weaker economic growth in many economies caused prices for many raw materials to fall again as the year progressed – in some cases to below their level at the beginning of the year.

Carbon steel and stainless steel are input materials for many of the mechanical components such as die-cast parts integrated by Continental into its products. Steel wire is used in particular in tire production as steel cord but also in conveyor belts and timing belts to increase tensile strength. Aluminum is used in particular for die-cast parts and stamped and bent components, while copper is used in particular in electric motors, mechatronic components and printed circuit boards. Prices for carbon steel in euros, which had increased

Changes to vehicle production, the tire-replacement business and industrial production in 2022 (compared with 2021)

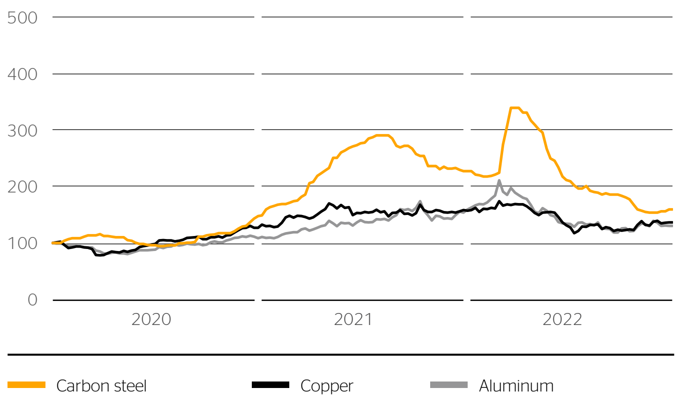
Passenger cars and light commercial vehicles	Vehicle production	Tire-replacement business
Europe	-1%	2%
North America	10%	-4%
China	6%	-14%
Worldwide	**7%**	**-2%**

	Industrial production
Eurozone	0.7%
USA	4.0%
China	4.0%

Medium and heavy commercial vehicles	Vehicle production	Tire-replacement business
Europe	-1%	6%
North America	9%	13%

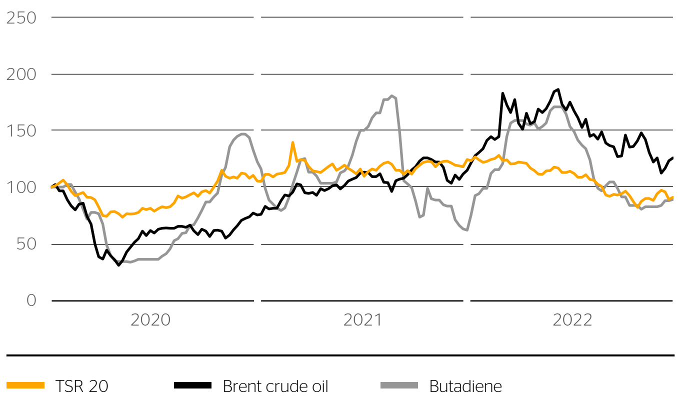
Preliminary data.
Sources:
Vehicle production: S&P Global (Europe with Western, Central and Eastern Europe incl. Russia and Türkiye).
Tire-replacement business: LMC International Ltd. (Europe with Western, Central and Eastern Europe (excluding Russia) and Türkiye).
Industrial production: Bloomberg.

Steel, copper and aluminum Indexed to January 1, 2020



Sources:
Carbon steel: hot-rolled coil Northern Europe ex works, from Kallanish Commodities (€ per metric ton).
Copper and aluminum: rolling three-month contracts from the London Metal Exchange (US $ per metric ton).

TSR 20, crude oil and butadiene Indexed to January 1, 2020



Sources:
TSR 20: rolling one-month contracts from the Singapore Exchange (US $ cents per kg).
Crude oil: European Brent spot price from Bloomberg (US $ per barrel).
Butadiene: South Korea spot price (FOB) from PolymerUpdate.com (US $ per metric ton).

sharply in the previous year, fell by approximately 6% on average in 2022. The price of copper in US dollars, which had also seen a sharp increase in the previous year, fell by 5% on average. Conversely, the average price of aluminum in US dollars was up 9% in 2022.

Precious metals such as silver and gold are used by Continental and by our suppliers to coat components. In 2022, the average US-dollar price of gold was on par with the previous year. By contrast, the price of silver in US dollars fell by 13% on average.

For natural rubber, weakening tire demand led to a decline in prices from the summer of 2022 onward. The price of natural rubber TSR 20 in US dollars was down 8% year-on-year in 2022, for example.

Crude oil is the most important basic building block for synthetic-rubber input materials such as butadiene and styrene as well as for carbon black, various other chemicals, and plastics. The price of crude oil rose sharply in the first few months of 2022 due to the war in Ukraine. This trend reversed, however, in the summer. By the end of the year, the price had fallen back to the level it was at the beginning of 2022. The annual average price of Brent crude oil in US dollars increased by 42% year-on-year.

The rise in the price of crude oil also led to price increases for various input materials for synthetic rubber in 2022, although these price increases were dampened by the weakening demand for tires. The average prices in US dollars for butadiene and styrene, for example, increased by 6% and 4%, respectively.

Plastic resins, as technical thermoplastics, are required by Continental and our suppliers in particular for the manufacture of housing parts in the Automotive group sector and for various other plastic parts in the ContiTech group sector. The average price of resins in US dollars was up 23% in 2022.

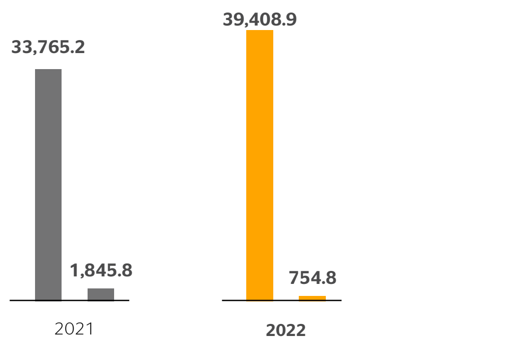
Continental uses natural and synthetic rubber in large quantities for the manufacture of tires and industrial rubber products. It also uses relatively large quantities of carbon black as a filler material and of steel cord and nylon cord as structural materials. Due to the high volumes and direct purchasing of raw materials, their price development has a significant influence on the earnings of the Tires and ContiTech group sectors.

Overall, the described price developments for raw materials together with a significantly weaker euro led to significant cost burdens in all group sectors of the Continental Group in 2022.

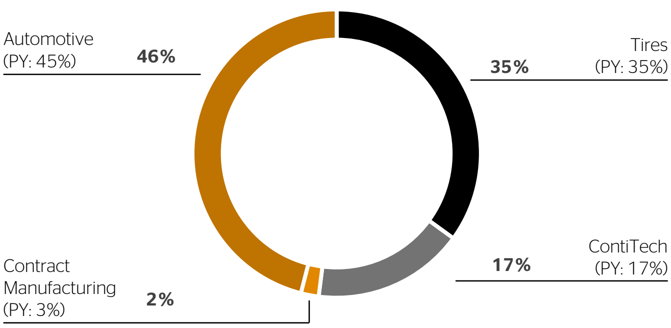
Earnings, Financial and Net Assets Position

› Sales up 16.7% to €39.4 billion
› Organic sales up 12.3%
› Adjusted EBIT margin at 5.0%

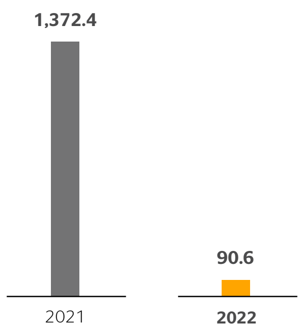
Sales; EBIT € millions



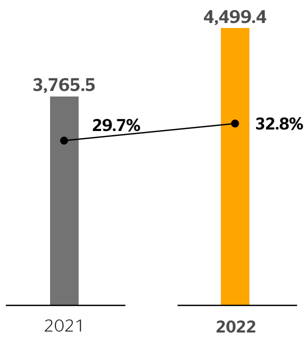
Sales by group sector



Free cash flow € millions



Net indebtedness € millions **Gearing ratio** %



The spin-off of Vitesco Technologies on September 15, 2021, resulted in the application of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, in the comparative period. Vitesco Technologies is reported as discontinued operations in the comparative period. The reporting in the comparative period is based on continuing operations, with the exception of the figures for net income attributable to the shareholders of the parent, earnings per share and the figures in the statement of cash flows.

As part of the new organizational structure in place since January 1, 2022, the Continental Group is divided into the group sectors Automotive, Tires, ContiTech and Contract Manufacturing. All key figures for the group sectors reflect this over the entire reporting period and are adjusted accordingly for the comparative period.

In the year under review, the Continental Group changed the methodology used for the recognition of uncertain tax positions. The comparative period has been adjusted accordingly. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements.

These principles also apply to the charts shown above.

Earnings Position

- ❯ **Sales up 16.7%**
- ❯ **Sales up 12.3% before changes in the scope of consolidation and exchange-rate effects**
- ❯ **Adjusted EBIT up 5.2%**

The following table generally shows the figures for continuing operations in the reporting and comparative periods, with net income attributable to the shareholders of the parent and earnings per share referring to continuing and discontinued operations in the comparative period.

Continental Group in € millions	**2022**	2021	Δ in %
Sales	39,408.9	33,765.2	16.7
EBITDA	3,966.0	4,104.2	–3.4
in % of sales	10.1	12.2	
EBIT	754.8	1,845.8	–59.1
in % of sales	1.9	5.5	
Net income attributable to the shareholders of the parent[1]	66.6	1,435.2	–95.4
Basic earnings per share in €[1]	0.33	7.18	–95.4
Diluted earnings per share in €[1]	0.33	7.18	–95.4
Research and development expenses (net)	2,871.4	2,586.8	11.0
in % of sales	7.3	7.7	
Depreciation and amortization[2]	3,211.2	2,258.4	42.2
thereof impairment[3]	966.6	29.1	3,221.6
Capital expenditure[4]	2,426.4	1,947.4	24.6
in % of sales	6.2	5.8	
Operating assets as at December 31	19,555.6	18,949.4	3.2
Operating assets (average)	20,272.9	18,416.1	10.1
ROCE in %	3.7	10.0	
Number of employees as at December 31[5]	199,038	190,875	4.3
Adjusted sales[6]	39,265.6	33,606.3	16.8
Adjusted operating result (adjusted EBIT)[7]	1,950.7	1,854.7	5.2
in % of adjusted sales	5.0	5.5	

1 In the year under review, the Continental Group changed the methodology used for the recognition of uncertain tax positions. The comparative period has been adjusted accordingly. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements.
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.

Business and sales performance
Consolidated sales increased by €5,643.7 million or 16.7% year-on-year in 2022 to €39,408.9 million (PY: €33,765.2 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 12.3%. The sales performance in the Automotive, Tires and ContiTech group sectors was shaped primarily by price adjustments to offset higher costs for raw materials, logistics and energy. In Automotive, rising automobile production and strong organic growth also had a positive effect, while Tires was additionally able to implement favorable changes to its product mix. Contract Manufacturing reduced its sales in accordance with the contractually agreed procedure between Continental and Vitesco Technologies.

The Continental Group's sales performance was impacted by positive exchange-rate effects totaling €1,513.7 million, while changes in the scope of consolidation had a negligible effect.

The regional distribution of sales in 2022 was as follows:

Sales by region in %	2022	2021
Germany	18	17
Europe excluding Germany	29	31
North America	27	25
Asia-Pacific	22	22
Other countries	4	5

Adjusted EBIT

Adjusted EBIT for the Continental Group increased by €96.0 million or 5.2% year-on-year to €1,950.7 million (PY: €1,854.7 million) in 2022, corresponding to 5.0% (PY: 5.5%) of adjusted sales.

EBIT

EBIT was down by €1,091.0 million year-on-year in 2022 to €754.8 million (PY: €1,845.8 million), a decrease of 59.1%. The return on sales fell to 1.9% (PY: 5.5%). The cost of sales rose by €5,075.7 million to €31,100.6 million (PY: €26,024.9 million), primarily due to sharp price increases for raw materials, semi-finished products, energy and logistics. For more information, see the Development of Raw Materials Markets section in the economic report as well as the report on expected developments. In addition, impairment on goodwill and property, plant and equipment had a negative impact on EBIT.

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €149.7 million in the reporting year (PY: €159.0 million).

The ROCE was 3.7% (PY: 10.0%).

Special effects in 2022

Total consolidated expense from special effects in 2022 amounted to €1,027.8 million. Automotive accounted for €846.5 million of this, Tires for €103.5 million, ContiTech for €81.5 million and the holding for €2.9 million. In Contract Manufacturing, special effects resulted in total consolidated income of €6.6 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 one such 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 €552.9 million and property, plant and equipment impaired by €311.4 million in the Automotive group sector during the course of the year. This was mainly attributable to increased discount rates and updated planning.

Owing to the sanctions imposed against or by Russia, intangible assets and property, plant and equipment were reviewed at the Russian companies during the year. This led to a full impairment of all intangible assets and property, plant and equipment. In total, the impairment amounted to €86.7 million (Automotive €0.2 million; Tires €80.6 million; ContiTech €5.9 million).

Together with the aforementioned effects, impairment on property, plant and equipment and intangible assets resulted in expenses totaling €411.5 million (Automotive €323.6 million; Tires €82.0 million; ContiTech €5.9 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 €40.4 million (Automotive €14.0 million; Tires €10.5 million; ContiTech €12.8 million; Contract Manufacturing €0.2 million; holding €2.9 million).

The Automotive group sector incurred restructuring expenses of €18.1 million, including impairment on property, plant and equipment in the amount of €8.9 million. In addition, the reversal of restructuring provisions resulted in income of €104.2 million. This included reversals of impairment losses on property, plant and equipment in the amount of €1.0 million.

The Tires group sector incurred restructuring expenses of €2.0 million, including impairment on property, plant and equipment in the amount of €0.3 million. In addition, the reversal of restructuring provisions resulted in income of €4.1 million.

The ContiTech group sector incurred restructuring expenses of €67.7 million, including impairment on property, plant and equipment in the amount of €2.2 million. In addition, the reversal of restructuring provisions resulted in income of €8.8 million. This included reversals of impairment losses on property, plant and equipment in the amount of €4.7 million.

In the Contract Manufacturing group sector, there were restructuring expenses of €1.0 million. In addition, the reversal of restructuring provisions resulted in income of €9.4 million.

Restructuring-related expenses resulted in an expense totaling €63.6 million (Automotive €46.4 million; Tires €11.5 million; ContiTech €4.1 million; Contract Manufacturing €1.6 million).

The disposal of companies resulted in income totaling €0.6 million (Tires €0.4 million; ContiTech €0.2 million).

The Tires group sector incurred an expense of €2.0 million in connection with the optimization of the sales network in Belgium.

A subsequent purchase price adjustment related to the acquisition of Kathrein Automotive GmbH, Hildesheim, Germany, in 2019 led to income of €0.8 million in the Automotive group sector.

Special effects in 2021

Total consolidated income from special effects in 2021 amounted to €122.6 million. ContiTech accounted for €130.1 million of this, Contract Manufacturing for €26.4 million and the holding for €67.3 million. Expenses from special effects amounted to €91.3 million for Automotive and €9.9 million for Tires.

The spin-off of Vitesco Technologies resulted in expenses totaling €86.4 million (Automotive €92.7 million; holding income of €6.3 million).

The organizational realignment of the Automotive group sector resulted in expenses totaling €3.0 million in Automotive.

Impairment on intangible assets resulted in expenses totaling €3.1 million (Automotive €0.1 million; Tires €3.0 million; ContiTech €0.0 million).

Impairment on property, plant and equipment resulted in expenses totaling €25.9 million (Automotive €13.7 million; Tires €1.8 million; Contract Manufacturing €10.4 million). In addition, reversals of impairment losses on property, plant and equipment resulted in income of €9.4 million (Automotive €6.0 million; ContiTech €3.4 million). 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 €112.2 million (Automotive €58.9 million; Tires €24.0 million; ContiTech €18.7 million; Contract Manufacturing €2.0 million; holding €8.6 million).

The Automotive group sector incurred restructuring expenses of €14.8 million, including impairment on property, plant and equipment in the amount of €4.7 million. In addition, the reversal of restructuring provisions resulted in income of €68.4 million.

The Tires group sector incurred restructuring expenses of €5.4 million, including impairment on property, plant and equipment in the amount of €1.1 million. The reversal of restructuring provisions also resulted in income of €24.3 million.

The ContiTech group sector incurred restructuring expenses of €14.6 million, including impairment on property, plant and equipment in the amount of €0.3 million. In addition, the reversal of restructuring provisions resulted in income of €14.4 million.

In the Contract Manufacturing group sector, there were restructuring expenses of €3.5 million, of which €3.4 million were attributable to impairment on property, plant and equipment. In addition, the reversal of restructuring provisions resulted in income of €43.2 million.

Restructuring-related expenses resulted in an expense totaling €59.5 million (Automotive €48.8 million; ContiTech €9.8 million; Contract Manufacturing €0.9 million).

The termination of OSRAM CONTINENTAL GmbH, Munich, Germany – a former joint venture with OSRAM GmbH, Munich, Germany – resulted in income of €33.5 million in the Automotive group sector from the fair value measurement of the 50% stake in the former joint venture. In addition, income of €0.3 million was generated from the sale of an equity-accounted investee.

In the ContiTech group sector, the sale of business activities of Special Technologies and Solutions as well as Conveying Solutions resulted in income of €155.4 million.

The spin-off of Vitesco Technologies in September 2021 led to the reclassification of components of other comprehensive income. This resulted in income amounting to €69.6 million at the holding level.

Furthermore, the Automotive group sector generated income of €32.5 million from the reversal of the provision for capital commitments to OSRAM CONTINENTAL GmbH, Munich, Germany.

Procurement

The first half of the reporting year for the Automotive and Contract Manufacturing group sectors was characterized by significant bottlenecks for semiconductors, which eased for certain products in the second half of the year. The supply situation for semiconductors nevertheless remains tense overall. The prices of key input materials and many raw materials for the Tires and ContiTech group sectors rose sharply from the second quarter of 2022 and reached their peak in the second half of the year. Annual average procurement costs for the raw materials used in the Tires and ContiTech group sectors were above the previous year's level, in part due to significantly higher energy and logistics costs.

Reconciliation of EBIT to net income

€ millions	2022	2021	Δ in %
Automotive	-970.1	-374.6	-159.0
Tires	1,723.6	1,700.6	1.4
ContiTech	166.5	514.7	-67.7
Contract Manufacturing	9.5	130.4	-92.7
Other/Holding/Consolidation	-174.7	-125.3	-39.4
EBIT	**754.8**	**1,845.8**	**-59.1**
Financial result[1]	-198.0	-156.1	-26.8
Earnings before tax from continuing operations[1]	**556.8**	**1,689.7**	**-67.0**
Income tax expense	-444.6	-359.5	-23.7
Earnings after tax from continuing operations[1]	112.2	1,330.2	-91.6
Earnings after tax from discontinued operations	n. a.	156.9	n. a.
Net income[1]	**112.2**	**1,487.1**	**-92.5**
Non-controlling interests	-45.6	-51.9	12.1
Net income attributable to the shareholders of the parent[1]	**66.6**	**1,435.2**	**-95.4**
Earnings per share (in €) relating to			
Basic earnings per share from continuing operations[1]	0.33	6.39	-94.8
Consolidated basic earnings per share[1]	0.33	7.18	-95.4
Diluted earnings per share from continuing operations[1]	0.33	6.39	-94.8
Consolidated diluted earnings per share[1]	0.33	7.18	-95.4

1 In the year under review, the Continental Group changed the methodology used for the recognition of uncertain tax positions. The comparative period has been adjusted accordingly. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements.

