Consolidated Financial Statements

Statement of the Executive Board

The Executive Board of Continental AG is responsible for the preparation, completeness and integrity of the consolidated financial statements and the management report for Continental AG and the Continental Group, as well as for the other information provided in the annual report. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and include any necessary and appropriate estimates. The management report for Continental AG and the Continental Group contains an analysis of the earnings, financial and net assets position of the Continental Group, as well as further information provided in accordance with the provisions of the German Commercial Code *(Handelsgesetzbuch – HGB)*.

An effective internal management and control system is employed to ensure that the information used for the preparation of the consolidated financial statements, including the management report for Continental AG and the Continental Group, as well as for internal reporting, is reliable. This includes standardized guidelines at the corporate level for accounting and risk management in accordance with Section 91 (2) of the German Stock Corporation Act *(Aktiengesetz – AktG)* and an integrated financial control system as part of the Continental Group's value-oriented management, plus audits by Group Audit. The Executive Board is thus in a position to identify significant risks at an early stage and to take countermeasures.

PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Hanover branch, Germany, was engaged as the auditor for fiscal 2022 by the Annual Shareholders' Meeting of Continental AG. The audit mandate was issued by the Audit Committee of the Supervisory Board. PricewaterhouseCoopers audited the consolidated financial statements prepared in accordance with IFRS and the management report for Continental AG and the Continental Group. The auditor will issue the independent auditor's report.

The consolidated financial statements, the management report for Continental AG and the Continental Group, the auditor's report and the risk management system in accordance with Section 91 (2) *AktG* are discussed in detail by the Audit Committee of the Supervisory Board together with the auditor. These documents relating to the annual financial statements and these reports will then be discussed with the entire Supervisory Board, also in the presence of the auditor, at the meeting of the Supervisory Board held to approve the financial statements.

Hanover, February 27, 2023

The Executive Board

Independent Auditor's Report

To Continental Aktiengesellschaft, Hanover

Report on the Audit of the Consolidated Financial Statements and of the Consolidated Management Report

Audit opinions
We have audited the consolidated financial statements of Continental Aktiengesellschaft, Hanover, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of comprehensive income, consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the consolidated management report of Continental Aktiengesellschaft, which is combined with the Company's management report, including the non-financial statement to comply with Sections 289b to 289e and Sections 315b to 315c of the German Commercial *Code (Handelsgesetzbuch – HGB)* included in the "Sustainability and Combined Non-Financial Statement" section, for the financial year from January 1 to December 31, 2022. In accordance with German legal requirements, we have not audited the content of the "Structure of the internal control system" and "Appropriateness and effectiveness of the internal control system" subsections in the "Report on Risks and Opportunities" section of the consolidated management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) *HGB* and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2022, and of its financial performance for the financial year from January 1 to December31, 2022

- the accompanying consolidated management report (excluding the non-financial statement included therein) as a whole provides an appropriate view of the Group's position. In all material respects, this consolidated management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development; we do not express an audit opinion on the subsections of the consolidated management report referred to above, and

- the non-financial statement included in the "Sustainability and Combined Non-Financial Statement" of the consolidated management report has been prepared, in all material respects, in accordance with the applicable German legal and European requirements as well as with the specifying criteria disclosed by the Group's executive directors.

Pursuant to Section 322 (3) Sentence 1 *HGB*, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the consolidated management report.

Basis for the audit opinions
We conducted our audit of the consolidated financial statements and of the consolidated management report in accordance with Section 317 *HGB* and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the consolidated management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements, the consolidated management report and the non-financial statement included in the consolidated management report.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- Recoverability of goodwill and non-current assets with finite useful lives
- Accounting treatment of deferred taxes

Our presentation of these key audit matters has been structured in each case as follows:

- Matter and issue
- Audit approach and findings
- Reference to further information

Hereinafter we present the key audit matters:

Recoverability of goodwill and non-current assets with finite useful lives

- Goodwill amounting in total to €3,218.2 million (8.5% of total assets or 23.4% of total equity) and non-current assets with finite useful lives amounting in total to €12,364.3 million (32.6% of total assets or 90.0% of total equity) are reported in the Company's consolidated financial statements. While goodwill must be tested for impairment once a year or when there are indications of impairment, non-current assets with finite useful lives only have to be tested for impairment if there are indications that they may be impaired (triggering events). The impairment test is performed at the level of the cash-generating units. The carrying amount of the relevant cash-generating units (where applicable including goodwill) is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is the higher of fair value less costs of disposal and the value in use. The Company generally determines the recoverable amount using the value in use. The present value of the future cash flows from the respective cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the long-term planning for the cash-generating units adopted by the executive directors forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors, which are currently subject to increased uncertainties, are also taken into account. The discount rate used is the weighted average cost of capital for the respective cash-generating unit. The impairment tests determined that write-downs amounting in total to €864.3 million were necessary in financial year 2022, of which €552.9 million related to goodwill and €311.4 million to other fixed assets.

  The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows from the respective cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

- As part of our audit we assessed the methodology used for the purposes of performing the impairment test, among other things, with the assistance of our internal specialists from Valuation, Modeling & Analytics. After matching the future cash inflows used for the calculation against the long-term planning for the cash-generating units adopted by the executive directors, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company on the effect of potential changes in revenue, the discount rate and the long-term rate of growth on the recoverable amount.

- In addition, we assessed whether the disclosures in the notes relating to the recoverability of goodwill were appropriate and complete.

  Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable

- The Company's disclosures on goodwill and on non-current assets with finite useful lives are contained in Notes 2, 14 and 15 of the notes to the consolidated financial statements.

Accounting treatment of deferred taxes

- Deferred tax assets amounting to €2,059.2 million (5.4% of total assets or 15.0% of equity) after netting are reported in the consolidated financial statements of the Company, of which €471.2 million relates to tax loss carryforwards. Deferred tax assets amounting to €3,574.2 million were recognized before netting with matching deferred tax liabilities. These items were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences and unused tax losses to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the business plan adopted by the executive directors. No deferred tax assets were recognized in respect of deductible temporary differences, eligible tax credits and unused tax losses amounting in total to €3,316.8 million since it is not probable that they will be utilized for tax purposes by means of offset against taxable profits.

  From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties.

- As part of our audit of the recoverability of deferred tax assets and with the assistance of our specialists from Tax Reporting & Strategy, we assessed, among other things, the internal processes and controls for recording tax matters as well as the methodology used for the determination, accounting treatment and measurement of deferred taxes. We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unused tax losses on the basis of internal forecasts of the Company's and its subsidiaries' future earnings situation for tax purposes, and the appropriateness of the underlying estimates and assumptions

  Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

- The Company's disclosures on deferred taxes are contained in Notes 2 and 20 of the notes to the consolidated financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises the "Structure of the internal control system" and "Appropriateness and effectiveness of the internal control system" subsections in the "Report on Risks and Opportunities" section of the consolidated management report as unaudited parts of the consolidated management report.

The other information comprises further

- the corporate governance statement pursuant to Sections 289f and 315d *HGB*
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited consolidated management report and our auditor's report.

Our audit opinions on the consolidated financial statements, the consolidated management report and the non-financial statement included in the consolidated management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the consolidated management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the consolidated management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) *HGB* and for ensuring that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the consolidated management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a consolidated management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the consolidated management report.

The executive directors are also responsible for the preparation of the non-financial statement included in the consolidated management report in accordance with the applicable German legal and European requirements as well as with the specifying criteria disclosed by the Group's executive directors. Furthermore, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a non-financial statement that is free from material misstatement, whether due to fraud (i.e. fraudulent reporting in the non-financial statement) or error.

The applicable requirements contain wording and terms that are subject to considerable interpretation uncertainties and for which authoritative comprehensive interpretations have not yet been published. Accordingly, the executive directors have disclosed their interpretations of such wording and terms in the "Information in Accordance with the EU Taxonomy Regulation" section of the non-financial statement. The executive directors are responsible for the defensibility of these interpretations. As such wording and terms may be interpreted differently by regulators or courts, the legal conformity of these interpretations is uncertain.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements, the consolidated management report and the non-financial statement included in the consolidated management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the consolidated management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the consolidated management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, and whether the non-financial statement has been prepared, in all material respects, in accordance with the applicable German legal and European requirements and with the specifying criteria disclosed by the Company's executive directors, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements, on the consolidated management report and on the non-financial statement.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 *HGB* and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this consolidated management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.

We also

- Identify and assess the risks of material misstatement in the consolidated financial statements and in the consolidated management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the consolidated management report and the non-financial statement included in the consolidated management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the consolidated management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) *HGB*.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the consolidated management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the consolidated management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the consolidated management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.
- Evaluate the suitability of the criteria presented by the executive directors in the non-financial statement as a whole. As explained in the description of the responsibilities of the executive directors, the executive directors have interpreted the wording and terms contained in the relevant regulations; the legal conformity of these interpretations is subject to inherent uncertainties mentioned in this description. Those inherent uncertainties in the interpretation apply to our audit accordingly.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the consolidated management report prepared for publication purposes in accordance with Section 317 (3a) *HGB*

Assurance opinion

We have performed assurance work in accordance with Section 317 (3a) *HGB* to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the consolidated management report (hereinafter the "ESEF documents") contained in the electronic file Continental_AG_KAuKLB_ESEF 2022 12 31.zip and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) *HGB* for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the consolidated management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the consolidated management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) *HGB* for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying consolidated management report for the financial year from January 1 to December 31, 2022, contained in the report on the audit of the consolidated financial statements and on the consolidated management report above, we do not express any assurance opinion on the information contained within these renderings or on the other in-formation contained in the electronic file identified above.

Basis for the assurance opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the consolidated management report contained in the electronic file identified above in accordance with Section 317 (3a) *HGB* and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) *HGB* (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the consolidated management report in accordance with Section 328 (1) Sentence 4 No. 1 *HGB* and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 *HGB*.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) *HGB* for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) *HGB*, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) *HGB*, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited consolidated management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Annual Shareholders' Meeting on April 29, 2022. We were engaged by the Supervisory Board on November 25, 2022. We have been the auditor of Continental Aktiengesellschaft, Hanover, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to Another Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited consolidated management report as well as the assured ESEF documents. The consolidated financial statements and the consolidated management report converted to the ESEF format – including the versions to be entered in the German Company Register – are merely electronic renderings of the audited consolidated financial statements and the audited consolidated management report and do not take their place. In particular, the report on the assurance on the electronic rendering of the consolidated financial statements and the consolidated management report prepared for publication purposes in accordance with Section 317 (3a) *HGB* and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement
The German public auditor responsible for the engagement is Dr. Arne Jacobi.

Hanover, March 6, 2023

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft

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

Consolidated Statement of Income

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 items in the consolidated statement of income show the figures for continuing operations in the reporting and comparative periods. Net income in the comparative period comprises earnings after tax from continuing and discontinued operations.