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2022

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Sales	**18,321.6**	**14,005.2**	**6,594.3**	**665.6**	**-177.8**	**39,408.9**
Changes in the scope of consolidation[1]	-102.0	–	-41.3	–	–	-143.3
Adjusted sales	**18,219.6**	**14,005.2**	**6,553.0**	**665.6**	**-177.8**	**39,265.6**
EBITDA	**962.5**	**2,644.7**	**486.4**	**44.7**	**-172.3**	**3,966.0**
Depreciation and amortization[2]	-1,932.6	-921.1	-319.9	-35.2	-2.4	-3,211.2
EBIT	**-970.1**	**1,723.6**	**166.5**	**9.5**	**-174.7**	**754.8**
Amortization of intangible assets from purchase price allocation (PPA)	70.1	14.5	65.1	–	–	149.7
Changes in the scope of consolidation[1]	23.4	–	-5.0	–	–	18.4
Special effects						
Impairment on goodwill	552.9	–	–	–	–	552.9
Impairment[3]	320.1	82.0	5.9	0.0	–	408.0
Restructuring[4]	-86.1	-2.1	58.9	-8.4	–	-37.7
Restructuring-related expenses	46.4	11.5	4.1	1.6	–	63.6
Severance payments	14.0	10.5	12.8	0.2	2.9	40.4
Gains and losses from disposals of companies and business operations	–	-0.4	-0.2	–	–	-0.6
Other	-0.8	2.0	–	–	–	1.2
Adjusted operating result (adjusted EBIT)	**-30.1**	**1,841.6**	**308.1**	**2.9**	**-171.8**	**1,950.7**

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 €11.4 million (Automotive €8.9 million; Tires €0.3 million; ContiTech €2.2 million) and reversals of impairment losses totaling €5.7 million (Automotive €1.0 million; ContiTech €4.7 million).

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2021

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Sales	**15,357.4**	**11,807.6**	**5,912.6**	**889.6**	**-202.0**	**33,765.2**
Changes in the scope of consolidation[1]	–	–	-158.9	–	–	-158.9
Adjusted sales	**15,357.4**	**11,807.6**	**5,753.7**	**889.6**	**-202.0**	**33,606.3**
EBITDA	**666.8**	**2,525.9**	**833.7**	**194.2**	**-116.4**	**4,104.2**
Depreciation and amortization[2]	-1,041.4	-825.3	-319.0	-63.8	-8.9	-2,258.4
EBIT	**-374.6**	**1,700.6**	**514.7**	**130.4**	**-125.3**	**1,845.8**
Amortization of intangible assets from purchase price allocation (PPA)	68.1	18.7	72.2	–	–	159.0
Changes in the scope of consolidation[1]	–	–	-27.5	–	–	-27.5
Special effects						
Impairment on goodwill	–	–	–	–	–	–
Impairment[3]	7.8	4.8	-3.4	10.4	0.0	19.6
Restructuring[4]	-53.6	-18.9	0.2	-39.7	–	-112.0
Restructuring-related expenses	48.8	–	9.8	0.9	–	59.5
Severance payments	58.9	24.0	18.7	2.0	8.6	112.2
Gains and losses from disposals of companies and business operations	-33.8	–	-155.4	–	-69.6	-258.8
Other[5]	63.2	–	–	–	-6.3	56.9
Adjusted operating result (adjusted EBIT)	**-215.2**	**1,729.2**	**429.3**	**104.0**	**-192.6**	**1,854.7**

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 €9.5 million (Automotive €4.7 million; Tires €1.1 million; ContiTech €0.3 million; Contract Manufacturing €3.4 million).
5 Mainly includes expenses totaling €86.4 million in connection with the spin-off of Vitesco Technologies. In addition, the termination of OSRAM CONTINENTAL GmbH, Munich, Germany, resulted in income of €32.5 million from the reversal of an unused provision for capital commitments.

Research and development

Research and development expenses (net) increased by €284.6 million or 11.0% year-on-year to €2,871.4 million (PY: €2,586.8 million), corresponding to 7.3% (PY: 7.7%) of sales.

In the Automotive group sector, costs in connection with initial product development projects in the original-equipment business are capitalized. Costs are capitalized as at the time at which we are named as a supplier and have successfully achieved a specific pre-release stage. Capitalization ends with the approval for unlimited volume production. The costs of customer-specific applications, pre-production prototypes and testing for products already being sold do not qualify as development expenditure that may be recognized as an intangible asset. Capitalized development expenses are amortized on a straight-line basis over a useful life of three to seven years and recognized in the cost of sales. In the opinion of the Continental Group, the assumed useful life reflects the period for which an economic benefit is likely to be derived from the corresponding development projects. Of the development costs incurred in 2022, including development expenses for internally developed software, €24.4 million (PY: €31.5 million) in the Automotive group sector qualified for recognition as an asset.

The requirements for the capitalization of development activities were not met in the Tires, ContiTech and Contract Manufacturing group sectors in the reporting year or the previous year.

This results in a capitalization ratio of 0.8% (PY: 1.2%) for the Continental Group.

Depreciation and amortization

Depreciation and amortization increased by €952.8 million to €3,211.2 million (PY: €2,258.4 million), equivalent to 8.1% of sales (PY: 6.7%). This included impairment totaling €966.6 million in 2022 (PY: €29.1 million).

Financial result

The negative financial result rose by €41.9 million year-on-year to €198.0 million (PY: €156.1 million) in 2022. This increase was primarily attributable to the global interest rate trend on the money and capital markets.

Interest income rose by €0.7 million year-on-year to €83.6 million (PY: €82.9 million) in 2022. Interest income in connection with income tax payables accounted for €20.3 million of the total (PY: €42.0 million). A significant effect resulted from the ruling by the German Federal Constitutional Court in July 2021, according to which the interest rate of 6% p.a. previously applied for interest on claims for back taxes and tax refunds is unconstitutional. At the end of 2021, the provisions for possible interest payments on income tax liabilities were adjusted for the first time on the basis of a reduced interest rate of 3% p.a. In 2022, there were further positive effects as a result of this interest rate being reduced again to 1.8% p.a.

Interest expense totaled €234.8 million in 2022 and was thus €54.4 million higher than the previous year's figure of €180.4 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 €62.4 million in the reporting year (PY: €44.0 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 €172.4 million (PY: €136.4 million). Interest expense on lease liabilities accounted for €26.7 million of this amount (PY: €25.1 million). Interest expenses in connection with income tax payables amounted to €3.1 million (PY: €10.6 million).

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €52.9 million (PY: €50.7 million). The slight increase was due to the issuance of a euro bond totaling €625.0 million by Continental AG on November 30, 2022. 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%.

Effects from currency translation resulted in a negative contribution to earnings of €59.6 million (PY: €128.1 million) in the reporting year. By contrast, effects from changes in the fair value of derivative instruments, and other valuation effects resulted in income totaling €12.8 million (PY: €69.5 million). Other valuation effects accounted for €5.1 million of this (PY: €121.7 million). In the previous year, the main cause was the reversal of allowances for doubtful accounts on loans and the reversal of a provision for loan commitments to the former associate OSRAM CONTINENTAL GmbH, Munich, Germany, and two of its subsidiaries. The derecognition of loans due to a debt waiver had an offsetting effect of €16.8 million. Taking into account exchange-rate effects, this resulted in income totaling €89.4 million in the previous year. In 2022, additional income of €2.9 million (PY: €30.9 million) was derived from changes in the value of other financial assets. Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in 2022 were negatively impacted by €51.9 million (PY: €180.3 million). The year-on-year improvement resulted primarily from the development of the Chinese renminbi in relation to the euro.

Income tax expense

Income tax expense in fiscal 2022 amounted to €444.6 million (PY: €359.5 million). The tax rate was 47.6%, compared with 21.3% in the previous year. The current-year tax rate is presented on an adjusted basis before the permanent effects of the recognized goodwill impairment.

As in the previous year, foreign tax rate differences as well as incentives and tax holidays had positive effects in the year under review. The tax rate was negatively impacted by non-cash allowances on deferred tax assets totaling €113.2 million (PY: €109.5 million), of which €30.1 million (PY: €26.9 million) was for previous years. Furthermore, as in the previous year, the tax rate was negatively affected by non-deductible expenses and non-imputable foreign withholding taxes.

Net income attributable to the shareholders of the parent
Net income attributable to the shareholders of the parent decreased by €1,368.6 million in 2022 to €66.6 million (PY: €1,435.2 million). Basic earnings per share amounted to €0.33 (PY: €7.18), the same amount as diluted earnings per share.

Employees
The number of employees in the Continental Group rose by 8,163 from 190,875 in 2021 to 199,038.

The number of employees in the Automotive group sector rose by 8,225 as a result of expansion at production sites and in research and development.

The number of employees in the Tires group sector declined by 230. This was primarily due to the implementation of restructuring measures and adjustments to demand-driven production.

In the ContiTech group sector, higher order volumes and the acquisition of WCCO Belting LLC, Wilmington, USA were the main reasons the increase in the number of employees by 838.

The number of employees in the Contract Manufacturing group sector fell by 712 to 2,192 (PY: 2,904).

Employees by region in %	**2022**	2021
Germany	23	24
Europe excluding Germany	34	34
North America	19	18
Asia-Pacific	20	20
Other countries	4	4

Financial Position

- Free cash flow at €90.6 million
- Cash outflow arising from investing activities at €2.2 billion
- Net indebtedness at €4.5 billion

Reconciliation of cash flow
The following information on the reconciliation of cash flow relates to continuing operations in the reporting year and to continuing and discontinued operations in the comparative year.

At €2,295.5 million in 2022, the cash inflow arising from operating activities was €658.9 million lower than the previous year's figure (PY: €2,954.4 million) and corresponded to 5.8% of sales (PY: 7.7%). This decline is primarily due to the decrease in EBIT of €1,405.0 million to €754.8 million (PY: €2,159.8 million). In addition to the loss of EBIT from discontinued operations, factors that had a negative effect on EBIT in the reporting year included sharp price increases for raw materials, semi-finished products, energy and logistics as well as impairment on goodwill and property, plant and equipment.

The cash-effective increase in working capital led to a cash outflow of €733.9 million (PY: €445.1 million). This rise was due in part to an increase in inventories of €1,644.9 million (PY: €1,417.7 million) owing to higher procurement costs and stockbuilding. Another contributing factor was the rise in operating receivables of €821.9 million (PY: decrease of €31.2 million), due primarily to the sharp increase in sales, partly as a result of price adjustments, and lower cash receipts as at the end of the reporting period. The increase in operating liabilities of €1,732.9 million (PY: €941.4 million) had an offsetting effect.

Interest payments fell by €13.5 million to €151.9 million (PY: €165.4 million). Income tax payments decreased by €154.0 million to €597.2 million (PY: €751.2 million).

Cash flow arising from investing activities amounted to an outflow of €2,204.9 million (PY: €1,582.0 million). Capital expenditure on property, plant and equipment, and software was up €307.0 million from €1,825.8 million to €2,132.8 million before the capitalization of borrowing costs and right-of-use assets from leases. The increase in investing activities is primarily attributable to the Automotive and Tires group sectors.

The net amount from the acquisition and disposal of companies and business operations led to a total cash outflow of €109.1 million in 2022 (PY: cash inflow of €218.1 million). This cash outflow was primarily due to an acquisition in the ContiTech group sector.

These effects resulted in free cash flow of €90.6 million for fiscal 2022 (PY: €1,372.4 million), corresponding to a year-on-year decrease of €1,281.8 million.

Capital expenditure (additions)
Capital expenditure for property, plant and equipment, and software amounted to €2,426.4 million in 2022 (PY: €1,947.4 million). The Automotive and Tires group sectors in particular contributed to the increase of €479.0 million. The capital expenditure ratio was 6.2% (PY: 5.8%).

Financing and indebtedness
Gross indebtedness amounted to €7,694.7 million as at the end of 2022 (PY: €6,260.5 million), up €1,434.2 million on the previous year's level.

Based on quarter-end values, 69.5% (PY: 80.9%) of gross indebtedness after hedging measures had fixed interest rates on average over the year.

The carrying amount of the bonds increased by €641.9 million from €3,307.3 million in the previous year to €3,949.2 million as at the end of fiscal 2022. This rise is due to the euro bond with a volume of €625.0 million issued by Continental AG on November 30, 2022, under the Debt Issuance Programme. 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%.

Bank loans and overdrafts amounted to €1,579.6 million (PY: €1,199.7 million) as at December 31, 2022, and were therefore €379.9 million above the previous year's level.

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. The margin will also depend on the Continental Group's sustainability performance. 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 December 31, 2022, Continental AG had utilized €300.0 million (PY: –) of this revolving loan.

Other indebtedness rose by €412.4 million to €2,165.9 million (PY: €1,753.5 million) as at the end of 2022. The increase is primarily attributable to a higher issue volume of commercial paper. This resulted in liabilities totaling €367.3 million (PY: €17.1 million). As at the end of 2022, the utilization of sale-of-receivables programs, at €323.9 million (PY: €286.8 million), was only slightly higher than in the previous year. Three sale-of-receivables programs with a maximum financing volume of €400.0 million were used within the Continental Group as at the end of 2022, the same as in the previous year.

Cash and cash equivalents, derivative instruments and interest-bearing investments were up by €700.3 million at €3,195.3 million (PY: €2,495.0 million).

Net indebtedness increased by €733.9 million compared with the end of 2021 to €4,499.4 million (PY: €3,765.5 million). The gearing ratio rose year-on-year to 32.8% (PY: 29.7%).

As at December 31, 2022, the Continental Group had liquidity reserves totaling €7,561.5 million (PY: €7,149.4 million), consisting of cash and cash equivalents of €2,988.0 million (PY: €2,269.1 million) and committed, unutilized credit lines of €4,573.5 million (PY: €4,880.3 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 December 31, 2022, unrestricted cash and cash equivalents totaled €2,441.3 million (PY: €1,998.2 million).

Reconciliation of net indebtedness

€ millions	Dec. 31, 2022	Dec. 31, 2021
Long-term indebtedness	4,006.0	4,643.2
Short-term indebtedness	3,688.7	1,617.3
Long-term derivative instruments and interest-bearing investments	–105.8	–113.2
Short-term derivative instruments and interest-bearing investments	–101.5	–112.7
Cash and cash equivalents	–2,988.0	–2,269.1
Net indebtedness	**4,499.4**	**3,765.5**

Reconciliation of change in net indebtedness

€ millions	2022	2021
Net indebtedness from continuing and discontinued operations at the beginning of the reporting period	**3,765.5**	**4,139.1**
Cash flow arising from operating activities	2,295.5	2,954.4
Cash flow arising from investing activities	–2,204.9	–1,582.0
Cash flow before financing activities (free cash flow)	**90.6**	**1,372.4**
Dividends paid	–440.0	–
Dividends paid to and cash changes from equity transactions with non-controlling interests	–16.9	–29.3
Non-cash changes	–318.8	–163.7
Other	–3.1	–9.2
Exchange-rate effects	–45.7	44.8
Change in net indebtedness	**–733.9**	**1,215.0**
Less net indebtedness from discontinued operations at the time of disposal	n. a.	–841.4
Net indebtedness at the end of the reporting period	**4,499.4**	**3,765.5**

Net Assets Position

› **Equity at €13.7 billion**
› **Equity ratio at 36.2%**
› **Gearing ratio at 32.8%**

Total assets
At €37,926.7 million (PY: €35,640.1 million), total assets as at December 31, 2022, were €2,286.6 million higher than on the same date in the previous year.

Non-current assets
Non-current assets fell by €796.6 million year-on-year to €18,788.7 million (PY: €19,585.3 million). Owing to higher interest rates and other valuation-related effects, goodwill was impaired by €552.9 million. Before exchange-rate effects and changes in the scope of consolidation, this impairment loss reduced the carrying amount of goodwill to €3,218.2 million (PY: €3,711.8 million). Other intangible assets fell by €114.0 million to €973.7 million (PY: €1,087.7 million). Property, plant and equipment increased by €55.6 million to €11,467.2 million (PY: €11,411.6 million).

Current assets
Current assets rose by €3,083.2 million to €19,138.0 million (PY: €16,054.8 million). Due to higher procurement costs and stockbuilding, inventories in the reporting year grew by €1,735.9 million to €6,729.6 million (PY: €4,993.7 million). Trade accounts receivable rose by €678.2 million to €7,767.7 million (PY: €7,089.5 million), due primarily to the sharp increase in sales, partly as a result of price adjustments, and lower cash receipts as at the end of the reporting period. At €2,988.0 million, cash and cash equivalents were up €718.9 million from €2,269.1 million on the same date in the previous year.

Equity
Total equity (including non-controlling interests) was €1,066.5 million higher than in the previous year at €13,735.0 million (PY: €12,668.5 million). Other comprehensive income increased by €1,416.6 million to -€1,318.9 million (PY: -€2,735.5 million). This was primarily attributable to the adjustment of pension provisions to reflect higher discount rates. The gearing ratio changed from 29.7% to 32.8%. The equity ratio increased to 36.2% (PY: 35.5%).

Non-current liabilities
At €7,359.9 million, non-current liabilities were down €2,969.5 million from €10,329.4 million in the previous year. This decline is mostly due to a decrease in long-term employee benefits of €2,119.5 million to €2,623.5 million (PY: €4,743.0 million). The decrease resulted primarily from the remeasurement of defined benefit pension plans in the amount of €2,322.4 million due to higher discount rates. The reacquisition of shares in ContiTech AG, Hanover, from Continental Pension Trust e. V., Hanover, totaling €496.3 million also led to a further reduction in long-term employee benefits, as it resulted in plan assets in the pension trust being offset. Long-term provisions for other risks and obligations were lower by €163.6 million at €624.1 million (PY: €787.7 million). Long-term indebtedness decreased by €637.2 million to €4,006.0 million (PY: €4,643.2 million).

Current liabilities
At €16,831.8 million, current liabilities were up €4,189.6 million from €12,642.2 million in the previous year. The main factor causing this increase was short-term indebtedness, which rose by €2,071.4 million to €3,688.7 million (PY: €1,617.3 million). Trade accounts payable also rose by €1,771.6 million to €7,637.0 million (PY: €5,865.4 million).

Operating assets
Operating assets rose by €606.2 million year-on-year to €19,555.6 million as at December 31, 2022 (PY: €18,949.4 million).

Working capital was up €852.0 million at €7,111.5 million (PY: €6,259.5 million). This development was due to a €1,735.9 million increase in inventories to €6,729.6 million (PY: €4,993.7 million) and a €887.7 million rise in operating receivables to €8,018.9 million (PY: €7,131.2 million). Operating liabilities had an offsetting effect, rising by €1,771.6 million to €7,637.0 million (PY: €5,865.4 million).