€ millions	See Note	**2022**	2021
Sales	6	**39,408.9**	**33,765.2**
Cost of sales		-31,100.6	-26,024.9
Gross margin on sales		**8,308.3**	**7,740.3**
Research and development expenses	7	-4,165.3	-3,530.4
Selling and logistics expenses		-2,598.1	-2,391.7
Administrative expenses		-1,090.5	-1,004.9
Other income	8	2,091.0	2,099.8
Other expenses	8	-1,819.7	-1,122.5
Income from equity-accounted investees	10	28.3	54.8
Other income from investments	10	0.8	0.4
EBIT		**754.8**	**1,845.8**
Interest income[1]	11	83.6	82.9
Interest expense	11	-234.8	-180.4
Effects from currency translation	11	-59.6	-128.1
Effects from changes in the fair value of derivative instruments, and other valuation effects	11	12.8	69.5
Financial result[1]	11	**-198.0**	**-156.1**
Earnings before tax from continuing operations[1]		**556.8**	**1,689.7**
Income tax expense	12	-444.6	-359.5
Earnings after tax from continuing operations[1]		**112.2**	**1,330.2**
Earnings after tax from discontinued operations		**n. a.**	**156.9**
Net income[1]		**112.2**	**1,487.1**
Non-controlling interests		-45.6	-51.9
Net income attributable to the shareholders of the parent[1]		66.6	1,435.2
Earnings per share (in €) relating to			
Basic earnings per share from continuing operations[1]	39	0.33	6.39
Consolidated basic earnings per share[1]	39	0.33	7.18
Diluted earnings per share from continuing operations[1]	39	0.33	6.39
Consolidated diluted earnings per share[1]	39	0.33	7.18

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.

Consolidated Statement of Comprehensive Income

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 items in the consolidated statement of comprehensive income for the reporting period show continuing operations. The figures for the comparative period show continuing and discontinued operations. In addition, comprehensive income is shown separately for continuing and discontinued operations in the comparative period.

€ millions	**2022**	2021
Net income[1]	**112.2**	**1,487.1**
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans[2]	1,758.5	676.7
Fair value adjustments[2]	1,771.5	706.4
Investment in equity-accounted investees[3]	0.1	-0.1
Currency translation[2]	-13.1	-29.6
Other investments	-16.7	92.7
Fair value adjustments[2]	-12.6	92.4
Investment in equity-accounted investees[3]	-3.9	0.9
Currency translation[2]	-0.2	-0.6
Tax on other comprehensive income	-536.2	-186.0
Items that may be reclassified subsequently to profit or loss		
Currency translation[2]	205.0	759.7
Effects from currency translation[2]	203.9	838.5
Reclassification adjustments to profit and loss	–	-71.3
Investment in equity-accounted investees[3]	1.1	-7.5
Tax on other comprehensive income	-1.5	1.8
Other comprehensive income	**1,409.1**	**1,344.9**
Comprehensive income[1]	**1,521.3**	**2,832.0**
Attributable to non-controlling interests	-38.1	-89.0
Attributable to the shareholders of the parent[1]	1,483.2	2,743.0
The share of comprehensive income attributable to the shareholders of the parent is as follows:		
Continuing operations[1]	1,483.2	2,329.1
Discontinued operations	n. a.	413.9

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 Including non-controlling interests.
3 Including taxes.

Consolidated Statement of Financial Position

Assets

€ millions	See Note	Dec. 31, 2022	Dec. 31, 2021
Goodwill	14	3,218.2	3,711.8
Other intangible assets	14	973.7	1,087.7
Property, plant and equipment	15, 16	11,467.2	11,411.6
Investment property	17	11.5	12.0
Investments in equity-accounted investees	18	305.1	305.9
Other investments	19	170.0	169.4
Deferred tax assets[1]	20	2,059.2	2,328.8
Defined benefit assets	29	93.1	101.6
Long-term derivative instruments and interest-bearing investments	33	105.8	113.2
Long-term other financial assets	21	270.0	229.6
Long-term other assets	22	114.9	113.7
Non-current assets[1]		**18,788.7**	**19,585.3**
Inventories	23	6,729.6	4,993.7
Trade accounts receivable	24	7,767.7	7,089.5
Short-term contract assets	6	99.8	94.0
Short-term other financial assets	21	140.0	118.4
Short-term other assets	22	1,033.8	1,066.1
Income tax receivables		277.6	303.4
Short-term derivative instruments and interest-bearing investments	33	101.5	112.7
Cash and cash equivalents	25	2,988.0	2,269.1
Assets held for sale	26	–	7.9
Current assets		**19,138.0**	**16,054.8**
Total assets[1]		**37,926.7**	**35,640.1**

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.

Equity and liabilities

€ millions	See Note	Dec. 31, 2022	Dec. 31, 2021
Issued/subscribed capital		512.0	512.0
Capital reserves		4,155.6	4,155.6
Retained earnings[1]		9,910.5	10,283.9
Other comprehensive income		–1,318.9	–2,735.5
Equity attributable to the shareholders of the parent[1]		**13,259.2**	**12,216.0**
Non-controlling interests		475.8	452.5
Total equity[1]	27	**13,735.0**	**12,668.5**
Long-term employee benefits	29	2,623.5	4,743.0
Deferred tax liabilities	20	57.5	101.6
Long-term provisions for other risks and obligations	30	624.1	787.7
Long-term indebtedness	32	4,006.0	4,643.2
Long-term other financial liabilities	34	10.0	10.3
Long-term contract liabilities	6	7.8	7.6
Long-term other liabilities	36	31.0	36.0
Non-current liabilities		**7,359.9**	**10,329.4**
Short-term employee benefits	29	1,274.7	1,243.5
Trade accounts payable	35	7,637.0	5,865.4
Short-term contract liabilities	6	232.4	265.2
Income tax payables[1]	31	525.7	472.2
Short-term provisions for other risks and obligations[1]	30	1,036.8	1,105.4
Short-term indebtedness	32	3,688.7	1,617.3
Short-term other financial liabilities	34	1,763.8	1,265.0
Short-term other liabilities	36	672.7	808.2
Current liabilities[1]		**16,831.8**	**12,642.2**
Total equity and liabilities[1]		**37,926.7**	**35,640.1**

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.

Consolidated Statement of Cash Flows

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 items in the consolidated statement of cash flows for the reporting period show continuing operations. The figures for the comparative period show continuing and discontinued operations. In addition, cash flow arising from operating activities, investing activities and financing activities is shown separately for continuing operations and discontinued operations in the comparative period.

€ millions	See Note	**2022**	2021
Net income[1]		**112.2**	**1,487.1**
Income tax expense	12	444.6	521.9
Financial result[1]	11	198.0	150.8
EBIT		**754.8**	**2,159.8**
Interest paid		–151.9	–165.4
Interest received		61.5	46.8
Income tax paid	12, 31	–597.2	–751.2
Dividends received		31.4	31.0
Depreciation, amortization, impairment and reversal of impairment losses	8, 14, 15, 16	3,211.2	2,415.0
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	10, 18	–29.1	–10.6
Gains/losses from the disposal of assets, companies and business operations		–16.2	–295.6
Changes in			
inventories	23	–1,644.9	–1,417.7
trade accounts receivable	24	–821.9	31.2
trade accounts payable	35	1,732.9	941.4
employee benefits and other provisions	29, 30	–165.7	146.8
other assets and liabilities		–69.4	–177.1
Cash flow arising from operating activities		**2,295.5**	**2,954.4**
Cash flow arising from operating activities – continuing operations		2,295.5	2,490.5
Cash flow arising from operating activities – discontinued operations		n. a.	463.9
Cash flow from the disposal of assets	14, 15	73.4	77.7
Capital expenditure on property, plant and equipment, and software	14, 15	–2,132.8	–1,825.8
Capital expenditure on intangible assets from development projects and miscellaneous	14	–36.4	–52.0
Cash flow from the disposal of companies and business operations	5	–0.6	342.8
Acquisition of companies and business operations	5	–108.5	–124.7
Cash flow arising from investing activities		**–2,204.9**	**–1,582.0**
Cash flow arising from investing activities – continuing operations		–2,204.9	–1,420.2
Cash flow arising from investing activities – discontinued operations		n. a.	–161.8

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.

€ millions	See Note	**2022**	2021
Cash flow before financing activities (free cash flow)		**90.6**	**1,372.4**
Issuance of bonds[2]	32	625.0	–
Redemption of bonds[2]	32	–	-200.0
Repayment of lease liabilities[2]	32	-323.6	-339.3
Change in other indebtedness[2]	32	822.2	-613.9
Change in derivative instruments and interest-bearing investments[2]	32	22.9	70.7
Other cash changes		-36.1	-44.9
Dividends paid		-440.0	–
Dividends paid to and cash changes from equity transactions with non-controlling interests		-16.9	-29.3
Cash flow arising from financing activities		**653.5**	**-1,156.7**
Cash flow arising from financing activities – continuing operations		653.5	-1,134.0
Cash flow arising from financing activities – discontinued operations		n. a.	-22.7
Change in cash and cash equivalents		**744.1**	**215.7**
Cash and cash equivalents at the beginning of the reporting period		2,269.1	2,938.7
Effect of exchange-rate changes on cash and cash equivalents		-25.2	96.1
Cash and cash equivalents at the end of the reporting period		2,988.0	3,250.5
Less cash and cash equivalents from discontinued operations at the time of disposal		n. a.	-981.4
Cash and cash equivalents from continuing operations at the end of the reporting period	25	**2,988.0**	**2,269.1**

2 The presentation of the change in indebtedness was revised in fiscal 2022. The previous year's figures have been adjusted accordingly.

Consolidated Statement of Changes in Equity

€ millions	Issued/ subscribed capital[1]	Capital reserves	Retained earnings[2]	Successive purchases[3]	Difference from remeasurement of defined benefit plans[4]	Difference from currency translation[5]	Difference from financial instruments[5]	Subtotal[2]	Non-controlling interests	Total[2]
As at January 1, 2021[2]	**512.0**	**4,155.6**	**12,005.3**	**-302.1**	**-2,817.0**	**-1,232.7**	**-13.6**	**12,307.5**	**376.7**	**12,684.2**
Net income[2]	–	–	1,435.2	–	–	–	–	1,435.2	51.9	**1,487.1**
Other comprehensive income	–	–	0.0	–	490.3	724.9	92.6	1,307.8	37.1	**1,344.9**
Net profit for the period[2]	**–**	**–**	**1,435.2**	**–**	**490.3**	**724.9**	**92.6**	**2,743.0**	**89.0**	**2,832.0**
Dividends paid/resolved	–	–	–	–	–	–	–	–	-18.5	**-18.5**
Non-cash dividends due to the completed spin-off	–	–	-2,824.8	–	–	–	–	-2,824.8	–	**-2,824.8**
Successive purchases	–	–	–	-5.2	–	–	–	-5.2	5.3	**0.1**
Other changes[7]	0.0	–	-331.8	-4.5	331.8	–	–	-4.5	0.0	**-4.5**
As at December 31, 2021[2]	**512.0**	**4,155.6**	**10,283.9**	**-311.8**	**-1,994.9**	**-507.8**	**79.0**	**12,216.0**	**452.5**	**12,668.5**
Net income	–	–	66.6	–	–	–	–	66.6	45.6	**112.2**
Other comprehensive income	–	–	–	–	1,221.0	211.9	-16.3	1,416.6	-7.5	**1,409.1**
Net profit for the period	**–**	**–**	**66.6**	**–**	**1,221.0**	**211.9**	**-16.3**	**1,483.2**	**38.1**	**1,521.3**
Dividends paid/resolved	–	–	-440.0	–	–	–	–	-440.0	-27.4	**-467.4**
Other changes[8]	0.0	0.0	–	–	–	–	–	0.0	12.6	**12.6**
As at December 31, 2022	**512.0**	**4,155.6**	**9,910.5**	**-311.8**	**-773.9**	**-295.9**	**62.7**	**13,259.2**	**475.8**	**13,735.0**