Non-current operating assets were down €519.2 million year-on-year at €16,403.2 million (PY: €16,922.4 million). Goodwill fell by €493.6 million to €3,218.2 million (PY: €3,711.8 million), with €552.9 million of the decrease attributable to impairment. This was offset by exchange-rate effects of €38.9 million and additions from acquisitions of €20.4 million. Property, plant and equipment rose by €55.6 million to €11,467.2 million (PY: €11,411.6 million). Other intangible assets fell by €114.0 million to €973.7 million (PY: €1,087.7 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €149.7 million (PY: €159.0 million) reduced the value of intangible assets.

In the ContiTech group sector, ContiTech USA, Inc., Wilmington, Delaware, USA, acquired 100% of the shares in WCCO Belting LLC, Wilmington, Delaware, USA. This increased operating assets by €81.7 million. Three additional share deals added €8.5 million to operating assets.

Other changes in the scope of consolidation did not result in any notable additions to or disposals of operating assets at corporate level.

Exchange-rate effects increased the Continental Group's total operating assets by €258.3 million (PY: €657.2 million).

Average operating assets rose by €1,856.8 million year-on-year to €20,272.9 (PY: €18,416.1 million).

Consolidated statement of financial position

Assets in € millions	**Dec. 31, 2022**	Dec. 31, 2021
Goodwill	3,218.2	3,711.8
Other intangible assets	973.7	1,087.7
Property, plant and equipment	11,467.2	11,411.6
Investments in equity-accounted investees	305.1	305.9
Long-term miscellaneous assets[1]	2,824.5	3,068.3
Non-current assets[1]	**18,788.7**	**19,585.3**
Inventories	6,729.6	4,993.7
Trade accounts receivable	7,767.7	7,089.5
Short-term miscellaneous assets	1,652.7	1,702.5
Cash and cash equivalents	2,988.0	2,269.1
Current assets	**19,138.0**	**16,054.8**
Total assets[1]	**37,926.7**	**35,640.1**

Equity and liabilities in € millions	**Dec. 31, 2022**	Dec. 31, 2021
Total equity[1]	**13,735.0**	**12,668.5**
Non-current liabilities	**7,359.9**	**10,329.4**
Trade accounts payable	7,637.0	5,865.4
Short-term other provisions and liabilities[1]	9,194.8	6,776.8
Current liabilities[1]	**16,831.8**	**12,642.2**
Total equity and liabilities[1]	**37,926.7**	**35,640.1**
Net indebtedness	**4,499.4**	**3,765.5**
Gearing ratio in %[1]	**32.8**	**29.7**

1 In the year under review, the Continental Group changed the methodology used for the recognition of uncertain tax positions. The comparative period has been adjusted accordingly. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements.

Reconciliation to operating assets in 2022

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Total assets	**15,255.7**	**10,800.6**	**4,686.5**	**759.0**	**6,424.9**	**37,926.7**
Cash and cash equivalents	–	–	–	–	2,988.0	2,988.0
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	207.3	207.3
Other financial assets	52.0	35.0	6.1	0.3	30.5	123.9
Less financial assets	**52.0**	**35.0**	**6.1**	**0.3**	**3,225.8**	**3,319.2**
Less other non-operating assets	**-147.0**	**-14.4**	**4.0**	**0.3**	**536.6**	**379.5**
Deferred tax assets	–	–	–	–	2,059.2	2,059.2
Income tax receivables	–	–	–	–	277.6	277.6
Less income tax assets	**–**	**–**	**–**	**–**	**2,336.8**	**2,336.8**
Segment assets	**15,350.7**	**10,780.0**	**4,676.4**	**758.4**	**325.7**	**31,891.2**
Total liabilities and provisions	**8,402.2**	**4,053.5**	**2,015.5**	**272.0**	**9,448.5**	**24,191.7**
Short- and long-term indebtedness	–	–	–	–	7,694.7	7,694.7
Other financial liabilities	–	–	–	–	520.3	520.3
Less financial liabilities	**–**	**–**	**–**	**–**	**8,215.0**	**8,215.0**
Deferred tax liabilities	–	–	–	–	57.5	57.5
Income tax payables	–	–	–	–	525.7	525.7
Less income tax liabilities	**–**	**–**	**–**	**–**	**583.2**	**583.2**
Less other non-operating liabilities	**1,374.1**	**642.8**	**508.5**	**44.8**	**487.7**	**3,057.9**
Segment liabilities	**7,028.1**	**3,410.7**	**1,507.0**	**227.2**	**162.6**	**12,335.6**
Operating assets	**8,322.6**	**7,369.3**	**3,169.4**	**531.2**	**163.1**	**19,555.6**

Reconciliation to operating assets in 2021

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Total assets[1]	**14,515.8**	**9,754.6**	**4,418.8**	**1,036.5**	**5,914.4**	**35,640.1**
Cash and cash equivalents	–	–	–	–	2,269.1	2,269.1
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	225.9	225.9
Other financial assets	47.5	28.8	5.7	0.4	17.0	99.4
Less financial assets	**47.5**	**28.8**	**5.7**	**0.4**	**2,512.0**	**2,594.4**
Less other non-operating assets	**14.7**	**42.6**	**5.1**	**0.3**	**524.4**	**587.1**
Deferred tax assets[1]	–	–	–	–	2,328.8	2,328.8
Income tax receivables	–	–	–	–	303.4	303.4
Less income tax assets[1]	**–**	**–**	**–**	**–**	**2,632.2**	**2,632.2**
Segment assets	**14,453.6**	**9,683.2**	**4,408.0**	**1,035.8**	**245.8**	**29,826.4**
Total liabilities and provisions[1]	**8,659.1**	**4,098.5**	**2,025.6**	**388.5**	**7,799.9**	**22,971.6**
Short- and long-term indebtedness	–	–	–	–	6,260.5	6,260.5
Other financial liabilities	–	–	–	–	26.9	26.9
Less financial liabilities	**–**	**–**	**–**	**–**	**6,287.4**	**6,287.4**
Deferred tax liabilities	–	–	–	–	101.6	101.6
Income tax payables[1]	–	–	–	–	472.2	472.2
Less income tax liabilities[1]	**–**	**–**	**–**	**–**	**573.8**	**573.8**
Less other non-operating liabilities[1]	**2,669.3**	**963.5**	**713.6**	**106.6**	**780.4**	**5,233.4**
Segment liabilities	**5,989.8**	**3,135.0**	**1,312.0**	**281.9**	**158.3**	**10,877.0**
Operating assets	**8,463.8**	**6,548.2**	**3,096.0**	**753.9**	**87.5**	**18,949.4**

1 In the year under review, the Continental Group changed the methodology used for the recognition of uncertain tax positions. The comparative period has been adjusted accordingly. For more information, see Note 2 (General Information and Accounting Principles) of the notes to the consolidated financial statements.

Development of the Group Sectors

Automotive

› Sales up 19.3%
› Sales up 13.9% before changes in the scope of consolidation and exchange-rate effects
› Adjusted EBIT up 86.0%

Automotive in € millions	2022	2021	Δ in %
Sales	18,321.6	15,357.4	19.3
EBITDA	962.5	666.8	44.3
in % of sales	5.3	4.3	
EBIT	-970.1	-374.6	-159.0
in % of sales	-5.3	-2.4	
Research and development expenses (net)	2,387.7	2,136.6	11.8
in % of sales	13.0	13.9	
Depreciation and amortization[1]	1,932.6	1,041.4	85.6
thereof impairment[2]	880.9	12.5	6,947.2
Capital expenditure[3]	1,342.0	1,046.2	28.3
in % of sales	7.3	6.8	
Operating assets as at December 31	8,322.6	8,463.8	-1.7
Operating assets (average)	8,747.4	8,110.5	7.9
ROCE in %	-11.1	-4.6	
Number of employees as at December 31[4]	97,575	89,350	9.2
Adjusted sales[5]	18,219.6	15,357.4	18.6
Adjusted operating result (adjusted EBIT)[6]	-30.1	-215.2	86.0
in % of adjusted sales	-0.2	-1.4	

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.

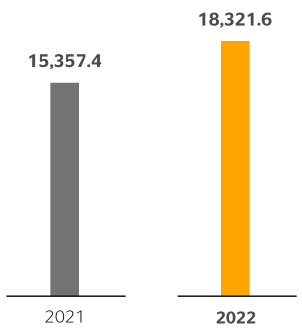
Structure
The Automotive group sector (46% of consolidated sales) offers technologies for passive-safety, brake, chassis, motion and motion-control systems. Its portfolio also includes innovative solutions for assisted and automated driving, display and operating technologies, audio and camera solutions for the vehicle interior as well as intelligent information and communication technology associated with the mobility services of fleet operators and commercial vehicle manufacturers. Comprehensive activities relating to connectivity technologies, vehicle electronics and high-performance computers round off the range of products and services. Organizationally, a development unit called Software and Central Technologies (SCT) was introduced on October 1, 2022; reporting on it as a business area begins as of January 1, 2023. The group sector was therefore divided into five business areas in the reporting year:

› Architecture and Networking
› Autonomous Mobility
› Safety and Motion
› Smart Mobility
› User Experience

Business and sales performance
Sales volumes in the Automotive group sector were impacted by the negative effects of the pandemic-related lockdowns in China, the war in Ukraine and ongoing supply problems in the semiconductor industry. The Autonomous Mobility business area nevertheless increased its sales of cameras and radar products. Sales volumes of seamless connectivity technologies in the Architecture and Networking business area were also up year-on-year. User Experience increased its sales of vehicle electronics, display solutions and high-performance computers. In the Smart Mobility business area, global unit sales in the commercial vehicle and independent replacement-parts business were up year-on-year. Safety and Motion increased its sales of brake systems, airbag control units and wheel sensors.

In addition to the strong operating growth in volumes and mix, agreements reached with customers on price adjustments and to offset inflation-related effects had a positive impact on the sales performance of the Automotive group sector. Sales rose by 19.3% year-on-year to €18,321.6 million (PY: €15,357.4 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 13.9%.

Sales € millions



Adjusted EBIT
Adjusted EBIT for the Automotive group sector increased by €185.1 million or 86.0% year-on-year to -€30.1 million (PY: -€215.2 million) in 2022, corresponding to -0.2% (PY: -1.4%) of adjusted sales.

EBIT
The Automotive group sector reported a year-on-year decline in EBIT of €595.5 million or 159.0% to -€970.1 million in 2022 (PY: -€374.6 million). The return on sales therefore fell to -5.3% (PY: -2.4%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €70.1 million (PY: €68.1 million).

For the Automotive group sector, total consolidated expense from special effects in 2022 amounted to €846.5 million (PY: €91.3 million). For further details, please see our comments on pages 59 and 60 regarding the special effects in 2022 and 2021.

The ROCE was -11.1% (PY: -4.6%).

Procurement
Electronic components and semiconductors are essential products for the Automotive group sector. Demand fluctuations due to the COVID-19 pandemic and major capacity bottlenecks for semiconductors continued selectively for Automotive in 2022, causing substantial price increases. In the second half of the year, the bottlenecks in the semiconductor market eased because demand fell due to pressure from inflation, rising interest rates, higher energy costs and ongoing pandemic-related lockdowns in China. Automotive-specific semiconductor technologies remained in short supply, however, and this restriction led to severe shortages for some products.

Key raw materials for Automotive are steel, aluminum, plastics and copper. 2022 was characterized by high volatility resulting mainly from the war in Ukraine and the associated uncertainties in the supply of materials. This uncertainty caused sharp price increases until the middle of the year. In the second half of the year, many commodity prices corrected due to lower economic growth. The weak demand, in part also due to fears of recession amid interest rate hikes and higher energy costs, prompted a large number of European raw material manufacturers to significantly scale back their production. Due to high raw material inventories and lower demand, these cutbacks did not have a negative impact on the supply situation.

Research and development
Research and development expenses (net) increased by €251.1 million or 11.8% year-on-year to €2,387.7 million (PY: €2,136.6 million), corresponding to 13.0% (PY: 13.9%) of sales.

Depreciation and amortization
Depreciation and amortization increased by €891.2 million compared with fiscal 2021 to €1,932.6 million (PY: €1,041.4 million) and amounted to 10.5% (PY: 6.8%) of sales. This included impairment totaling €880.9 million in 2022 (PY: €12.5 million).

Operating assets
Operating assets in the Automotive group sector decreased by €141.2 million year-on-year to €8,322.6 million (PY: €8,463.8 million) as at December 31, 2022.

Working capital was up €134.5 million at €2,077.2 million (PY: €1,942.7 million). Inventories increased by €799.8 million to €2,868.3 million (PY: €2,068.5 million). Operating receivables rose by €554.5 million to €3,654.2 million (PY: €3,099.7 million) as at the reporting date. Operating liabilities were up €1,219.8 million at €4,445.3 million (PY: €3,225.5 million).

Non-current operating assets were down €475.3 million at €8,447.6 million (PY: €8,922.9 million). Goodwill fell by €530.8 million to €2,178.4 million (PY: €2,709.2 million), with €552.9 million of the decrease attributable to impairment. This was offset by exchange-rate effects of €21.7 million. At €5,101.9 million, property, plant and equipment were €120.6 million above the previous year's level of €4,981.3 million. Other intangible assets fell by €78.3 million to €674.8 million (PY: €753.1 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €70.1 million (PY: €68.1 million) reduced the value of intangible assets.

Exchange-rate effects increased the total operating assets of the Automotive group sector by €60.6 million in the reporting year (PY: €240.5 million).

Average operating assets in the Automotive group sector rose by €636.9 million compared with fiscal 2021 to €8,747.4 million (PY: €8,110.5 million).

Capital expenditure (additions)
Additions to the Automotive group sector increased by €295.8 million year-on-year to €1,342.0 million (PY: €1,046.2 million). The capital expenditure ratio was 7.3% (PY: 6.8%).

Investments were made primarily at locations in Germany, China, Mexico, Romania, the USA, Serbia and Czechia.

In particular, production capacity was increased in the Safety and Motion, User Experience, Architecture and Networking, and Autonomous Mobility business areas. There were major additions related to the construction of new manufacturing plants for electronic brake systems, innovative display and operating solutions, and vehicle electronics such as high-performance computers and radar and camera solutions.

In addition, investments were made to expand and construct production sites in Novi Sad, Serbia; Las Colinas, Mexico; Changsha, China; and New Braunfels, Texas, USA. In Bangalore, India, Continental acquired a campus for the technology center located there.

Employees
The number of employees in the Automotive group sector rose by 8,225 to 97,575 (PY: 89,350). This was primarily due to the expansion at production sites and in research and development.

Tires

› Sales up 18.6%
› Sales up 14.1% before changes in the scope of consolidation and exchange-rate effects
› Adjusted EBIT up 6.5%

Tires in € millions	2022	2021	Δ in %
Sales	14,005.2	11,807.6	18.6
EBITDA	2,644.7	2,525.9	4.7
in % of sales	18.9	21.4	
EBIT	1,723.6	1,700.6	1.4
in % of sales	12.3	14.4	
Research and development expenses (net)	319.8	293.8	8.8
in % of sales	2.3	2.5	
Depreciation and amortization[1]	921.1	825.3	11.6
thereof impairment[2]	82.3	5.9	1,294.9
Capital expenditure[3]	818.6	626.0	30.8
in % of sales	5.8	5.3	
Operating assets as at December 31	7,369.3	6,548.2	12.5
Operating assets (average)	7,508.2	6,625.5	13.3
ROCE in %	23.0	25.7	
Number of employees as at December 31[4]	56,987	57,217	-0.4
Adjusted sales[5]	14,005.2	11,807.6	18.6
Adjusted operating result (adjusted EBIT)[6]	1,841.6	1,729.2	6.5
in % of adjusted sales	13.1	14.6	

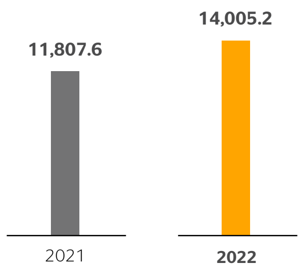
1 Excluding impairment on financial investments.
2 Impairment also includes necessary reversals of impairment losses.
3 Capital expenditure on property, plant and equipment, and software.
4 Excluding trainees.
5 Before changes in the scope of consolidation.
6 Before amortization of intangible assets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

Structure
With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the Tires group sector (35% of consolidated sales) stands for innovative solutions in tire technology. Intelligent products and services related to tires and the promotion of sustainability complete the portfolio. For specialist dealers and fleet management, Tires offers digital tire monitoring and tire management systems, in addition to other services, with the aim of keeping fleets mobile and increasing their efficiency. With its tires, Continental contributes to safe, efficient and environmentally friendly mobility. The group sector is divided into five business areas:

› Original Equipment
› Replacement APAC
› Replacement EMEA
› Replacement The Americas
› Specialty Tires

Business and sales performance
Positive exchange-rate effects and a focus on optimizing the price and product mix had a positive impact on the sales performance of the Tires group sector. Sales rose by 18.6% year-on-year to €14,005.2 million (PY: €11,807.6 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 14.1%.

Sales € millions



Adjusted EBIT
Adjusted EBIT for the Tires group sector increased by €112.4 million or 6.5% year-on-year to €1,841.6 million (PY: €1,729.2 million) in 2022, corresponding to 13.1% (PY: 14.6%) of adjusted sales.

EBIT
The Tires group sector reported a year-on-year increase in EBIT of €23.0 million or 1.4% to €1,723.6 million in 2022 (PY: €1,700.6 million). The return on sales fell to 12.3% (PY: 14.4%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €14.5 million (PY: €18.7 million).

For the Tires group sector, total consolidated expense from special effects in 2022 amounted to €103.5 million (PY: €9.9 million). For further details, please see our comments on pages 59 and 60 regarding the special effects in 2022 and 2021.

The ROCE was 23.0% (PY: 25.7%).

Procurement
Prices for all major raw materials increased from the already high level of the previous year. In particular, the prices of important raw materials and input materials, including butadiene and input products based on crude oil, rose sharply during the year. There were also significant price increases in the markets for steel, chemicals and textiles. The cost trend was reinforced by a modified procurement strategy due to sanctions and ultimately also because of higher energy and logistics costs.

Research and development
Research and development expenses (net) increased by €26.0 million or 8.8% year-on-year to €319.8 million (PY: €293.8 million), corresponding to 2.3% (PY: 2.5%) of sales.

Depreciation and amortization
Depreciation and amortization increased by €95.8 million compared with fiscal 2021 to €921.1 million (PY: €825.3 million) and amounted to 6.6% (PY: 7.0%) of sales. This included impairment totaling €82.3 million in 2022 (PY: €5.9 million).

Operating assets
Operating assets in the Tires group sector increased by €821.1 million year-on-year to €7,369.3 million (PY: €6,548.2 million) as at December 31, 2022.

Working capital was up €703.6 million at €3,384.3 million (PY: €2,680.7 million). Inventories increased by €808.3 million to €2,778.3 million (PY: €1,970.0 million). Operating receivables rose by €341.7 million to €2,638.3 million (PY: €2,296.6 million) as at the reporting date. Operating liabilities were up €446.4 million at €2,032.3 million (PY: €1,585.9 million).