1 Divided into 200,005,983 (PY: 200,005,980) outstanding shares with dividend and voting rights.
2 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.
3 Includes in the previous year an amount of -€5.2 million from successive purchases of shares in fully consolidated subsidiaries and an amount of -€4.5 million relating to effects from the first-time consolidation of previously non-consolidated subsidiaries.
4 Includes shareholder's portion of €0.1 million (PY: -€0.1 million) in non-realized gains and losses from pension obligations of equity-accounted investees.
5 Includes shareholder's portion of €1.1 million (PY: -€7.5 million) in the currency translation of equity-accounted investees.
6 The change in the difference arising from financial instruments, including deferred taxes, was due to other investments of -€16.3 million (PY: €92.6 million).
7 Other changes in relation to the retained earnings of €331.8 million resulted from reclassifications to retained earnings not recognized in profit or loss. Of these, €331.4 million was attributable to the spin-off of Vitesco Technologies and €0.4 million resulted from changes in the scope of consolidation. Other changes in non-controlling interests took place due to changes in the scope of consolidation and capital increases.
8 Other changes in non-controlling interests due to changes in the scope of consolidation and capital increases.

Notes to the Consolidated Financial Statements

1. Segment Reporting

In accordance with the provisions of IFRS 8, *Operating Segments*, Continental AG's segment reporting is based on the management approach with regard to segment identification, under which information regularly provided to the chief operating decision-maker for decision-making purposes is considered decisive.

The activities of the Continental Group are divided into the following segments:

Automotive 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.

With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, **Tires** 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.

ContiTech develops and manufactures cross-material, environmentally friendly and intelligent products and systems for the automotive industry, railway engineering, mining, agriculture and other key industries. ContiTech 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 contract manufacturing of products by Continental companies for Vitesco Technologies is consolidated in **Contract Manufacturing**. 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.

Other/holding/consolidation
This comprises centrally managed subsidiaries and affiliates, such as holding, financing and insurance companies, as well as the holding function of Continental AG and certain effects of consolidation. It also contains the effects on earnings of uncertain risks, particularly those in connection with contractual and similar claims or obligations representing, among other things, risks from investments that cannot currently be assigned to the individual operating units.

Internal control and reporting within the Continental Group are based on International Financial Reporting Standards (IFRS) as described in Note 2. The Continental Group measures the performance of its segments on the basis of their adjusted operating result (adjusted EBIT). Their performance is expressed as the return on sales (adjusted EBIT divided by adjusted sales) and as the return on capital employed (ROCE), which represents EBIT as a percentage of average operating assets. Intersegment sales and other proceeds are determined at arm's length prices. For administrative services performed by centrally operated companies or by the Continental Group's management, costs are calculated on an arm's length basis in line with utilization. Where direct allocation is not possible, costs are assigned according to the services performed.

The segment assets comprise the operating assets of the assets side of the statement of financial position as at the end of the reporting period. The segment liabilities show the operating asset parts on the liabilities side of the statement of financial position.

Capital expenditure relates to additions to property, plant and equipment, and software, as well as additions to capitalized right-of-use assets in line with IFRS 16, *Leases*, and additions to capitalized borrowing costs in line with IAS 23, *Borrowing Costs*. Depreciation and amortization include the scheduled diminution of and the impairment on intangible assets, property, plant and equipment, capitalized right-of-use assets and investment properties as well as the impairment on goodwill. This figure does not include impairment on financial investments.

Non-cash expenses/income mainly include additions to and reversals of pension and warranty provisions as well as provisions for litigation and environmental risks.

In the segment information broken down by country and region, sales are allocated on the basis of the domicile of the respective customers; in contrast, capital expenditure and segment assets are allocated on the basis of the domicile of the respective companies.

Viewed across all segments, Continental recorded sales totaling €4,068.1 million (PY: €3,521.3 million) with a group of companies under common control in the year under review.

In 2022, the Continental Group generated 22% of its sales in the USA (PY: 20%), 18% in Germany (PY: 17%) and 12% in China (PY: 12%). Other than these countries, there were no countries in which more than 10% of sales were achieved, as was also the case in the previous year.

All segment report tables show only the figures for continuing operations in the reporting and comparative periods for all segments. As part of the new organizational structure in place since January 1, 2022, the reporting segments are Automotive, Tires, ContiTech and Contract Manufacturing. All key figures for the segments reflect the resegmentation over the entire reporting period and are adjusted accordingly for the comparative period.

Segment report for 2022

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
External sales	18,323.1	13,900.5	6,520.2	665.1	–	39,408.9
Intercompany sales	-1.5	104.7	74.1	0.5	-177.8	–
Sales (total)	**18,321.6**	**14,005.2**	**6,594.3**	**665.6**	**-177.8**	**39,408.9**
EBIT (segment result)	-970.1	1,723.6	166.5	9.5	-174.7	754.8
in % of sales	-5.3	12.3	2.5	1.4	–	1.9
thereof income from equity-accounted investees	25.2	1.8	0.2	–	1.1	28.3
Depreciation and amortization[1]	1,932.6	921.1	319.9	35.2	2.4	3,211.2
thereof impairment[2]	880.9	82.3	3.4	0.0	–	966.6
Capital expenditure[3]	1,342.0	818.6	199.8	9.9	56.1	2,426.4
in % of sales	7.3	5.8	3.0	1.5	–	6.2
Internally generated intangible assets	24.4	–	–	–	–	24.4
Significant non-cash expenses/income	-177.7	-26.0	-61.2	-4.7	4.5	-265.1
Segment assets	15,350.7	10,780.0	4,676.4	758.4	325.7	31,891.2
thereof investments in equity-accounted investees	190.1	82.8	21.2	–	11.0	305.1
Segment liabilities	7,028.1	3,410.7	1,507.0	227.2	162.6	12,335.6
Operating assets as at December 31	8,322.6	7,369.3	3,169.4	531.2	163.1	19,555.6
Operating assets (average)	8,747.4	7,508.2	3,275.8	635.2	106.3	20,272.9
ROCE in %	-11.1	23.0	5.1	1.5	–	3.7
Number of employees as at December 31[4]	97,575	56,987	41,798	2,192	486	199,038
Adjusted sales[5]	18,219.6	14,005.2	6,553.0	665.6	-177.8	39,265.6
Adjusted operating result (adjusted EBIT)[6]	-30.1	1,841.6	308.1	2.9	-171.8	1,950.7
in % of adjusted sales	-0.2	13.1	4.7	0.4	–	5.0

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

Segment report for 2021

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
External sales	15,304.4	11,722.1	5,850.5	888.2	–	33,765.2
Intercompany sales	53.0	85.5	62.1	1.4	-202.0	–
Sales (total)	**15,357.4**	**11,807.6**	**5,912.6**	**889.6**	**-202.0**	**33,765.2**
EBIT (segment result)	-374.6	1,700.6	514.7	130.4	-125.3	1,845.8
in % of sales	-2.4	14.4	8.7	14.7	–	5.5
thereof income from equity-accounted investees	56.9	-2.8	-0.3	–	1.0	54.8
Depreciation and amortization[1]	1,041.4	825.3	319.0	63.8	8.9	2,258.4
thereof impairment[2]	12.5	5.9	-3.1	13.8	0.0	29.1
Capital expenditure[3]	1,046.2	626.0	204.4	19.9	50.9	1,947.4
in % of sales	6.8	5.3	3.5	2.2	–	5.8
Internally generated intangible assets	31.5	–	–	–	–	31.5
Significant non-cash expenses/income	-318.3	-69.5	-61.1	-8.1	-31.1	-488.1
Segment assets	14,453.6	9,683.2	4,408.0	1,035.8	245.8	29,826.4
thereof investments in equity-accounted investees	187.7	86.8	21.5	–	9.9	305.9
Segment liabilities	5,989.8	3,135.0	1,312.0	281.9	158.3	10,877.0
Operating assets as at December 31	8,463.8	6,548.2	3,096.0	753.9	87.5	18,949.4
Operating assets (average)	8,110.5	6,625.5	3,070.3	450.2	159.6	18,416.1
ROCE in %	-4.6	25.7	16.8	29.0	–	10.0
Number of employees as at December 31[4]	89,350	57,217	40,960	2,904	444	190,875
Adjusted sales[5]	15,357.4	11,807.6	5,753.7	889.6	-202.0	33,606.3
Adjusted operating result (adjusted EBIT)[6]	-215.2	1,729.2	429.3	104.0	-192.6	1,854.7
in % of adjusted sales	-1.4	14.6	7.5	11.7	–	5.5

With the application of IFRS 5, the external sales of Vitesco Technologies resulting from supply and service relationships between the Contract Manufacturing segment and Vitesco Technologies have been shown as external sales of the Contract Manufacturing segment due to the continuation of the supply and service relationships. The external sales of discontinued operations have been reduced by this amount.

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

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

Reconciliation of EBIT to net income

€ millions	2022	2021
Automotive	-970.1	-374.6
Tires	1,723.6	1,700.6
ContiTech	166.5	514.7
Contract Manufacturing	9.5	130.4
Other/Holding/Consolidation	-174.7	-125.3
EBIT	**754.8**	**1,845.8**
Financial result[1]	-198.0	-156.1
Earnings before tax from continuing operations[1]	**556.8**	**1,689.7**
Income tax expense	-444.6	-359.5
Earnings after tax from continuing operations[1]	112.2	1,330.2
Earnings after tax from discontinued operations	n. a.	156.9
Net income[1]	**112.2**	**1,487.1**
Non-controlling interests	-45.6	-51.9
Net income attributable to the shareholders of the parent[1]	**66.6**	**1,435.2**

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.