Non-current operating assets were unchanged year-on-year at €5,227.2 million (PY: €5,227.2 million). This is attributable to offsetting effects in the individual line items. Goodwill fell by €1.3 million to €420.0 million (PY: €421.3 million). This decrease resulted entirely from exchange-rate effects. Property, plant and equipment fell by €3.4 million to €4,573.2 million (PY: €4,576.6 million). Other intangible assets fell by €16.4 million to €45.6 million (PY: €62.0 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €14.5 million (PY: €18.7 million) reduced the value of intangible assets.

Exchange-rate effects increased the total operating assets of the Tires group sector by €143.4 million in the reporting year (PY: €264.3 million).

Average operating assets in the Tires group sector rose by €882.7 million compared with fiscal 2021 to €7,508.2 million (PY: €6,625.5 million).

Capital expenditure (additions)
Additions to the Tires group sector increased by €192.6 million year-on-year to €818.6 million (PY: €626.0 million). The capital expenditure ratio was 5.8% (PY: 5.3%).

Investments were made to optimize and expand production capacity at existing plants in European best-cost locations and in the USA, Germany, China, Thailand and Mexico.

There were major additions relating to the expansion of the production site in Hefei, China. Quality assurance and cost-cutting measures were implemented as well.

Employees
The number of employees in the Tires group sector fell by 230 to 56,987 (PY: 57,217). This was primarily due to the implementation of restructuring measures and adjustments to demand-driven production.

ContiTech

- **Sales up 11.5%**
- **Sales up 9.5% before changes in the scope of consolidation and exchange-rate effects**
- **Adjusted EBIT down 28.2%**

ContiTech in € millions	**2022**	2021	Δ in %
Sales	6,594.3	5,912.6	11.5
EBITDA	486.4	833.7	-41.7
in % of sales	7.4	14.1	
EBIT	166.5	514.7	-67.7
in % of sales	2.5	8.7	
Research and development expenses (net)	163.8	156.5	4.7
in % of sales	2.5	2.6	
Depreciation and amortization[1]	319.9	319.0	0.3
thereof impairment[2]	3.4	-3.1	209.7
Capital expenditure[3]	199.8	204.4	-2.3
in % of sales	3.0	3.5	
Operating assets as at December 31	3,169.4	3,096.0	2.4
Operating assets (average)	3,275.8	3,070.3	6.7
ROCE in %	5.1	16.8	
Number of employees as at December 31[4]	41,798	40,960	2.0
Adjusted sales[5]	6,553.0	5,753.7	13.9
Adjusted operating result (adjusted EBIT)[6]	308.1	429.3	-28.2
in % of adjusted sales	4.7	7.5	

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.

Structure

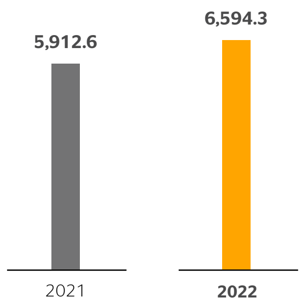
The ContiTech group sector (17% of consolidated sales) develops and manufactures a range of products, including cross-material, environmentally friendly and intelligent products and systems for the automotive industry, railway engineering, mining, agriculture and other key industries. The group sector draws on its long-standing knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services. The group sector is divided into six business areas:

- Advanced Dynamics Solutions
- Conveying Solutions
- Industrial Fluid Solutions
- Mobile Fluid Systems
- Power Transmission Group
- Surface Solutions

Business and sales performance

Sales in the ContiTech group sector increased by 11.5% year-on-year to €6,594.3 million in 2022 (PY: €5,912.6 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 9.5%. A key factor here was the price increases successfully implemented by the group sector, both in the industrial and replacement business, to offset the rises in raw material and energy costs.

Sales € millions



Adjusted EBIT
Adjusted EBIT for the ContiTech group sector decreased by €121.2 million or 28.2% year-on-year to €308.1 million (PY: €429.3 million) in 2022, corresponding to 4.7% (PY: 7.5%) of adjusted sales.

EBIT
The ContiTech group sector reported a decline in EBIT of €348.2 million or 67.7% year-on-year to €166.5 million in 2022 (PY: €514.7 million). The return on sales fell to 2.5% (PY: 8.7%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €65.1 million (PY: €72.2 million).

For the ContiTech group sector, total consolidated expense from special effects in 2022 amounted to €81.5 million (PY: income of €130.1 million). For further details, please see our comments on pages 59 and 60 regarding the special effects in 2022 and 2021.

The ROCE was 5.1% (PY: 16.8%).

Procurement
The shortage of certain materials weighed heavily on the ContiTech group sector at the beginning of 2022. As the year progressed, rising prices for numerous raw materials as well as high energy and logistics costs had an impact. Prices for oil- and butadiene-based raw materials continued to rise before leveling off slightly in the fourth quarter.

Research and development
Research and development expenses (net) increased by €7.3 million or 4.7% year-on-year to €163.8 million (PY: €156.5 million), corresponding to 2.5% (PY: 2.6%) of sales.

Depreciation and amortization
Depreciation and amortization increased by €0.9 million compared with fiscal 2021 to €319.9 million (PY: €319.0 million) and amounted to 4.9% (PY: 5.4%) of sales. This included impairment totaling €3.4 million in 2022 (PY: reversal of impairment losses of €3.1 million).

Operating assets
Operating assets in the ContiTech group sector increased by €73.4 million year-on-year to €3,169.4 million (PY: €3,096.0 million) as at December 31, 2022.

Working capital was up €140.7 million at €1,257.8 million (PY: €1,117.1 million). Inventories increased by €118.2 million to €999.5 million (PY: €881.3 million). Operating receivables rose by €172.9 million to €1,199.3 million (PY: €1,026.4 million) as at the reporting date. Operating liabilities were up €150.4 million at €941.0 million (PY: €790.6 million).

Non-current operating assets were down €9.5 million at €2,332.4 million (PY: €2,341.9 million). Goodwill rose by €38.3 million to €619.5 million (PY: €581.2 million). This increase resulted from exchange-rate effects of €18.3 million and additions amounting to €20.0 million. At €1,410.9 million, property, plant and equipment were €31.1 million below the previous year's level of €1,442.0 million. Other intangible assets fell by €16.2 million to €251.7 million (PY: €267.9 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €65.1 million (PY: €72.2 million) reduced the value of intangible assets.

In the ContiTech group sector, ContiTech USA, Inc., Wilmington, Delaware, USA, acquired 100% of the shares in WCCO Belting LLC, Wilmington, Delaware, USA. This increased operating assets by €81.7 million. Three additional share deals added €8.5 million to operating assets.

Exchange-rate effects increased the total operating assets of the ContiTech group sector by €57.1 million in the reporting year (PY: €146.5 million).

Average operating assets in the ContiTech group sector rose by €205.5 million compared with fiscal 2021 to €3,275.8 million (PY: €3,070.3 million).

Capital expenditure (additions)
Additions to the ContiTech group sector were lower by €4.6 million year-on-year at €199.8 million (PY: €204.4 million). The capital expenditure ratio was 3.0% (PY: 3.5%).

Production capacity was expanded in Germany, the USA, China, Mexico, Romania and Brazil.

There were major additions relating to the expansion of production capacity in selected growth markets for the Mobile Fluid Systems, Surface Solutions and Advanced Dynamics Solutions business areas. In addition, investments were made in all business areas to rationalize existing production processes.

Employees
The number of employees in the ContiTech group sector rose by 838 to 41,798 (PY: 40,960). This increase resulted primarily from the expansion of the workforce due to higher order volumes and the acquisition of WCCO Belting LLC, Wilmington, Delaware, USA.

Contract Manufacturing

- ❯ Sales down 25.2%
- ❯ Sales down 26.3% before changes in the scope of consolidation and exchange-rate effects
- ❯ Adjusted EBIT down 97.2%

Contract Manufacturing in € millions	2022	2021	Δ in %
Sales	665.6	889.6	-25.2
EBITDA	44.7	194.2	-77.0
in % of sales	6.7	21.8	
EBIT	9.5	130.4	-92.7
in % of sales	1.4	14.7	
Research and development expenses (net)	0.1	-0.1	200.0
in % of sales	0.0	0.0	
Depreciation and amortization[1]	35.2	63.8	-44.8
thereof impairment[2]	0.0	13.8	-100.0
Capital expenditure[3]	9.9	19.9	-50.3
in % of sales	1.5	2.2	
Operating assets as at December 31	531.2	753.9	-29.5
Operating assets (average)	635.2	450.2	41.1
ROCE in %	1.5	29.0	
Number of employees as at December 31[4]	2,192	2,904	-24.5
Adjusted sales[5]	665.6	889.6	-25.2
Adjusted operating result (adjusted EBIT)[6]	2.9	104.0	-97.2
in % of adjusted sales	0.4	11.7	

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.

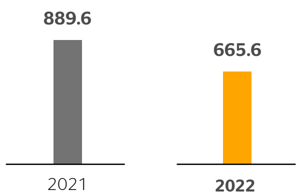
Structure
The contract manufacturing of products by Continental companies for Vitesco Technologies is consolidated in the Contract Manufacturing group sector (2% of consolidated sales). This contract manufacturing is not intended to be a permanent situation; rather, the operational separation of production will be promoted in the coming years, and the volume of contract manufacturing reduced. Contract Manufacturing includes one business area:

- ❯ Contract Manufacturing

Business and sales performance
Sales volumes in the Contract Manufacturing group sector decreased year-on-year in 2022. This corresponds to the contractually agreed procedure between Continental and Vitesco Technologies. The development of sales volumes was also negatively influenced by supply shortages for semiconductors.

Sales decreased by 25.2% year-on-year to €665.6 million (PY: €889.6 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 26.3%.

Sales € millions



Adjusted EBIT
Adjusted EBIT for the Contract Manufacturing group sector decreased by €101.1 million or 97.2% year-on-year to €2.9 million (PY: €104.0 million) in 2022, corresponding to a margin of 0.4% (PY: 11.7%) of adjusted sales. The adjusted EBIT margin in the previous year was influenced by intercompany billing.

EBIT
The Contract Manufacturing group sector reported a decline in EBIT of €120.9 million or 92.7% year-on-year to €9.5 million in 2022 (PY: €130.4 million). The return on sales fell to 1.4% (PY: 14.7%).

For the Contract Manufacturing group sector, total consolidated income from special effects in 2022 amounted to €6.6 million (PY: €26.4 million). For further details, please see our comments on pages 59 and 60 regarding the special effects in 2022 and 2021.

The ROCE was 1.5% (PY: 29.0%).

Procurement
Procurement in the Contract Manufacturing group sector was characterized by inconsistencies in the development of raw material prices. Ongoing supply chain problems, particularly for electronics and electromechanical components such as semiconductors, continued to lead to production and delivery restrictions in 2022. Due to the contractual arrangements with Vitesco Technologies, all price changes in the purchasing volume are passed on to Vitesco Technologies on a quarterly basis and therefore have no influence on the operating result of the Contract Manufacturing group sector.

Depreciation and amortization
Depreciation and amortization fell by €28.6 million compared with fiscal 2021 to €35.2 million (PY: €63.8 million) and amounted to 5.3% (PY: 7.2%) of sales. Material impairment losses were not recognized in the period under review (PY: €13.8 million).

Operating assets
Operating assets in the Contract Manufacturing group sector decreased by €222.7 million year-on-year to €531.2 million (PY: €753.9 million) as at December 31, 2022.

Working capital was down €151.9 million at €439.0 million (PY: €590.9 million). Inventories increased by €9.6 million to €83.5 million (PY: €73.9 million). Operating receivables fell by €193.1 million to €511.0 million (PY: €704.1 million) as at the reporting date. Operating liabilities were down €31.6 million at €155.5 million (PY: €187.1 million).

Non-current operating assets were down €87.8 million year-on-year at €149.3 million (PY: €237.1 million). At €147.9 million, property, plant and equipment were €85.0 million below the previous year's level of €232.9 million. Other intangible assets fell by €0.5 million to €0.9 million (PY: €1.4 million).

Exchange-rate effects decreased the total operating assets of the Contract Manufacturing group sector by €1.2 million in the reporting year (PY: increase of €7.4 million).

Average operating assets in the Contract Manufacturing group sector rose by €185.0 million compared with fiscal 2021 to €635.2 million (PY: €450.2 million).

Capital expenditure (additions)
Additions to the Contract Manufacturing business area decreased by €10.0 million year-on-year to €9.9 million (PY: €19.9 million). The capital expenditure ratio was 1.5% (PY: 2.2%).

The capital expenditure was primarily attributable to production equipment for the manufacture of specific products and the implementation of new technologies.

Employees
The number of employees in the Contract Manufacturing group sector fell by 712 compared with the previous year to 2,192 (PY: 2,904).

Overall Statement on the Business Performance and Position of the Continental Group

The Continental Group's business and earnings performance in the reporting year was affected in particular by the war in Ukraine, sharp price increases for raw materials, semi-finished products, energy and logistics, restrictions in China caused by the COVID-19 pandemic as well as the ongoing shortage of semiconductors in the automotive industry. In the opinion of the Executive Board, Continental performed well operationally in this challenging macroeconomic environment, achieving the adjusted targets for sales and adjusted EBIT that were set during the year. The clear goal is nevertheless to improve Continental's financial performance even further and pursue this objective vigorously. The Continental Group's consolidated sales amounted to €39.4 billion in 2022 (PY: €33.8 billion), and the adjusted EBIT margin stood at 5.0% (PY: 5.5%). Adjusted free cash flow was €0.2 billion (PY: €1.2 billion for continuing and discontinued operations) and thus fell short of the targeted range. This is primarily attributable to lower-than-expected cash receipts as at the end of the reporting period, which led to correspondingly higher operating receivables.

The continued moderate level of production worldwide coupled with increased costs had a particularly negative impact on the Automotive group sector. It nevertheless achieved a turnaround in the third quarter of 2022 with a positive adjusted EBIT margin. This trend continued in the fourth quarter. For the year as whole, order intake was high and the Automotive group sector outperformed the market: 13.9% organic growth in 2022 was significantly higher than the comparable figure for the global production of passenger cars and light commercial vehicles (7%), with the proportion of Continental products in vehicles steadily growing. Automotive posted sales of €18.3 billion (PY: €15.4 billion) and an adjusted EBIT margin of -0.2% (PY: -1.4%) in 2022.

The Tires group sector succeeded in offsetting the incremental costs caused by inflation through focused improvements to its pricing and product mix. This led to sales of €14.0 billion (PY: €11.8 billion) and adjusted EBIT of €1.8 billion (PY: €1.7 billion) in 2022, resulting in an adjusted EBIT margin of 13.1% (PY: 14.6%).

ContiTech strengthened its industrial business with targeted acquisitions. Organic sales growth amounted to 9.5%, primarily due to price increases in both automotive original equipment and in the industrial and replacement business. Sales totaled €6.6 billion in 2022 (PY: €5.9 billion). Higher production costs, particularly in the fourth quarter, and pandemic-related business restrictions in China were the main reasons for the lower-than-expected income in 2022. The adjusted EBIT margin of the ContiTech group sector was 4.7% (PY: 7.5%).

Business in the Contract Manufacturing group sector continued to decline in accordance with the contractually agreed procedure between Continental and Vitesco Technologies. Its sales amounted to €0.7 billion (PY: €0.9 billion) in 2022, and its adjusted EBIT margin was 0.4% (PY: 11.7%).

Continental AG – Short Version in Accordance with *HGB*

In addition to the reporting on the Continental Group as a whole, the performance of the parent company is presented separately here.

Unlike the consolidated financial statements, the annual financial statements of Continental AG are prepared in accordance with German commercial law (the German Commercial Code, *Handelsgesetzbuch – HGB)* and the German Stock Corporation Act *(Aktiengesetz – AktG)*. The management report of Continental AG has been combined with the consolidated report of the Continental Group in accordance with Section 315 (5) *HGB*, as the parent company's future risks and opportunities and its expected development are inextricably linked to that of the Continental Group as a whole. In addition, the following presentation of the parent company's business performance, including its results, net assets and financial position, provides a basis for understanding the Executive Board's proposal for the distribution of retained earnings.

Continental AG acts solely as a management and holding company for the Continental Group.

Total assets decreased by €64.2 million year-on-year to €18,972.0 million (PY: €19,036.2 million). On the assets side, the change resulted primarily from the decline in receivables from affiliated companies of €712.3 million to €6,963.4 million (PY: 7,675.7 million). This was partially offset in particular by the increase in investments of €370.7 million to €11,364.7 million (PY: €10,994.0 million), the increase in cash and cash equivalents of €211.5 million to €281.2 million (PY: €69.7 million) and the increase in property, plant and equipment of €52.3 million.

Investments rose by €370.7 million year-on-year to €11,364.7 million (PY: €10,994.0 million), thus corresponding to 59.9% of total assets (PY: 57.8%). The increase in investments was primarily attributable to the reacquisition of 24.9% of the shares in ContiTech AG, Hanover, amounting to €491.5 million. By contrast, the trust assets of Continental Pension Trust e. V. decreased by the portion of the sold ContiTech AG shares attributable to Continental AG (€111.3 million).

Property, plant and equipment increased by €52.3 million year-on-year to €242.2 million (PY: €189.9 million). The increase resulted primarily from the capitalized assets under construction for the construction of the new headquarters in Hanover.

At €72.7 million (PY: €61.0 million), prepaid expenses and deferred charges were up €11.7 million. The increase resulted from higher year-on-year accruals for IT services.

Net assets and financial position of Continental AG	**Dec. 31, 2022**	Dec. 31, 2021
Assets in € millions		
Intangible assets	13.7	11.4
Property, plant and equipment	242.2	189.9
Investments	11,364.7	10,994.0
Non-current assets	**11,620.6**	**11,195.3**
Receivables and other assets	6,997.5	7,710.2
Cash and cash equivalents	281.2	69.7
Current assets	**7,278.7**	**7,779.9**
Prepaid expenses and deferred charges	**72.7**	**61.0**
Total assets	**18,972.0**	**19,036.2**
Shareholders' equity and liabilities in € millions		
Issued capital	512.0	512.0
Capital reserves	4,179.1	4,179.1
Revenue reserves	54.7	54.7
Accumulated profits brought forward from the previous year	2,151.5	1,383.7
Net income	983.4	1,207.9
Shareholders' equity	**7,880.7**	**7,337.4**
Provisions	**788.6**	**958.5**
Liabilities	**10,302.7**	**10,740.3**
Total equity and liabilities	**18,972.0**	**19,036.2**
Gearing ratio in %	32.9	39.8
Equity ratio in %	41.5	38.5

On the equity and liabilities side, the change is primarily due to the €2,344.2 million decline in liabilities to affiliated companies. This decline was offset by the €976.4 million increase in bonds, the €543.3 million increase in total equity, the €530.7 million increase in bank loans and overdrafts and the €385.8 million increase in other liabilities.

Bonds increased by €976.4 million year-on-year to €2,934.1 million (PY: €1,957.7 million). This is partly due to the issuance of a €625.0-million euro bond on November 30, 2022, and the issuance of short-term commercial paper totaling €349.5 million.