Segment report by region

€ millions	Germany	Europe excluding Germany	North America	Asia-Pacific	Other countries	Continental Group
External sales 2022	**6,920.5**	**11,466.0**	**10,731.5**	**8,536.6**	**1,754.3**	**39,408.9**
External sales 2021	5,878.4	10,585.5	8,529.2	7,340.3	1,431.8	33,765.2
Capital expenditure 2022[1]	**466.3**	**830.1**	**515.3**	**566.8**	**47.9**	**2,426.4**
Capital expenditure 2021[1]	455.3	707.7	363.4	371.1	49.9	1,947.4
Segment assets as at December 31, 2022	**8,030.2**	**9,246.8**	**7,803.9**	**6,500.9**	**309.4**	**31,891.2**
Segment assets as at December 31, 2021	8,249.7	8,196.4	6,693.3	6,278.9	408.1	29,826.4
Number of employees as at December 31, 2022[2]	**44,871**	**67,972**	**37,471**	**39,841**	**8,883**	**199,038**
Number of employees as at December 31, 2021[2]	46,303	64,241	34,157	37,566	8,608	190,875

1 Capital expenditure on property, plant and equipment, and software.
2 Excluding trainees.

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.

2. General Information and Accounting Principles

Continental Aktiengesellschaft (Continental AG), whose registered office is Vahrenwalder Straße 9, Hanover, Germany, is the parent company of the Continental Group and a listed stock corporation. It is entered in the commercial register of the Hanover Local Court *(Amtsgericht)* under HR B 3527. The Continental Group is a supplier to the automotive industry, with worldwide operations. The areas of business and main activities in which the Continental Group is engaged are described in more detail in the Segment Reporting section. The consolidated financial statements of Continental AG for fiscal 2022 were prepared by resolution of the Executive Board of February 27, 2023, and will be submitted to and published in the German Federal Gazette *(Bundesanzeiger)*. Continental AG is included in the consolidated financial statements of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, which are published in the German Federal Gazette.

The consolidated financial statements of Continental AG as at December 31, 2022, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, pursuant to EU Regulation (EC) No. 1606/2002 in conjunction with Section 315e (1) of the German Commercial Code *(Handelsgesetzbuch – HGB)*. The term IFRS also includes the International Accounting Standards (IAS), the interpretations issued by the International Financial Reporting Standards Interpretations Committee or its predecessor the International Financial Reporting Interpretations Committee (IFRIC), and those of the former Standing Interpretations Committee (SIC). All International Financial Reporting Standards mandatory for fiscal 2022 have been applied, subject to endorsement by the European Union.

The consolidated financial statements have been prepared on the basis of historical cost, with the exception of certain financial assets and liabilities (including derivative instruments), which are measured at fair value; assets held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell (or costs to distribute); and defined benefit pension plans, for which the plan assets are measured at fair value.

The annual financial statements of companies included in the Continental Group have been prepared using uniform accounting policies, in accordance with IFRS 10, *Consolidated Financial Statements*. The reporting date for the individual financial statements of companies included in the Continental Group is the same as the reporting date for the consolidated financial statements.

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

In the year under review, the Continental Group changed the methodology used in its consolidated financial statements for the recognition of uncertain tax positions. In accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, this change was applied retrospectively, and the amounts affected in the comparative period of the previous year were adjusted accordingly in the financial statements. For reasons of materiality, a third statement of financial position was not prepared. The retrospectively adjusted figures in the opening statement of financial position and the explanation of the change are included under "Accounting for income taxes" in this note.

Companies consolidated

All major subsidiaries that Continental AG controls in accordance with the provisions of IFRS 10 have been included in the consolidated financial statements and are fully consolidated. To meet this definition, Continental AG must have the decision-making power to control the relevant activities and a right to variable returns from the associated company. Furthermore, it must be able to use its decision-making power to determine the amount of these returns. The companies consolidated may therefore also include companies that are controlled by Continental AG irrespective of the share of voting rights by way of other substantial rights such as contractual agreements, as is the case with structured units included in the consolidated financial statements.

The consolidation of subsidiaries is based on the acquisition method by offsetting the acquisition cost against the proportion of net assets attributed to the parent company at fair value at the acquisition date. Intangible assets not previously recognized in the separate financial statements of the acquired company are carried at fair value. Intangible assets identified in the course of a business combination – including, for example, brand names, patents, technology, customer relationships and order backlogs – are recognized separately at the acquisition date only if the requirements under IAS 38, *Intangible Assets*, for an intangible asset are met. Measurement at the acquisition date is usually provisional only. Increases or reductions of assets and liabilities that become necessary within 12 months after the acquisition are made retrospectively as at the acquisition date. Significant adjustments are presented in the notes to the financial statements.

Any positive remaining amount is capitalized as goodwill. The share of non-controlling interests is measured using the share of (remeasured) net assets of the subsidiary. In order to ensure the recoverability of goodwill arising from an as yet incomplete measurement and the corresponding purchase price allocation, the goodwill is allocated provisionally to the affected cash-generating units (CGUs) as at the end of the reporting period. This provisional allocation can deviate significantly from the final allocation. Any negative difference that arises is recognized in other income after the fair value of the acquired assets and liabilities has again been reviewed.

Non-controlling interests in the net assets of subsidiaries that are not attributable to the Continental Group are shown under "Non-controlling interests" as a separate component of total equity.

Once control has been obtained, any differences arising from successive purchases of shares from non-controlling interests between the purchase price and the carrying amount of those non-controlling interests are recognized in other comprehensive income.

Where there are successive purchases of shares resulting in control, the difference between the carrying amount and the fair value at the time of first-time consolidation for those shares already held is recognized in profit or loss under other income and expenses.