Bank loans and overdrafts rose by €530.7 million to €1,156.3 million (PY: €625.6 million). The increase resulted primarily from the utilization of revolving credit in the amount of €300.0 million and the use of short-term bank liabilities.

Liabilities to affiliated companies fell by €2,344.2 million year-on-year to €5,733.6 million (PY: €8,077.8 million). The decrease was primarily attributable to the decline in the provision of loans and overnight deposits made available to Continental AG by its subsidiaries.

Other liabilities increased by €385.8 million year-on-year to €394.9 million (PY: €9.1 million). The increase resulted primarily from the outstanding obligation to pay the purchase price from the reacquisition of ContiTech AG shares.

Provisions decreased by €169.9 million year-on-year to €788.6 million (PY: €958.5 million) due to the reduction in tax provisions of €255.1 million to €271.9 million (PY: €527.0 million). The reduction in tax provisions resulted in particular from the assessment that a portion of the tax-related risks can be offset against current tax losses and loss carryforwards if they occur. Pension provisions had an offsetting effect, rising by €76.2 million to €363.7 million (PY: €287.5 million), as did other provisions, rising by €9.0 million to €153.0 million (PY: €144.0 million).

Shareholders' equity increased by €543.3 million to €7,337.4 million (PY: €7,880.7 million). The increase resulted from the net income of €983.4 million generated in the fiscal year less the dividend distribution of €440.0 million carried out in fiscal 2022.

The equity ratio increased from 38.5% to 41.5%.

Sales for fiscal 2022 rose by €20.4 million to €277.8 million (PY: €257.4 million), primarily due to the increase in sales from corporate services.

Net investment income fell by €565.8 million year-on-year to €1,215.2 million (PY: €1,781.0 million). As in the previous year, it mainly consisted of profit and loss transfers from the subsidiaries. The income from profit transfers of €1,439.9 million (PY: €1,613.4 million) resulted in particular from Continental Caoutchouc-Export-GmbH, Hanover (€1,433.0 million). Expenses from the transfer of losses of €228.3 million were recorded in the fiscal year. These resulted from Continental Automotive GmbH, Hanover (€169.6 million) and Formpolster GmbH, Löhne-Gohfeld, Germany (€58.7 million).

The negative net interest result improved by €8.9 million year-on-year to €45.5 million in fiscal 2022 (PY: €54.4 million). This resulted from the increase in interest income of €46.3 million to €107.3 million (PY: €61.0 million), which was partially offset by the increase in interest expense of €37.4 million to €152.8 million (PY: €115.4 million).

The increase in interest income was primarily due to interest income from affiliated companies of €33.9 million. Interest income in connection with the reversal of income tax payables accounted for €36.6 million of the total in the fiscal year (PY: €41.5 million). This income is primarily attributable to a ruling by the German Federal Constitutional Court in July 2021, according to which the interest rate of 6.0% p.a. previously applied for interest on claims for back taxes and tax refunds was unconstitutional and was therefore lowered to 1.8% p.a.

The tax income of €148.4 million (PY: tax expense of €64.3 million) resulted primarily from the reversal of provisions for income tax less non-imputable foreign withholding taxes for the income tax consolidation group of Continental AG.

After taking income tax expense into account, Continental AG generated net income for the year of €983.4 million (PY: €1,207.9 million). The after-tax return on equity was 12.5% (PY: 16.5%).

Taking into account the retained earnings brought forward from the previous year of €2,591.6 million and from the dividend distribution of €440.0 million, as well as the resulting accumulated profits of €2,151.5 million, retained earnings for fiscal 2022 amounted to €3,134.9 million. The Supervisory Board and Executive Board will propose to the Annual Shareholders' Meeting the payment of a dividend of €1.50 per share entitled to dividends. The total distribution is therefore €300,008,974.50 for 200,005,983 shares entitled to dividends. The remaining retained earnings are to be carried forward to new account.

We expect further income from profit and loss transfers and investment income from the subsidiaries within the scope of the holding activities of Continental AG in fiscal 2023. Furthermore, Continental AG will continue to provide a financing function for its subsidiaries.

Earnings position of Continental AG in € millions	**2022**	2021
Sales	277.8	257.4
Cost of sales	–267.2	–248.2
Gross margin on sales	**10.6**	**9.2**
Administrative expenses	–213.1	–207.3
Other operating income	37.9	30.2
Other operating expenses	–161.4	–296.1
Net investment income	1,215.2	1,781.0
Income from other securities and long-term loans	0.5	10.2
Amortization of investments and of securities under current assets	-9.2	–0.6
Net interest result	–45.5	–54.4
Result from activities	**835.0**	**1,272.2**
Income tax expense	148.4	–64.3
Net income	**983.4**	**1,207.9**
Accumulated profits brought forward from the previous year	2,151.5	1,383.7
Retained earnings	**3,134.9**	**2,591.6**

Other Information
Dependent Company Report

Final declaration from the Executive Board's report on relations with affiliated companies pursuant to Section 312 of the German Stock Corporation Act *(Aktiengesetz – AktG)*
In fiscal 2022, Continental AG was a dependent company of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, as defined under Section 312 *AktG*. In line with Section 312 (1) *AktG*, the Executive Board of Continental AG has prepared a report on relations with affiliated companies, which contains the following final declaration:

"We declare that the company received an appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies from January 1 to December 31, 2022, under the circumstances known to us at the time the transactions were made or the measures taken or not taken. To the extent the company suffered any detriment thereby, the company was granted the right to an appropriate compensation before the end of the 2022 fiscal year. The company did not suffer any detriment because of taking or refraining from measures."

Additional Disclosures and Notes Pursuant to Sections 289a and 315a *HGB*

1. Composition of issued capital
As of the end of the reporting period, the issued capital of the company amounted to €512,015,316.48 (PY: €512,015,308.80) and is divided into 200,005,983 (PY: 200,005,980) no-par-value shares. The increase in issued capital and the number of no-par-value shares resulted from the sale of three shares in fiscal 2022, which had previously been transferred to Continental AG in fiscal 2021 and had been held on a temporary basis as treasury shares. These shares of Continental AG are, without exception, common shares; different classes of shares have not been issued and have not been provided for in the Articles of Incorporation. Each share bears voting and dividend rights from the time it is issued. Each share entitles the holder to one vote at a Shareholders' Meeting (Article 20 (1) of the Articles of Incorporation). There are no shares with privileges.

2. Restrictions on voting rights or transfer options
Restrictions relating to voting rights or the transfer of the company's shares are not known to the Executive Board.

3. Shareholdings exceeding 10% of voting rights
For details of the equity interests exceeding 10% of the voting rights (reported level of equity interest), please refer to the notice in accordance with the German Securities Trading Act *(Wertpapierhandelsgesetz – WpHG)* under Note 42 to the consolidated financial statements, and to the notes to the separate financial statements of Continental AG.

4. Bearers of shares with privileges
There are no shares with privileges granting control.

5. Type of voting right control for employee shareholdings
The company is not aware of any employees with shareholdings not directly exercising control of their voting rights.

6. Provisions for the appointment and dismissal of members of the Executive Board and for the amendment of the Articles of Incorporation

a) In accordance with the Articles of Incorporation, the Executive Board consists of at least two members; beyond this the number of members of the Executive Board is determined by the Supervisory Board. Members of the Executive Board are appointed and dismissed in accordance with Section 84 of the German Stock Corporation Act *(Aktiengesetz – AktG)* in conjunction with Section 31 of the German Co-determination Act *(Mitbestimmungsgesetz – MitbestG)*. In line with this, the Supervisory Board is responsible for the appointment and dismissal of members of the Executive Board. It passes decisions with a majority of two-thirds of its members. If this majority is not reached in the event of an appointment, the so-called Mediation Committee must submit a nomination to the Supervisory Board for the appointment within one month of voting. Other nominations can also be submitted to the Supervisory Board in addition to the Mediation Committee's nomination. A simple majority of the votes is sufficient when voting on these nominations submitted to the Supervisory Board. In the event that voting results in a tie, a new vote takes place in which the chairman of the Supervisory Board has the casting vote in accordance with Section 31 (4) *MitbestG*.

b) Amendments to the Articles of Incorporation are made by the Shareholders' Meeting. In Article 20 (3) of the Articles of Incorporation, the Shareholders' Meeting has exercised the option granted in Section 179 (1) Sentence 2 *AktG* to confer on the Supervisory Board the power to make amendments affecting only the wording of the Articles of Incorporation.

In accordance with Article 20 (2) of the Articles of Incorporation, resolutions of the Shareholders' Meeting to amend the Articles of Incorporation are usually adopted by a simple majority and, insofar as a capital majority is required, by a simple majority of the capital represented unless otherwise stipulated by mandatory law or particular provisions of the Articles of Incorporation. The law prescribes a mandatory majority of three-quarters of the share capital represented when resolutions are made, for example, for amendments to the Articles of Incorporation involving substantial capital measures, such as resolutions concerning the creation of authorized or contingent capital.

7. Authorizations of the Executive Board, particularly with regard to its options for issuing or withdrawing shares

a) The Executive Board can issue new shares only on the basis of resolutions by the Shareholders' Meeting. As at the end of the reporting period, the Executive Board had not been authorized to issue new shares in connection with a capital increase (authorized capital) or to issue convertible bonds, warrant-linked bonds or other financial instruments that could entitle the bearers to subscribe to new shares.

b) The Executive Board may only buy back shares under the conditions codified in Section 71 *AktG*. The Shareholders' Meeting has not authorized the Executive Board to acquire treasury shares in line with Section 71 (1) No. 8 *AktG*.

8. Material agreements of the company subject to a change of control following a takeover bid and their consequences

The following material agreements are subject to a change of control at Continental AG:

a) The agreement concluded on December 3, 2019, for a syndicated revolving credit facility of €4.0 billion grants each creditor the right to terminate the agreement prematurely and to demand repayment of the loans granted by it if one person or several persons acting in concert acquire control of Continental AG and subsequent negotiations concerning a continuation of the loan do not lead to an agreement. The term "control" is defined as the holding of more than 50% of the voting rights or if Continental AG concludes a domination agreement as defined under Section 291 *AktG* with Continental AG as the company dominated.

b) The bonds issued by Continental AG in September 2019 at a nominal amount of €500 million and €600 million and the bond issued by Continental AG in October 2019 at a nominal amount of €100 million, as well as both of the bonds issued in May 2020 by Continental AG and a subsidiary of Continental AG, Conti-Gummi Finance B.V., at €750 million each, the bond issued by Conti-Gummi Finance B.V. in June 2020 at €625 million and the bond issued by Continental AG in November 2022 at a nominal amount of €625 million, entitle each bondholder to demand that the respective issuer redeem or acquire the bonds held by the bondholder at a price established in the bond conditions in the event of a change of control at Continental AG. The bond conditions define a change of control as the sale of all or substantially all of the company's assets to third parties that are not affiliated with the company, or as one person or several persons acting in concert, pursuant to Section 2 (5) of the German Takeover Act *(Wertpapiererwerbs- und Übernahmegesetz – WpÜG)*, holding more than 50% of the voting rights in Continental AG by means of acquisition or as a result of a merger or other form of combination with the participation of Continental AG.

If a change of control occurs as described in the agreements above and a contractual partner or bondholder exercises its respective rights, it is possible that required follow-up financing may not be approved under the existing conditions, which could therefore lead to higher financing costs.

c) In 1996, Compagnie Financière Michelin SCmA, Granges-Paccot, Switzerland (now Compagnie Financière Michelin SAS, Clermont-Ferrand, France), and Continental AG founded MC Projects B.V., Maastricht, Netherlands, with each owning 50%. Michelin contributed the rights to the Uniroyal brand for Europe to the company. MC Projects B.V. licenses these rights to Continental. According to the agreements, this license can be terminated without notice if a major competitor in the tire business acquires more than 50% of the voting rights of Continental. In this case, Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company of Continental Barum s.r.o., Otrokovice, Czechia, to 51%. In the case of such a change of control and the exercise of these rights, there could be losses in sales of the Tires group sector and a reduction in the production capacity available to this group sector.

9. Compensation agreements of the company with members of the Executive Board or employees in the event of a takeover bid

No compensation agreements have been concluded between the company and the members of the Executive Board or employees providing in the event of a takeover bid.

Remuneration of the Executive Board

The total remuneration of the members of the Executive Board comprises a number of remuneration components. These include a remuneration component that is unrelated to performance, including specific additional benefits and entitlement to a company pension, and a variable component that is based on performance, consisting of a short-term remuneration component and long-term remuneration components. Further details including individual remuneration are specified in the remuneration report that is available on Continental's website under Company/Corporate Governance/Executive Board.

Corporate Governance Statement Pursuant to Sections 289f and 315d *HGB*

The corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code *(Handelsgesetzbuch – HGB)* is available to our shareholders on Continental's website under Company/Corporate Governance/Principles and Declarations. Please also refer to the corporate governance statement pursuant to Sections 289f and 315d *HGB* starting on page 15 of this annual report.

Report on Risks and Opportunities

The overall situation is analyzed and managed corporate-wide using the risk and opportunity management system.

The management of Continental is geared toward sustainably increasing the value of each individual operating unit. We evaluate risks and opportunities continually and responsibly to achieve our goal of adding value.

We define risk as the possibility of internal or external events occurring that can have a negative influence on the attainment of our strategic and operational targets. As a global corporation, Continental is exposed to a number of different risks, in particular due to the transformation in the mobility industry, that could impair business and, in extreme cases, threaten the company's existence. At the same time, this transformation also presents opportunities that we intend to consistently seize, as described in the Strategy of the Continental Group section. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. We consider growth in value in terms of the Continental Value Contribution (CVC) system described in the Corporate Management section.

Continental's Internal Control System

The governance systems at Continental comprise the internal control system, the risk management system and – as part of the risk management system – the compliance management system. The risk management system in turn also includes the early risk identification system in accordance with Section 91 (2) of the German Stock Corporation Act *(Aktiengesetz – AktG)*.

The Executive Board is responsible for the governance systems, which include all subsidiaries. The Supervisory Board and its Audit Committee monitor the effectiveness of these systems.

Structure of the internal control system

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness, efficiency and propriety of all processes and compliance with the relevant legal and sub-legislative regulations, Continental has established an internal control system that encompasses all relevant business processes.

Key elements of the corporate-wide internal control system are the clear allocation of responsibilities and system-inherent controls in the respective process flows. The two-person rule and separation of functions are fundamental principles of this organization. Continental's management also issues guidelines to ensure that all business processes are conducted in an economical, orderly and legally compliant manner.

Based on these fundamental principles and the globally applicable guidelines, the internal control system at Continental follows the Three Lines Model.

In the **first line**, system-inherent controls are configured in the company's IT systems to support the orderly and economical execution of all process flow transactions in accordance with the corporate-wide guidelines. At the same time, these transactional controls help to identify risks and deviations that require separate consideration. As the controls and process flows established in the first line apply to Continental's operating business, they are generally put in place at the level of our operating units, such as our subsidiaries, business areas and group sectors.

In the **second line** of our internal control system, guidelines for process flows are developed, implemented and updated and compliance with controls and guidelines is monitored. Responsibility for this lies primarily with the group functions, in addition to the business areas and group sectors. The responsibilities include, for example, the risk management system and the compliance management system. In order to perform this supervisory and monitoring function, an integrated reporting system has been established that includes, for example, the financial reporting internal control system (Financial Reporting ICS), the general risk management system, the compliance risk management system and the tax compliance management system. The supervisory and monitoring function is performed on the basis of regular reports and supplemented as needed with effectiveness tests as part of self-audits and regular internal and external reviews.

The compliance management system plays an important role within the second line of defense by helping to prevent, detect and respond to compliance violations. The Group Compliance group function is responsible for the compliance management system. The chief compliance officer reports directly to the chairman of the Executive Board. The work done by Group Compliance focuses mainly on preventing and detecting corruption, fraud and other property offenses, violations of antitrust and competition law and money laundering; implementing data protection; and responding to compliance violations. For other legal areas in which there is a risk of compliance violations, responsibility for appropriate and effective compliance management lies with the respective functions, which are supported in these tasks by Group Compliance.

An effective culture of compliance is the basis for prevention. It begins with setting an appropriate "tone from the top" by the Executive Board and management and, in addition to risk analysis, includes in particular employee training, compliance consulting and the internal publication of guidelines.

In the course of risk analysis, the business activities of Continental are examined for compliance risks within the scope of top-down as well as bottom-up review processes. The risk of compliance violations arises primarily from organizational structures and workflows, the given market situation and activities in certain geographical regions. Furthermore, findings from investigations by the Group Internal Audit group function as well as discussions with management and employees at all hierarchical levels are taken into account. This risk analysis is not a one-off procedure, but is performed annually and continuously updated.

Prevention is also fostered by consultation on specific matters with Group Compliance and by the internal publication of guidelines on topics such as anti-corruption (including giving and receiving gifts as well as donations and sponsoring), antitrust and competition law, anti-money laundering and data protection. In training events, Group Compliance addresses topics directly related to everyday compliance issues and challenges.

Continental introduced the Business Partner Code of Conduct to prevent compliance violations by suppliers, service providers, representatives or similar third parties. This must be recognized as a basic requirement for doing business with Continental.

In the context of detection, Continental has set up an Integrity Hotline to give employees and third parties outside the Continental Group the opportunity to report violations of legal regulations, its fundamental values and ethical standards. Information on any kind of potential violations, including accounting manipulation, can be reported anonymously via this hotline. The hotline is available worldwide in many different languages. The company's investigating units rigorously pursue any and all substantiated leads.

Detection also includes the support of regular and incident-related audits conducted by Group Internal Audit. Compliance-related issues are regularly the subject of audits by Group Internal Audit.

Responses are aimed at implementing measures as a consequence of identified compliance violations. Group Compliance is involved in decision-making on measures that may be required, including thorough analysis to ensure that isolated incidents are not symptoms of failings in the system. In this way, corresponding gaps can be closed preventively and the compliance management system, as well as the internal control system, can be systematically developed.

The **third line** of our internal control system is our Group Internal Audit group function.

Group Internal Audit serves an independent and objective auditing and advisory function, applying a systematic approach to help review, assess and improve the adequacy and effectiveness of the organization's governance systems. Continental's Executive Board authorizes Group Internal Audit to conduct audits in all regions, companies or functions of Continental AG and its affiliated, fully consolidated subsidiaries worldwide.

Group Internal Audit prepares an annual risk-oriented audit plan that is submitted to Continental's Executive Board for review and approval. In addition to its planned general audits, Group Internal Audit also conducts special investigations. These are based on tips and information about fraudulent acts received from internal or external sources such as the Integrity Hotline or the ombudsman's office.

Group Internal Audit regularly reports its audit and investigation results to the Executive Board and the Audit Committee. Significant risks and potential improvements to internal controls are presented as part of the reporting to the aforementioned bodies. The implementation by management of the measures recommended in the course of audits is also monitored by Group Internal Audit and reported to the Executive Board and the Audit Committee.

Appropriateness and effectiveness of the internal control system

The three-tier structure of the internal control system at Continental and the associated guidelines and processes introduced worldwide fundamentally ensure that the relevant business processes are performed properly, economically and in compliance with legal regulations. Nevertheless, an internal control system cannot provide complete protection, particularly if internal controls and guidelines are intentionally circumvented. To proactively prevent and detect such circumvention, Continental has established monitoring functions at the various levels of the internal control system. Group Internal Audit assumes a particularly important role in this regard. Internal monitoring of compliance with internal controls is supplemented by information we receive from external audits, for example as part of ISO certifications, customer and supplier audits, company audits, customs audits and IT audits. These findings are taken into account when updating and making necessary adjustments to our internal control system.

Continental's Executive Board is kept continuously informed of the results of internal audit activities, external audits and governance system reporting, all of which form the basis for the Executive Board's assessment of the appropriateness and effectiveness of the internal control system.

The increased volatility of our business environment, the transformation of the automotive industry, the ever faster pace of technological development and the necessary consideration of sustainability aspects have shown that an internal control system must be continuously adapted to changing conditions. This increasingly complex environment has made it particularly vital to reassess the individual sub-areas of the internal control system in order to achieve a comprehensive overview and structure defined by uniform specifications. To this end, a comprehensive project to analyze the internal control system has been initiated.

Main characteristics of the internal control and risk management system with respect to the accounting process (Sections 289 (4) and 315 (4) of the German Commercial Code *(Handelsgesetzbuch – HGB)*)

Pursuant to Sections 289 (4) and 315 (4) *HGB*, the main characteristics of the internal control and risk management system with respect to the accounting process must be described. All parts of the risk management system and internal control system that could have a material effect on the annual and consolidated financial statements must be included in the reporting.

The consolidated financial statements of Continental AG are prepared on the basis of standard reporting by the subsidiaries included in the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Reporting is performed in compliance with IFRS and with the accounting manual applicable throughout the Continental Group. The consolidation of subsidiaries, debt, income and expenses, and intercompany profits is performed at corporate level.

The effectiveness of the financial reporting internal control system (Financial Reporting ICS) is evaluated in major areas by carrying out effectiveness tests in the reporting units on a quarterly basis. In addition, Group Internal Audit reviews the efficiency and effectiveness of control processes as well as compliance with internal and external requirements. If any weaknesses are identified, the Continental Group's management initiates the necessary measures.

Risk management system

In the governance, risk and compliance (GRC) policy adopted by the Executive Board, Continental defines the general conditions for integrated GRC as a key element of the risk management system, which regulates the identification, assessment, reporting and documentation of risks. In addition, this also further increases corporate-wide risk awareness and establishes the framework for a uniform risk culture.

The GRC system incorporates all components of risk reporting and the examination of the effectiveness of the Financial Reporting ICS. Risks are identified, assessed and reported at the organizational level that is also responsible for managing the identified risks. A multi-stage assessment process is used to involve also the higher-level organizational units. The GRC system thus includes all reporting levels, from the company level to the top corporate level.

At the corporate level, the responsibilities of the GRC Committee – chaired by the Executive Board member responsible for Finance, Controlling and IT – include identifying material risks for the Continental Group as well as complying with and implementing the GRC policy. The GRC Committee regularly informs the Executive Board and the Audit Committee of the Supervisory Board of the material risks, any weaknesses in the control system and measures taken.

Moreover, the auditor is required to report to the Audit Committee of the Supervisory Board regarding any material weaknesses in the Financial Reporting ICS which they have identified as part of their audit activities.

Risk assessment and reporting

A period under consideration of one year is always applied when evaluating risks and opportunities. Risks and their effects are assessed using an end-to-end gross and net assessment methodology that helps to identify the impact of risk-minimizing measures. Risks are assessed primarily according to quantitative criteria in various categories. If a risk cannot be assessed quantitatively, then it is assessed qualitatively based on the potential negative effects its occurrence would have on achieving corporate goals and based on other qualitative criteria such as the impact on Continental's reputation. Risks and opportunities are not offset.

Material individual risks for the Continental Group are identified from all the reported risks based on the probability of occurrence and the potential amount of damage that would be caused in the period under consideration. Quantified risks are based on EBIT effect and free cash flow effect.

The individual risks that Continental has classified as material and the aggregated risks that have been assigned to risk categories are all described in the report on risks and opportunities, provided the potential negative effect of an individual risk or the sum of risks included in a category exceeds €100 million in the period under consideration or there is a significant negative impact on the corporate goals.

Continental further developed its procedure for risk aggregation in the year under review. However, this did not lead to any significant changes in the general flow of established processes. The risk inventory, now aggregated using a Monte Carlo simulation, is compared with the risk-bearing capacity determined on the reporting date, taking into account possible interactions, and is supplemented by a qualitative assessment by the GRC Committee on non-quantifiable risks in order to derive a statement on the potential risk to the Continental Group.

Risk reporting

Integrated GRC

GRC System

General risk management
- Business-related risks

Compliance risk management
- Compliance risks

Financial reporting ICS
- Accounting-related internal controls

Quality case management
- Quality cases

Legal case management
- Legal cases

Compliance case management
- Compliance cases

Tax compliance management system
- Tax compliance and litigation risks

Customs compliance management system
- Customs compliance and litigation risks

Export control compliance management system
- Export control and sanctions compliance and litigation risks

Ad hoc risk reporting
- Ad hoc risks

SWOT analysis
- Strategic risks

GRC Committee
- Consolidates and monitors risks
- Identifies material risks
- Recommends further measures

Executive Board
- Responsible for integrated GRC
- Defines risk appetite
- Monitors material risks

Audit Committee
- Monitors integrated GRC

Local management can utilize various instruments for risk assessment, such as predefined risk categories (e.g. exchange-rate risks, product-liability risks, legal risks) and assessment criteria, centrally developed function-specific questionnaires as well as the Financial Reporting ICS's process and control descriptions. The key controls in business processes (purchase to pay, order to cash, asset management, HR, IT authorizations, the financial statement closing process and sustainability reporting) are thus tested with respect to their effectiveness.

All major subsidiaries carry out a semiannual assessment of business-related risks and an annual assessment of compliance risks in the GRC system's IT-aided risk management application. Any quality, legal and compliance cases that have actually occurred are also taken into account when assessing these risks. In the year under review, the GRC system was expanded to include the tax compliance management system, the customs compliance management system and the export control compliance management system, in order to ensure standard and regular review and reporting of pertinent risks. The quarterly Financial Reporting ICS completes regular GRC reporting.

Furthermore, strategic risks are identified and assessed, for example as part of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). Any new material risks arising ad hoc between regular reporting dates have to be reported immediately and considered by the GRC Committee. These also include risks identified in the audits by group functions.

In addition to the risk analyses carried out by the reporting units as part of integrated GRC, audits are also performed by Group Internal Audit. Furthermore, the central controlling function analyzes the key figures provided as part of this reporting process at corporate and group-sector level in order to assess the effects of potential risks.

Risk management and monitoring
For each risk identified, the responsible management team initiates appropriate countermeasures which, for material risks, are also documented in the GRC system. The GRC Committee monitors and consolidates the material risks and suitable countermeasures at the corporate level. It regularly reports to the Executive Board and recommends further measures if needed. The Executive Board discusses and resolves the measures and reports to the Supervisory Board's Audit Committee. The responsible bodies continually monitor the development of all identified risks and the progress of actions initiated. Group Internal Audit regularly audits the risk management process, thereby continually monitoring its effectiveness and further development.

Opportunity management
As part of our opportunity management activities, we assess market and economic analyses and changes in legal requirements (e.g. with regard to fuel consumption and emission standards as well as safety regulations). In addition, we deal with the corresponding effects on the automotive sector and other relevant markets, our production factors and the composition and further development of our product portfolio.

Material Risks

The order of the risk categories and individual risks presented within the four risk groups reflects the current assessment of the relative risk exposure for Continental and thus provides an indication of the current significance of these risks. If no quantitative information on the amount of damage is provided, the assessment is carried out on the basis of qualitative criteria. Unless the emphasis is placed on a specific group sector, the risks apply to all group sectors.

Financial Risks

Continental is exposed to risks in connection with its financing agreements and the syndicated loan.
Continental is subject to risks in connection with its financing agreements. Risks arise from the bonds that Continental AG and Conti-Gummi-Finance B.V., Maastricht, Netherlands, have issued as part of the Debt Issuance Programme (DIP). These financing agreements contain covenants that could limit Continental's capacity to take action as well as change-of-control provisions.

In order to finance current business activities as well as investments and payment obligations, a syndicated loan agreement is in place, from which risks may arise. Under the terms of the syndicated loan agreement, the lenders have the right to demand repayment of the loan in the event of a change of control at Continental AG.

The requirements for and consequences of a change in control in accordance with the terms of the bonds or the syndicated loan agreement are described in detail in the Additional Disclosures and Notes Pursuant to Sections 289a and 315a *HGB* section on pages 85 and 86. The loans and bonds cited here could also immediately become due and payable if other financing agreements of more than €75.0 million are not repaid on time or are prematurely called for repayment.

The committed volume of the syndicated loan consists of a revolving tranche of €4.0 billion (due in December 2026). As at the end of fiscal 2022, €300.0 million of the revolving tranche had been utilized.

Continental is exposed to risks associated with changes in currency exchange rates and hedging.
Continental operates worldwide and is therefore exposed to financial risks that arise from changes in exchange rates. This could result in losses if assets denominated in currencies with a falling exchange rate lose value and/or liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in exchange rates could intensify or reduce fluctuations in the prices of raw materials in euros, as Continental sources a considerable portion of its raw materials in foreign currency. As a result of these factors, fluctuations in exchange rates can influence Continental's earnings situation.

External and internal transactions involving the delivery of products and services to third parties and companies of the Continental Group can result in cash inflows and outflows that are denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group (transaction risk). To the extent that cash outflows of the respective subsidiary of the Continental Group in any one foreign currency are not offset by cash flows resulting from operational business in the same currency, the remaining net exchange-rate risk is hedged against on a case-by-case basis using the appropriate derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months.

Moreover, Continental is exposed to exchange-rate risks arising from external and internal loan agreements that result in cash inflows and outflows denominated in currencies other than the functional currency of the respective subsidiary of the Continental Group. These exchange-rate risks are in general hedged against by using appropriate derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. Any hedging transactions executed in the form of derivative instruments can result in losses.

In order to quantify the possible effects of transaction-related exchange-rate risks from financial instruments on the earnings position of the Continental Group, transaction currencies with a significant exchange-rate risk within the next 12 months are identified based on current net exposure. If the exchange rates of these currencies all develop disadvantageously for Continental at the same time, then the hypothetical negative effect on the Continental Group's earnings position, calculated based on a 10% change in the current closing rate, would amount to between €500 million and €600 million.

Continental is exposed to default risks in connection with cash and cash equivalents, derivative instruments and interest-bearing investments.
In order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, Continental generally uses banks that it has classified as core banks on the basis of defined criteria. As a general rule, these banks should have at least one investment-grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the core banks – and of other banks with which investments are made, loans are granted or derivative instruments are traded in derogation from the core bank principle for operational or regulatory reasons – is continuously monitored. Not only the credit ratings but also in particular the premiums for insuring against credit default risks (credit default swaps, CDSs) are monitored, provided this information is available. In addition, Continental sets investment limits for each bank and trading limits for derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. Within the internally defined risk groups, the cash and cash equivalents, interest-bearing investments and positive (net) fair values of derivative instruments held at banks assigned to a higher risk group range from €100 million to €200 million.

Risks Related to the Markets in which Continental Operates

Continental could be exposed to material risks in connection with a global financial and economic crisis.
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is Continental's most important customer group. The remainder of its sales are generated from the replacement or industrial markets, mainly in the replacement markets for passenger-car and truck tires, and to a lesser extent in the non-automotive end markets of the other group sectors.

In the year under review, global automotive markets recovered more slowly than expected, with ongoing high volatility and uncertainty resulting in particular from problems within supply chains as well as the sharp rise in raw material, energy and logistics costs. Should a long-term revival take longer than anticipated or be dampened by a general economic downturn, it would likely adversely affect Continental's sales and earnings.

In the year under review, Continental's five largest OEM customers (Ford, Mercedes-Benz, Renault-Nissan-Mitsubishi, Stellantis and VW) generated approximately 32% of sales. If one or more of Continental's OEM customers is lost or terminates a supply contract prematurely, the original investments made by Continental to provide such products or outstanding claims against such customers could be wholly or partially lost.

Moreover, Continental generated 47% of its 2022 total sales in Europe and 18% in Germany alone. By comparison, 27% of Continental's total sales in 2022 were generated in North America, 22% in Asia-Pacific and 4% in other countries. Therefore, in the event of an economic downturn in Europe, particularly in Germany, for example, Continental's business and earnings situation could be affected more extensively than that of its competitors. Furthermore, the automotive and tire markets in Europe and North America are largely saturated. To minimize this dependence, Continental is striving to improve its regional sales balance, particularly by generating more sales in emerging markets and especially in Asia.

Based on a scenario analysis that assumes a 10% decline in sales volumes in 2023 compared with planning assumptions, and taking into account measures required as a result, we anticipate a possible decline of around 3 percentage points in the adjusted EBIT margin.

Continental operates in a cyclical industry.
With a 61% share of consolidated sales, the automotive industry – with the exception of the replacement business – is Continental's most important customer group. Global production of vehicles and, as a result, sales to OEMs are subjected to major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income and household consumer spending and preferences, which can be affected by a number of factors, including fuel costs as well as the availability and cost of consumer financing. As the volume of automotive production fluctuates, the demand for Continental's products also fluctuates, as OEMs generally do not commit to purchasing minimum quantities from their suppliers or to fixed prices. It is difficult to predict future developments in the markets Continental serves, which also makes it harder to estimate the requirements for production capacity. As Continental's business is characterized by high fixed costs, it is thus exposed to the risk that fixed costs are not fully covered in the event of falling demand and the resulting underutilization of its facilities (particularly in Automotive). Conversely, should the markets in which Continental operates once again grow faster than anticipated, there could be insufficient capacity to meet customer demand. To reduce the impact of the potential risk resulting from this dependence on the automotive industry, Continental is strengthening its replacement business and industrial business, including by means of acquisitions.

Continental is exposed to fluctuations in the prices of raw materials and electronic components as well as a rise in energy and logistics costs.
For the Automotive group sector, higher prices for raw materials and electronic components in particular can result in cost increases. The Tires and ContiTech group sectors mainly use natural and synthetic rubber as well as oil-based raw materials. The prices for these raw materials and components are exposed to sometimes considerable fluctuations worldwide. At present, Continental does not actively hedge against the risk of rising prices of electronic components or raw materials by using derivative instruments. There may

also be a significant rise in energy and logistics costs. If the company is not able to compensate for the increased costs or to pass them on to customers, these price increases could reduce Continental's earnings by €400 million to €500 million.

Continental could be affected by the consequences of the COVID-19 pandemic over a longer period.
Due to the ongoing COVID-19 pandemic, particularly in China, there is still a risk of significant and ongoing negative effects on sales and procurement markets. This would have a negative impact on the availability of raw materials and components as well as Continental's sales volumes both in the OEM business and in the industrial and replacement business. The duration of the general economic downturn as well as its effects on global supply chains and Continental's various business units will largely depend on the success of containment measures as well as the effectiveness of corresponding relief packages and fiscal stimulus measures. While Continental has introduced measures aimed, for example, at improving its cost structure and ensuring supply chains, there is generally a risk of long-term negative effects on Continental's earnings, financial and net assets position.

Continental is exposed to geopolitical risks.
Current geopolitical developments such as the war in Ukraine and the conflict between China and Taiwan could have significant effects on Continental's sales and procurement markets. These include sanctions and other risks in supply chains as well as unforeseeable effects on the global economy. Continental constantly monitors current developments and derives possible scenarios and necessary measures.

Continental is exposed to risks associated with uncertain energy supplies.
Due to the ongoing war in Ukraine and the resulting geopolitical tensions, Continental is exposed to risks associated with uncertain energy supplies. This applies in particular to gas supplies, but also to electricity supplies in many countries in which Continental operates. Possible longer-term supply restrictions could lead to negative effects on Continental's earnings, financial and net assets position and to far-reaching negative effects on the economy as a whole.

Continental is exposed to risks associated with additional or higher tariffs.
Due to the trend toward protectionism and the increase in trade conflicts around the world, Continental sees itself at risk from additional or higher tariffs on automobiles and on the products, components and raw materials it supplies or purchases. These tariffs could cause demand for Continental's products to drop and costs to increase, which would have an adverse effect on Continental's business and earnings situation.

Risks Related to Continental's Business Operations

Continental depends on a limited number of key suppliers for certain products.
Continental is subject to the potential risk of unavailability of certain raw materials and production materials. Although Continental's general policy is to source product components from a number of different suppliers, single sourcing cannot always be avoided and, consequently, Continental is dependent on certain suppliers, in particular with respect to certain products manufactured by Automotive as well as in Tires and ContiTech. Since Continental's procurement logistics are mostly organized on a just-in-time or just-in-sequence basis, supply delays, cancellations, strikes, insufficient quantities or inadequate quality can lead to interruptions in production and therefore have a negative impact on Continental's business operations in these areas. Continental tries to limit these risks by endeavoring to select suppliers carefully and monitor them regularly. However, if one of Continental's suppliers is unable to meet its delivery obligations (e.g. due to insolvency, destruction of production plants as a result of natural disasters, refusal to perform following a change in control, or the far-reaching effects of the COVID-19 pandemic), or if corresponding deliveries are affected by sanctions due to geopolitical disputes, Continental may be unable to source input products from other suppliers on short notice at the required volume. Such developments and events can therefore cause delays in the delivery or completion of Continental products or projects and could result in Continental having to purchase products or services from third parties at higher costs or even to financially support its own suppliers. Furthermore, in many cases OEM customers have approval rights with respect to the suppliers used by Continental, which could make it impossible for Continental to source input products from other suppliers upon short notice if the relevant OEM customer has not already approved other suppliers at an earlier point in time and which could lead to order cancellations. Claims for damages on a considerable scale can also not be ruled out. Furthermore, Continental's reputation among OEM customers could suffer, with the possible consequence that they select a different supplier.

Continental is exposed to information-technology risks.
With regard to its business and production processes, its products and its internal and external communication, Continental is highly dependent on centralized and standardized information-technology systems and networks. These systems and networks as well as the products themselves are potentially exposed to the risk of various forms of cybercrime as well as damage and disruption that can have a wide range of other causes. In hacker attacks, third parties could attempt to gain unauthorized access to confidential information and data that is stored, processed or communicated in the systems and networks. In addition, data, products and systems could be blocked, damaged, controlled or destroyed as a result of becoming infected with viruses or malware.

During a cyberattack that was discovered in August 2022, attackers infiltrated parts of Continental's IT systems and copied several terabytes of data before the attack could be stopped. Continental subsequently received ransom demands from the alleged attackers, who threatened to publish the copied data. Continental did not respond to the demands. The hacker group published a list of the data that it claimed to have in its possession. With the support of external cybersecurity experts, Continental is conducting an investigation into the incident and the data affected. It cannot be ruled out that the incident could lead to fines and possible claims for damages given the data protection laws and non-disclosure agreements in force. Continental's business activities were not affected by the attack at any point, and Continental maintains full control over its IT systems.

Although Continental has taken appropriate precautions to manage the risks associated with system and network disruptions and corresponding attacks, a prolonged outage in a computer center or telecommunication network or a comparable incident could result in systems or networks becoming unexpectedly unavailable over an extended period. The measures taken to minimize such risks include technical and organizational precautions such as duplicated data storage and contingency plans, as well as suitable training measures that are continuously expanded, particularly to raise awareness of the growing threat from cybercrime.

Should the precautions taken prove insufficient to adequately protect the systems, networks, products and information, Continental could suffer considerable damage and disadvantages as a result of outages or the knowledge and use of its information by third parties.

Continental is exposed to risks in connection with its pension commitments.

Continental provides defined benefit pension plans in Germany, the USA, the UK and certain other countries. As at December 31, 2022, the pension obligations amounted to €5,170.0 million. These existing obligations are financed predominantly through externally invested pension plan assets. In 2006, Continental established legally independent trust funds under contractual trust arrangements (CTAs) for the funding of pension obligations of certain subsidiaries in Germany. In 2007, Continental assumed additional CTAs in connection with the acquisition of Siemens VDO. As at December 31, 2022, Continental's net pension obligations (defined benefit obligations less the fair value of plan assets) amounted to €2,105.7 million.

Continental's externally invested plan assets are funded by externally managed funds and insurance companies. While Continental generally prescribes the investment strategies applied by these funds and takes these into account when selecting external fund managers, it does not have any influence over their individual investment decisions. The assets are invested in different asset classes, including equity, fixed-income securities, real estate and other investment vehicles. The values attributable to the externally invested plan assets are subject to fluctuations in the capital markets that are beyond Continental's influence. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in Continental's net pension obligations.

Any such increase in Continental's net pension obligations could adversely affect Continental's financial condition due to an increased additional outflow of funds to finance the pension obligations. Also, Continental is exposed to risks associated with longevity and interest-rate changes in connection with its pension commitments, as an interest-rate decrease could have an adverse effect on Continental's liabilities under these pension plans. Furthermore, certain US-based subsidiaries of Continental have entered into obligations to make contributions to healthcare costs of former employees and retirees. Accordingly, Continental is exposed to the potential risk that these costs may increase in the future.

If the discount rates used to calculate net pension obligations were to decrease by 0.5 percentage points at the end of the year, all other things being equal, this would lead to a rise in net pension obligations of anywhere from €300 million to €400 million which could not be reduced by taking measures to minimize risk. However, this would not affect EBIT.

Continental is exposed to risks associated with warranty and product liability claims.

In its quality strategy, Continental has defined the framework conditions for all quality-related activities and ascribes the highest priority to quality. However, Continental is constantly subject to product liability claims and proceedings alleging violations of due care, violation of warranty obligations or material defects, and claims arising from breaches of contract due to recalls or government proceedings. Any such lawsuits, proceedings and other claims could result in increased costs for Continental. Moreover, defective products could result in loss of sales and loss of customer and market acceptance. Such risks are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Additionally, any defect in one of Continental's products (in particular tires and other safety-related products) could also have a considerable adverse effect on the company's reputation and market perception. This could in turn have a negative impact on Continental's sales and income. Moreover, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty and recall claims. In addition, Continental is subject to continuing efforts by its customers to change contract terms and conditions concerning the contribution to warranty and recall cost. Furthermore, Continental manufactures many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered by Continental do not meet the requirements stipulated by its OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Under certain circumstances, this could lead to losses of sales and earnings. Furthermore, Continental's OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time. Moreover, failure to fulfill quality requirements could have an adverse effect on the market acceptance of Continental's other products and its market reputation in various market segments.

The quantifiable risks from warranty and product liability claims as at December 31, 2022, taking into account provisions, amounted to between €100 million and €200 million.

Continental is exposed to risks from trade restrictions, sanctions and export controls.
Due to the global alignment of the economic activity of the Continental Group, there are business risks with respect to embargoes, sanctions and export controls. As a global company, Continental also has business relations with customers and partners based in countries that are – or may be in the future – subject to export restrictions, embargoes, economic sanctions or other forms of trade restrictions. In addition to the fundamental influence that such restrictions have on the business activity of the Continental Group, violations of relevant provisions may lead to considerable penalties, administrative sanctions, damage to the company's reputation, as well as claims for damages. Continental may also be forced, through new trade restrictions, to limit or put an end to business activity in certain countries or regions.

Continental could be adversely affected by property loss and business interruption.
Fire, natural hazards, terrorism, power failures or other disturbances at Continental's production facilities or within Continental's supply chain – with customers and with suppliers – can result in severe damage and loss. Such far-reaching negative consequences can also arise from political unrest or instability. Due to climate change, the probability of natural hazards, in particular extreme weather events, is expected to continue to rise and the extent of damage to increase. The risks arising from business interruption, loss of production or the financing of facilities are insured up to levels considered economically reasonable by Continental, but its insurance coverage could prove insufficient in individual cases. Furthermore, such events could injure or damage individuals, third-party property or the environment, which could, among other things, lead to considerable financial costs for Continental.

Continental is exposed to risks in connection with its interest in MC Projects B.V.
Continental and Compagnie Financière Michelin SAS, Clermont-Ferrand, France (Michelin), each hold a 50% stake in MC Projects B.V., Maastricht, Netherlands, a company to which Michelin contributed the rights to the Uniroyal brand for Europe as well as for certain countries outside Europe. In turn, MC Projects B.V. licensed to Continental certain rights to use the Uniroyal brand on or in connection with tires in Europe and elsewhere. Under the terms of the agreement concluded in this connection, both the agreement and the Uniroyal license can be terminated if a major competitor in the tire business acquires more than 50% of the voting rights of Continental AG or of its tire business. Furthermore, in this case Michelin also has the right to acquire a majority in MC Projects B.V. and to have MC Projects B.V. increase its minority stake in the manufacturing company Continental Barum s.r.o., Otrokovice, Czechia – one of Continental's largest tire plants in Europe – to 51%. These events could have an adverse effect on the business and earnings position of Continental's Tires group sector.

Legal and Environmental Risks

Continental could be threatened with fines and claims for damages for alleged or actual unlawful behavior.
Despite the compliance management system in place at Continental, the global nature of the Continental Group's business activities means there is a possibility that unlawful behavior (e.g. corruption, fraud, violations of antitrust and competition law, money laundering) could occur in individual cases or that Continental could be accused of unlawful behavior. This alleged or actual unlawful behavior could lead to fines or claims for damages. Significant proceedings in this context are outlined below.

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 million (around €2.1 million) on CBIA, which was then reduced to BRL 10.8 million (around €1.9 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 case an infringement of Brazilian antitrust law is found, third parties may, in addition, claim damages from CBIA.

On October 2, 2006, South African antitrust authorities received a complaint from a third party accusing several South African tire manufacturers of alleged antitrust behavior, including Continental Tyre South Africa (Pty.) Ltd., Port Elizabeth, South Africa (CTSA), a subsidiary of Continental. On August 31, 2010, the South African antitrust authorities came to the conclusion that CTSA had violated South African antitrust law and referred the matter to the responsible antitrust court for a decision. CTSA denies the allegation of infringements of South African antitrust law. However, the tribunal could impose a fine of up to 10% of CTSA's sales. In addition, third parties may also claim damages from CTSA in case of an infringement of South African competition law.

As a result of investigations by the US Department of Justice (DOJ) and the Korea Fair Trade Commission (KFTC) in connection with the suspected involvement in violations of US and South Korean antitrust law in the instrument cluster business, which came to light in 2012, the KFTC imposed a fine on Continental Automotive Electronics LLC, Bugang-myeon, South Korea (CAE), at the end of 2013, the final amount of which was set in 2018 at KRW 32,101 million (around €23.9 million). In the USA, CAE and Continental Automotive Korea Ltd., Seongnam-si, South Korea, agreed to pay a fine of US $4.0 million (approximately €3.7 million) in 2015. In the proceedings relating to class action lawsuits filed in the USA and Canada for alleged damages resulting from the antitrust violations, settlements totaling US $5.0 million (around €4.7 million) were concluded in the USA in 2018 and settlements totaling CAN $0.6 million (around €0.4 million) concluded in Canada in 2020. The risk of investigations by other antitrust authorities into this matter and claims for damages by further alleged victims remain unaffected by the fines imposed.

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 a court in London, United Kingdom. Mercedes-Benz has yet to attach any specific amount to its claim. Continental has challenged the 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. In addition, two class action lawsuits have been filed in Canada against Continental AG and several of its subsidiaries. Continental believes that these claims and lawsuits are without merit. However, should the lawsuits lead to a judgment against Continental, the resulting expenses could be substantial and exceed the provision set aside for this purpose. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures so as not to adversely affect the company's interests.

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. The proceedings against Continental are still at an early stage. Continental is therefore unable to reliably predict in any way what the outcome of these proceedings will be. 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.

Since 2020, the public prosecutor's office in Hanover has been conducting investigative proceedings against current and former employees as well as former board members of Continental AG suspected of committing criminal acts and breaches of supervisory duties in connection with the development and use of illegal defeat devices in diesel and gasoline engines of multiple automotive manufacturers as well as in connection with the subsequent investigation of these actions, and as part of these proceedings has conducted multiple searches at locations of Continental AG and individual companies of the Continental Group. Continental AG and individual companies of the Continental Group are ancillary parties to these proceedings. The investigations concern activities of the former Powertrain business area that were transferred within the scope of the spin-off to Vitesco Technologies Group AG, Regensburg, Germany, and its subsidiaries in 2021.

In addition, the public prosecutor's office in Frankfurt am Main, in connection with conducting investigation proceedings concerning illegal defeat devices in diesel engines of an international automotive manufacturer, has been conducting separate administrative offense proceedings against Continental AG and two companies of the Continental Group on suspicion of breach of supervisory duties. These proceedings were legally concluded after the end of the fiscal year with payment of fines totaling almost €3.6 million.

Both the investigations by the public prosecutor's office in Hanover and the company's internal investigation into the matters covered by these proceedings, which involve considerable costs and effort, are ongoing. Continental AG and the companies of the Continental Group are cooperating unreservedly with the public prosecutor's office in Hanover. There is a risk that fines will be imposed as a result of the allegations. The amount of such fines, which could comprise a levy and a penalty component, is currently unknown but collectively could be significant. Furthermore, the risk of damage to the company's reputation cannot be ruled out.

To cover risks and costs arising from the proceedings conducted by the public prosecutor's offices in Hanover and Frankfurt am Main, a provision amounting to a low nine-figure sum had been set aside as at December 31, 2022. With the conclusion of proceedings by the public prosecutor's office in Frankfurt am Main, the provision was partially utilized at the start of the fiscal 2023 such and now amounts to a high eight-figure sum.

In the event that fines or other measures are imposed on Continental AG and/or individual companies of the Continental Group that concern the transferred business, Vitesco Technologies Group AG is obligated on the basis of and in accordance with contractual provisions arising in particular from the corporate separation agreement concluded in the context of the spin-off to indemnify Continental AG and any individual companies of the Continental Group against the ensuing costs and liabilities. This is consistent with the agreement between the parties that all opportunities as well as all risks arising from the transferred business shall pass to Vitesco Technologies Group AG and the companies of Vitesco Technologies. These regulations have not been taken into account in the formation of the provision described above. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made with regard to the proceedings and the related measures and any potential claims against Vitesco Technologies Group AG so as not to adversely affect the company's interests.

In view of the scope of these national and international investigations against automotive manufacturers and suppliers, further proceedings by public authorities, civil legal proceedings and claims by third parties, along with the related financial risks, cannot be ruled out.

There is a risk that Continental could infringe on the industrial property rights of third parties.
There is a risk that Continental could infringe on the industrial property rights of third parties, since its competitors, suppliers and customers also submit a large number of inventions for industrial property protection. It is not always possible to determine with certainty whether there are effective and enforceable third-party industrial property rights to certain processes, methods or applications. Therefore, third parties could assert claims (including illegitimate ones) of alleged infringements of industrial property rights against Continental. As a result, Continental could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries, or be forced to make changes to manufacturing processes and/or products. In addition, Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers. In addition, Continental is subject to efforts by its customers to change contract terms and conditions concerning the participation in disputes regarding alleged infringements of intellectual property rights.

Continental is exposed to risks from legal disputes.
Companies from the Continental Group are involved in a number of legal and arbitration proceedings and could become involved in other such proceedings in the future. These proceedings could involve substantial claims for damages or payments, particularly in the USA. For more information on legal disputes, see Note 38 of the notes to the consolidated financial statements.

Continental could be unsuccessful in adequately protecting its intellectual property and technical expertise.
Continental's products and services are highly dependent upon its technological know-how and the scope and limitations of its proprietary rights therein. Continental has obtained or applied for a large number of patents and other industrial property rights that are of considerable importance to its business. The process of obtaining patent protection can be lengthy and expensive. Furthermore, patents may not be granted on currently pending or future applications or may not be of sufficient scope or strength to provide Continental with meaningful protection or commercial advantage. In addition, although there is a presumption that patents are valid, this does not necessarily mean that the patent concerned is effective or that possible patent claims can be enforced to the degree necessary or desired.

A major part of Continental's know-how and trade secrets is not patented or cannot be protected through industrial property rights. Consequently, there is a risk that certain parts of Continental's know-how and trade secrets could be transferred to collaboration partners, customers and suppliers, including Continental's machinery suppliers or plant vendors. This poses a risk that competitors will copy Continental's know-how without incurring any expenses of their own. Moreover, Continental has concluded a number of license, cross-license, collaboration and development agreements with its customers, competitors and other third parties under which Continental is granted rights to industrial property and/or know-how of such third parties. It is possible that license agreements could be terminated under certain circumstances in the event of the licensing partner's insolvency or bankruptcy and/or in the event of a change of control in either party, leaving Continental with reduced access to intellectual property rights to commercialize its own technologies.

Continental could become subject to additional burdensome environmental or safety regulations, and new regulations could adversely affect demand for the company's products and services.
As a corporation that operates worldwide, Continental must observe a large number of different regulatory systems in numerous countries that change frequently and are continuously evolving and becoming more stringent, particularly with respect to the environment, chemicals and hazardous materials, as well as health regulations. This also applies to air, water and soil pollution regulations and to waste legislation, all of which have recently become more stringent through new laws, particularly in the EU and the USA. Moreover, Continental's locations and operations necessitate various permits, and the requirements specified therein must be complied with. In the past, adjusting to new requirements has necessitated investments, and Continental assumes that further investments in this regard will be required in the future.

Material Opportunities

Unless the emphasis is placed on a specific group sector, the opportunities apply to all group sectors.

There are opportunities for Continental if the economy performs better than anticipated.
If the economy in our major sales regions develops better than we have anticipated, we expect that demand for vehicles, replacement tires and industrial products will also develop better than we have anticipated. Due to the increased demand for Continental's products among vehicle manufacturers and industrial clients and in the replacement business that would be expected as a consequence, our sales could rise more significantly than expected and there could be positive effects with regard to fixed cost coverage. Particular importance is attached to the European market due to the high share of sales that Continental generates in this region (47%).

There are opportunities for Continental if prices fall on the raw materials markets relevant to us.
Continental's earnings situation is affected to a significant extent by the cost of raw materials, electronic components, logistics and energy. For Automotive, this particularly relates to the cost of electronic components as well as metals and plastics. The earnings situation of Tires and ContiTech is significantly impacted by the cost of oil and of natural and synthetic rubber. If prices for natural and synthetic rubber in particular decline, this could have a positive impact on Continental's earnings, provided sales prices for rubber products remain stable.

The trend toward automated and autonomous driving presents Continental with opportunities.
The trend from assisted driving to automated and autonomous driving is set to continue. Several vehicle manufacturers plan to offer new models with partially automated "Level 3" functions over the next few years. A key requirement for partially automated driving is that vehicles be equipped with sensors. To date, between two and seven sensors for assisted driving have been installed per vehicle, depending on their equipment features. Even for partially automated driving, considerably more and also higher-quality radar, camera and LiDAR sensors are required, depending on the scope of the functionality. Since Continental is one of the leading providers of advanced driver assistance systems, the increasing volume of sensors, electronic control units and new software could result in considerable sales and earnings opportunities.

Innovations for vehicle interiors present Continental with opportunities.
For optimum interaction between the driver and the vehicle, more and more new products are being used in car manufacturing in the increasingly important area of "user experience." For the user experience of the future, Continental has developed countless innovations such as curved digital 3D displays and temporarily hidden displays. With customer-specific solutions for interior sensor technology, Continental is also increasing safety and ease of use within the vehicle. Since intelligent concepts for new experiences for car buyers in the vehicle interior are becoming more and more important, and Continental is one of the leading providers of these, increasing demand among car manufacturers could result in considerable sales and earnings opportunities.

The digitalization of vehicles and the services generated as a result present Continental with opportunities.
The massive amounts of data generated by driver assistance systems and driver information systems as well as the immediate processing thereof in vehicles require a changeover of the vehicle architecture to the most cutting-edge high-performance computers. This – together with the new software solutions required for this purpose – results in substantial growth potential for Continental with positive effects on its future sales and attainable margins. Furthermore, the increasing digitalization of our products gives us the opportunity to offer our customers software-based services and regular software updates in addition to the product itself, and to open up new markets for mobility services (smart mobility).

The tire business presents Continental with opportunities.
Continental intends to further increase its market share in the growth markets of Asia and North America in particular. In the passenger-car tire segment, the global business with tires for electric mobility and ultra-high-performance tires is to be systematically expanded further. The truck and bus tire business is to be further developed in all regions through the Conti360° fleet services. Continental's specialty tire business, which includes not only two-wheel and racing tires but also tires for a variety of industrial applications, is expected to grow further as well. Smart, digital tire solutions and ambitious sustainability goals will also make a significant contribution to market success and differentiation in the future. The market launch of our new ContiRe.Tex technology and the intelligent tire management solution ContiConnect 2.0 are important steps in this direction (see the Research and Development section). In the area of service-based digital solutions, the Tires group sector of Continental aims to become the leading supplier worldwide by 2030. If Continental succeeds in increasing its market share in high-growth segments and in digital solutions and services even more than planned, this is likely to have positive effects on its sales and earnings.

Digitalization in the industrial business presents Continental with opportunities.
The growth potential results primarily from the increasing demand for digital and intelligent solutions in the industrial business. To this end, the ContiTech group sector will draw on its long-standing and detailed knowledge of the industry and materials to open up new business opportunities by combining various materials with electronic components and individual services (e.g. Conti LoadSense; see the Research and Development section). If these new products become established more quickly than planned, this would create corresponding sales and earnings opportunities for Continental.

There are opportunities for Continental from changes in the legal framework.
Legal regulations with the aim of further improving traffic safety provide an opportunity for a rise in demand for Continental's products. Based on our broad product portfolio for active vehicle safety, we have developed more advanced safety systems over the past years. Further volume growth is expected as a result of more stringent requirements in various regional safety tests, since an increasing number of safety systems have been recognized as having achieved the very highest level of safety. In addition, more and more legal requirements in individual countries are being expanded to include active safety systems.

Statement on Overall Risk and Opportunities Situation

In the opinion of the Executive Board, the overall risk situation of the Continental Group has not changed significantly in the past fiscal year.

It remains to be seen to what extent and for how long current events such as the war in Ukraine, the uncertainty in various supply chains and inflation will continue to affect the automotive industry and the macroeconomic situation.

However, the analysis for the year under review did not reveal any risks, either at the end of the reporting period or at the time the annual financial statements were prepared, that individually or collectively pose a threat to the company or the Continental Group as a going concern. In the opinion of the Executive Board, there are also no discernible risks to the Continental Group as a going concern in the foreseeable future.

Considering the material opportunities, the overall risk assessment for the Continental Group presents a reasonable risk and opportunities situation to which our risk-containment measures and our corporate strategy have been aligned accordingly.

Report on Expected Developments
Future General Conditions

Forecast of Macroeconomic Development

In its World Economic Outlook Update (WEO Update) of January 2023, the International Monetary Fund (IMF) expects the global economy to grow by 2.9% in 2023. Its forecast of lower growth than in 2022 reflects the rise in central bank rates to fight inflation, especially in advanced economies, as well as the war in Ukraine.

In Europe, according to the IMF, the effects of rate hikes by the European Central Bank and eroding real incomes are expected to drag on economic growth in 2023. For the eurozone, the IMF expects gross domestic product (GDP) to rise by 0.7% in 2023, with GDP for Germany expected to grow by 0.1%. For the UK, it expects GDP to fall by 0.6% due to tighter fiscal and monetary policies as well as subdued demand among households.

For the USA, the IMF predicts a slowdown in GDP growth to 1.4% in 2023, with interest rate hikes by the Federal Reserve a major contributor to this.

The IMF sees Japan's economy benefiting in 2023 from the depreciation of the yen and continued monetary and fiscal policy support from the Japanese government, as well as higher business investment, and forecasts GDP growth of 1.8% for the country in 2023.

For India, the IMF forecasts a high GDP growth rate of 6.1% for 2023. In China, the cessation of COVID-19-related measures is expected to lead to a noticeable upturn in the economy, with the IMF currently estimating GDP growth of 5.2%.

In other emerging and developing economies, the IMF mostly expects a slowdown in economic development in 2023. In Brazil and Russia, for example, the IMF anticipates a rise in GDP of 1.2% and 0.3%, respectively.

The IMF's forecast is based on the assumption that the high inflation rates will begin to fall in 2023. Further interest rate hikes by the world's major banks as well as falling prices for raw materials, and for energy in particular, are expected to contribute to this as well.

The IMF also points toward a number of opportunities and risks. A stronger boost from pent-up demand in many economies or a rapid fall in inflation could have a positive impact. Significant risk factors from the IMF's perspective include a delay to the economic recovery in China resulting from another outbreak of COVID-19, an escalation of the war in Ukraine and tighter global financing conditions, which would worsen the debt crisis in many countries. The financial markets could also suddenly reprice in response to adverse inflation news, while further geopolitical fragmentation could hamper economic progress.

Forecast for Key Customer Sectors and Sales Regions

Forecast for production of passenger cars and light commercial vehicles

We currently expect the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons to continue to recover and increase by 2% to 4% year-on-year in 2023. This estimate takes into account current expectations regarding the availability of semiconductors, the impact of the war in Ukraine and the effects of the COVID-19 pandemic, which is still ongoing in certain countries.

We currently expect a global production volume of just under 42 million units in the first half of 2023, which should improve slightly in the second half of the year as a result of capacity expansions among semiconductor suppliers. Due to the still limited storage volumes in the supply chain, however, new events such as natural disasters could rapidly impact production and lead to renewed disruptions.

Changes to vehicle production, the tire-replacement business and industrial production in 2023 (compared with 2022)

Passenger cars and light commercial vehicles	Vehicle production	Tire-replacement business
Europe	3% to 5%	-2% to 1%
North America	3% to 5%	-1% to 2%
China	0% to 2%	14% to 16%
Worldwide	**2% to 4%**	**1% to 3%**

Medium and heavy commercial vehicles	Vehicle production	Tire-replacement business
Europe	-2% to 2%	-1% to 2%
North America	-2% to 2%	-5% to -2%

	Industrial production
Eurozone	-1% to 1%
USA	-2% to 0%
China	4% to 6%

Sources:
Vehicle production (Europe with Western, Central and Eastern Europe incl. Russia and Türkiye): S&P Global and own estimates.
Tire-replacement business (Europe with Western, Central and Eastern Europe (excl. Russia) and Türkiye): own estimates.
Industrial production: Bloomberg and own estimates.

In Europe and North America, we anticipate a rise in the production of passenger cars and light commercial vehicles of 3% to 5% in 2023. In China, due to the effects of the COVID-19 pandemic, we expect only slight growth in production volumes for cars and light commercial vehicles of 0% to 2% in 2023.

Forecast for production of medium and heavy commercial vehicles
According to our estimates, the production of commercial vehicles weighing more than 6 metric tons in our core markets of Europe and North America will remain more or less constant year-on-year in 2023. We currently estimate that in both regions it will range from -2% to 2%.

Forecast for replacement-tire markets for passenger cars and light commercial vehicles
In 2023, we currently expect a slight recovery in demand for replacement tires for cars and light commercial vehicles weighing less than 6 metric tons, in the range of 1% to 3%.

For Europe and North America, we currently expect volumes to be slightly above or below the previous year's figures. In China, we expect a strong recovery in demand, which could be 14% to 16% higher than the weak prior-year figure.

Forecast for replacement-tire markets for medium and heavy commercial vehicles
For 2023, we currently expect demand for replacement tires for medium and heavy commercial vehicles in our core market of Europe to be in the range of -1% to 2%.

In North America, we currently expect a decline in demand of 5% to 2%.

Forecast for industrial production
For the eurozone, we currently expect industrial production to be on par with the previous year in 2023.

For the USA, in line with many economic forecasts, we anticipate negative industrial production from the second quarter of 2023 onward and a figure of between -2% and 0% for the year as a whole.

In China, we expect industrial production to increase by 4% to 6%.

Outlook for the Continental Group

Forecast process
Each year, Continental forecasts the values of key performance indicators for the Continental Group for the new fiscal year. These include sales and the adjusted EBIT margin for the Continental Group and for the Automotive, Tires, ContiTech and Contract Manufacturing group sectors.

In addition, we provide information on the assessment of important factors influencing EBIT. These include the expected negative or positive effect of the estimated development of raw material prices and other cost factors for the current year, the expected development of special effects and the amount of amortization from purchase price allocations. We thus allow the Continental Group's expected EBIT to be estimated.

Furthermore, we give an assessment of the development of interest income and expenses as well as the tax rate for the Continental Group, which in turn allows the Continental Group's expected net income to be estimated. We also publish a forecast of the capital expenditures planned for the current year and the adjusted free cash flow. Our forecast is based on our expectations regarding the most important production and sales markets in the new fiscal year.

We publish our forecast as part of our annual press conference and the publication of our annual report. It is continually reviewed over the course of the fiscal year. Possible changes to the forecast are described at the latest in the report for the respective quarter.

Comparison of the past fiscal year against forecast
Our forecast for fiscal 2022, which we published in March 2022, was based on a noticeable recovery in the global production of passenger cars and light commercial vehicles, particularly in our core markets of Europe and North America. Our expectations did not include any effects of the potential impact of the geopolitical crisis caused by the war in Ukraine.

Our expectations took into account the anticipated impact of ongoing supply shortages, particularly for semiconductors, on production volumes in 2022. The shortage of semiconductors due to our suppliers working at full capacity was expected to limit growth in the first half of 2022 in particular. In the second half of the year, we expected the delivery situation to improve slightly.

We also expected significantly higher costs for the procurement of materials, energy and logistics as well as an increase in wages and salaries to weigh heavily on our earnings position in fiscal 2022.

Based on the above assumptions as well as on the exchange rates at the beginning of the fiscal year, we anticipated the following key financial figures for fiscal 2022:

- We expected our Automotive group sector to achieve sales of around €18 billion to €19 billion. We expected the adjusted EBIT margin to be in the range of around 0% to 1.5%. This included higher procurement and logistics costs of around €1 billion as well as additional expenses for research and development in the Autonomous Mobility business area.
- We expected our Tires group sector to achieve sales of around €13.3 billion to €13.8 billion and an adjusted EBIT margin of around 13.5% to 14.5%. This included the expected negative impact from higher procurement and logistics costs of around €1 billion.
- We expected our ContiTech group sector to achieve sales of around €6.0 billion to €6.3 billion and an adjusted EBIT margin of around 7.0% to 8.0%. This included the expected negative impact from higher procurement and logistics costs of around €300 million.
- In the Contract Manufacturing group sector, we anticipated sales of around €600 million to €700 million and an adjusted EBIT margin of around 0% to 1.0%.
- We expected the Continental Group to achieve total sales in the range of around €38 billion to €40 billion and an adjusted EBIT margin of around 5.5% to 6.5% in 2022.
- As in the previous year, amortization from purchase price allocations was again expected to total approximately €150 million and affect mainly the Automotive and ContiTech group sectors.
- In addition, we expected negative special effects of around €150 million.
- In 2022, we expected the negative financial result to be below €200 million before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects.
- The tax rate was expected to be around 27%.
- The capital expenditure ratio was expected to be below 7% of sales in fiscal 2022.
- We were planning on adjusted free cash flow (before acquisitions and divestments) of approximately €0.7 billion to €1.2 billion.

Due to ongoing developments – particularly the war in Ukraine – the Executive Board supplemented the outlook as follows: In the event the geopolitical situation, in particular in Eastern Europe, remains tense or even worsens, it could result in lasting consequences for production, supply chains and demand. Depending on the severity of the disruption, this may result in lower sales and earnings in all group sectors as well as for the Continental Group compared to the prior year.

On April 21, 2022, we adjusted our outlook for fiscal 2022 due to the following factors:

- Continental expected global production of passenger cars and light commercial vehicles to increase by between 4% and 6% year-on-year in 2022.
- Negative effects from cost inflation for key inputs, especially for oil-based raw materials as well as for energy and logistics in Tires and ContiTech, had become significantly more material.

Assuming that, as the year progressed, exchange rates would not materially differ to those in the first quarter of 2022, the aforementioned factors meant that the following changes were made to the 2022 outlook:

- Consolidated sales were expected to be around €38.3 billion to €40.1 billion, and the adjusted EBIT margin was expected to be around 4.7% to 5.7%.
- For the Automotive group sector, Continental expected sales of around €17.8 billion to €18.8 billion and, as a result of the lower sales expectations, an adjusted EBIT margin in the range of around -0.5% to 1%. This still included higher procurement and logistics expenses of around €1 billion as well as additional expenses for research and development of around €100 million in the Autonomous Mobility business area.
- For the Tires group sector, sales were expected to be around €13.8 billion to €14.2 billion, with an adjusted EBIT margin of around 12.0% to 13.0%. This adjusted EBIT margin range assumed a year-on-year increase in procurement and logistics costs of around €1.9 billion.
- For the ContiTech group sector, Continental expected sales of around €6.3 billion to €6.5 billion and an adjusted EBIT margin of around 6.0% to 7.0%. The adjusted EBIT margin range assumed a year-on-year increase in procurement and logistics costs of around €600 million.
- For the Contract Manufacturing group sector, sales of around €600 million to €700 million and an adjusted EBIT margin of around 0% to 1.0% were still expected.
- Capital expenditure before financial investments was expected to total around 6% of sales.
- Free cash flow of around €0.6 billion to €1.0 billion was expected before acquisitions and divestments in fiscal 2022.

As before, we again pointed out the tense geopolitical situation, in particular in Eastern Europe. In addition, we noted that further negative effects could arise as a result of the ongoing COVID-19 pandemic and the related supply situation.

In the quarterly statement for the first quarter of 2022, we confirmed our expectations for fiscal 2022 stated in the 2021 annual report in relation to amortization from purchase price allocation; negative special effects; negative financial result before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects; and the tax rate.

In the half-year financial report, we adjusted our expectation for negative special effects due to circumstances that had arisen during the course of the year. We therefore expected negative special effects of around €650 million for the fiscal year. We left all other financial figures for fiscal 2022 unchanged.

Comparison of forecasts for the group sectors of Continental for fiscal 2022

	Automotive		**Tires**		**ContiTech**		**Contract Manufacturing**	
	Sales (€ billions)	Adjusted EBIT margin (%)	Sales (€ billions)	Adjusted EBIT margin (%)	Sales (€ billions)	Adjusted EBIT margin (%)	Sales (€ billions)	Adjusted EBIT margin (%)
Annual press conference on March 9, 2022	~ 18 - 19	~ 0 - 1.5	~ 13.3 - 13.8	~ 13.5 - 14.5	~ 6.0 - 6.3	~ 7.0 - 8.0	~ 0.6 - 0.7	~ 0 - 1.0
Forecast adjustment on April 21, 2022	~ 17.8 - 18.8	~ -0.5 - 1	~ 13.8 - 14.2	~ 12.0 - 13.0	~ 6.3 - 6.5	~ 6.0 - 7.0	~ 0.6 - 0.7	~ 0 - 1.0
Quarterly statement as at May 11, 2022	~ 17.8 - 18.8	~ -0.5 - 1	~ 13.8 - 14.2	~ 12.0 - 13.0	~ 6.3 - 6.5	~ 6.0 - 7.0	~ 0.6 - 0.7	~ 0 - 1.0
Half-year financial report as at August 9, 2022	~ 17.8 - 18.8	~ -0.5 - 1	~ 13.8 - 14.2	~ 12.0 - 13.0	~ 6.3 - 6.5	~ 6.0 - 7.0	~ 0.6 - 0.7	~ 0 - 1.0
Quarterly statement as at November 10, 2022	~ 17.8 - 18.8	~ -0.5 - 1	~ 13.8 - 14.2	~ 12.0 - 13.0	~ 6.3 - 6.5	~ 6.0 - 7.0	~ 0.6 - 0.7	~ 0 - 1.0
2022 annual report	**18.3**	**-0.2**	**14.0**	**13.1**	**6.6**	**4.7**	**0.7**	**0.4**

All figures take into account the exceptions and definitions specified in each case in the comparison against forecast.

In the quarterly statement for the third quarter of 2022, we continued to expect production of passenger cars and light commercial vehicles to increase by 4% to 6% year-on-year.

For the tire-replacement business, we expected global demand to weaken by 1% to 3% for the year as a whole.

Although the industrial business was showing signs of weakening, particularly in Europe, we continued to expect year-on-year growth for 2022 as a whole, especially in North America and China.

We expected negative effects from cost inflation for key inputs as well as for energy and logistics to continue in the fourth quarter of 2022. With respect to the key financial figures, we made the following changes:

- We narrowed our estimated range for adjusted free cash flow for fiscal 2022 to around €600 million to €800 million.
- In addition, due to further impairment losses, we expected negative special effects of around €1.2 billion for fiscal 2022.
- We expected the tax rate before the permanent effects of goodwill impairment to be above 40% in 2022.

All other parts of the outlook remained unchanged.

Owing to our operating performance in the fourth quarter, we achieved the adjusted expectations for fiscal 2022 as follows:

- The Continental Group generated sales of €39.4 billion and an adjusted EBIT margin of 5.0%.
- The Automotive group sector generated sales of €18.3 billion and an adjusted EBIT margin of -0.2% in 2022.
- The Tires group sector generated sales of €14.0 billion and an adjusted EBIT margin of 13.1%.
- The ContiTech group sector generated sales of €6.6 billion and an adjusted EBIT margin of 4.7%.
- The Contract Manufacturing group sector generated sales of €0.7 billion and an adjusted EBIT margin of 0.4%.
- Total consolidated expense from special effects amounted to €1.0 billion in 2022.
- Amortization from purchase price allocations was €149.7 million.
- In the year under review, the negative financial result amounted to €151.2 million before effects from currency translation and before effects from changes in the fair value of derivative instruments, and other valuation effects.
- Income tax expense for fiscal 2022 amounted to tax expense of €444.6 million. The tax rate was 47.6%.
- The capital expenditure ratio was 6.2%.
- Adjusted free cash flow was €199.7 million in 2022 and therefore below our forecast range of €600 million to €800 million in the quarterly statement for the third quarter of 2022.

Comparison of key forecast elements for the Continental Group for fiscal 2022

	Continental Group				
	Sales (€ billions)	Adjusted EBIT margin (%)	Special effects (€ billions)	Investments (in % of sales)	Adjusted free cash flow (€ billions)
Annual press conference on March 9, 2022	~ 38 - 40	~ 5.5 - 6.5	~ -0.15	< 7	~ 0.7 - 1.2
Forecast adjustment on April 21, 2022	~ 38.3 - 40.1	~ 4.7 - 5.7		~ 6	~ 0.6 - 1.0
Quarterly statement as at May 11, 2022	~ 38.3 - 40.1	~ 4.7 - 5.7	~ -0.15	~ 6	~ 0.6 - 1.0
Half-year financial report as at August 9, 2022	~ 38.3 - 40.1	~ 4.7 - 5.7	~ -0.65	~ 6	~ 0.6 - 1.0
Quarterly statement as at November 10, 2022	~ 38.3 - 40.1	~ 4.7 - 5.7	~ -1.2	~ 6	~ 0.6 - 0.8
2022 annual report	**39.4**	**5.0**	**-1.0**	**6.2**	**0.2**

All figures take into account the exceptions and definitions specified in each case in the comparison against forecast.

Order situation
The order situation in our Automotive group sector continues to be impacted by ongoing uncertainty due to the low availability and possible temporary shortages of semiconductors and other semi-finished products. In total, orders amounting to around €23 billion were acquired in fiscal 2022 (PY: €19 billion). This figure includes expected sales over the entire duration of the delivery, known as lifetime sales. These are based primarily on assumptions regarding production volumes of the respective vehicle or engine platforms, the expected and agreed cost adjustments, and the development of key raw material prices.

The replacement-tire business accounts for a large portion of the Tires group sector's sales, which is why it is not possible to calculate a reliable figure for order volumes.

The same applies to the ContiTech group sector, which has business areas operating in various markets and industrial sectors, each in turn with their own relevant factors. Consolidating the order figures from the various business areas of the ContiTech group sector would thus be meaningful only to a limited extent.

Outlook for fiscal 2023
As mentioned on page 101 of the report on expected developments, we anticipate a continued recovery in the global production of passenger cars and light commercial vehicles in 2023, particularly in our core markets of Europe and North America.

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

Significantly higher costs for materials, wages and salaries as well as energy and logistics – amounting to around €1.7 billion – are again expected to weigh heavily on our earnings position in fiscal 2023.

Based on all of the above assumptions as well as on the exchange rates at the beginning of the fiscal year, we expect the following key financial figures for fiscal 2023:

- We expect the Continental Group to achieve sales in the range of around €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. We expect the adjusted EBIT margin to be around 2% to 3%. This includes higher costs for materials, wages and salaries as well as logistics of around €1 billion.
- We expect our Tires group sector to achieve sales of around €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 for wages and salaries as well as energy and logistics of around €400 million.
- 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 €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.
- In addition, we expect negative special effects of around €150 million.
- 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 approximately €0.8 billion to €1.2 billion.