Significant investments where Continental AG can exert significant influence on the associated companies (associates) are accounted for using the equity method. The carrying amount of these associates is adjusted to reflect the share in the associates' net equity. If the financial statements of the associates are not available, the share of earnings or losses is recognized as necessary based on estimated amounts. Goodwill arising from first-time consolidation is reported using the equity method. Goodwill is not amortized, but the carrying amount of investments in associates consolidated using the equity method is tested for impairment if there are relevant indications.

Joint ventures are accounted for in the same way as associates.

Companies that are dormant or have only a low level of business activity and therefore no significant impact on the earnings, financial and net assets position of the Continental Group are not included in the consolidated financial statements. These are accounted for as other investments at fair value (FVOCI).

Intercompany receivables and payables, in addition to income and expenses, are eliminated on consolidation. Intercompany profits arising from internal transactions and dividend payments made within the Continental Group are eliminated on consolidation. Deferred taxes on the elimination of intercompany transactions are carried in the amount derived from the average income tax rate for the Continental Group.

Currency translation

The statements of financial position of foreign subsidiaries with a functional currency other than the euro are translated into euros using the middle rate at the end of the reporting period (closing rate). The income statements are translated at the average exchange rate for the year. Differences resulting from currency translation are recognized in the difference from currency translation in equity until the disposal of the subsidiary, without recognizing deferred taxes.

In the separate financial statements of Continental AG and its subsidiaries, foreign-currency receivables and payables are measured on recognition at the transaction rate and adjusted at the end of the reporting period to the related closing rates. Gains and losses arising on currency translation are recognized in profit or loss, except for certain loans. Exchange-rate differences relating to the translation of intercompany financing made in the functional currency of one of the parties are recognized in the difference from currency translation in equity if repayment of these intercompany loans is not expected in the foreseeable future.

Goodwill is recognized directly as an asset of the subsidiary acquired and therefore also translated into euros for subsidiaries whose functional currencies are not the euro at the end of the reporting period using the middle rate (closing rate). Differences resulting from currency translation are recognized in the difference from currency translation in equity.

The following table summarizes the exchange rates used in currency translation that had a material effect on the consolidated financial statements:

Currencies		Closing rate		Average rate for the year	
€1 in		**Dec. 31, 2022**	Dec. 31, 2021	**2022**	2021
Brazil	BRL	5.64	6.31	5.44	6.38
Switzerland	CHF	0.98	1.03	1.01	1.08
China	CNY	7.37	7.19	7.08	7.63
Czechia	CZK	24.15	24.87	24.56	25.65
United Kingdom	GBP	0.89	0.84	0.85	0.86
Hungary	HUF	400.86	369.63	391.17	358.57
Japan	JPY	140.74	130.38	138.06	129.87
South Korea	KRW	1,344.72	1,347.48	1,357.73	1,353.53
Mexico	MXN	20.82	23.14	21.20	23.99
Malaysia	MYR	4.70	4.72	4.63	4.90
Philippines	PHP	59.33	57.71	57.33	58.29
Romania	RON	4.95	4.95	4.93	4.92
USA	USD	1.07	1.13	1.05	1.18
South Africa	ZAR	18.12	18.04	17.20	17.48

Revenue recognition
Only sales of products and services resulting from the ordinary business activities of the company are shown as revenue.

In accordance with IFRS 15, *Revenue from Contracts with Customers*, Continental recognizes as revenue from contracts with customers the amount that is received as consideration for the transfer of goods or services to customers. The relevant point in time or period of time is the transfer of control of the goods or services to the customer (control approach).

To determine when to recognize revenue and at what amount, the five-step model is applied. By applying the five-step model in the Continental Group to contracts with customers, distinct performance obligations are identified. The transaction price is determined – and allocated to the performance obligations – according to the requirements of IFRS 15. Variable consideration in contracts with customers, such as rebates, bonus agreements or other kinds of price concessions, is analyzed, measured and included in the revenue recognition. The allocation of the transaction price in the case of more than one performance obligation at hand would be performed by using observable prices if possible. Otherwise the allocation would be performed using the adjusted market assessment approach or the approach of cost plus a margin. For every performance obligation that, in accordance with IFRS 15, is distinct within the context of the contract, the revenue recognition is determined to be at a point in time or to be satisfied over time.

Multi-component contracts that contain distinct performance obligations with different timing of revenue recognition are not currently material.

Description of sales revenue in automotive original-equipment business
The type of performance obligations to customers in automotive original-equipment business relates to the diverse and predominantly customer-specific products of the Automotive, Contract Manufacturing, and ContiTech segments, and the original-equipment business of the Tires segment; please refer to the information provided on the group sectors in the Structure of the Continental Group section of the consolidated management report. Invoices are generally prepared once a month, while the payment terms average 60 days and differ mostly depending on the region and/or product group. Payments are made by bank transfer in the vast majority of cases. No significant discounts on the invoice amount are granted; however, customer bonuses and other price reductions are included in the transaction price as variable price components in line with expectations. The customers do not usually make any significant advance payments. Revenue is almost always recognized over time using an output-based measurement method, and sales revenue is measured based on the products that leave the production plant, as the products are produced and delivered “just in time.” There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

Description of sales revenue in industrial and replacement business

The type of performance obligations to customers in industrial and replacement business relates to the replacement-tire and retail business of the Tires segment, the industrial and retail business of the ContiTech segment, and the replacement-parts and retail business of the Automotive and Contract Manufacturing segments; please refer to the information provided on the group sectors in the Structure of the Continental Group section of the consolidated management report. Invoices are generally prepared once a month, while the payment terms for most of the sales average 60 days and differ mostly depending on the region and/or product group. Payments are made by bank transfer in the vast majority of cases, with the exception of business with end customers and consumers, who often pay in cash or by card. No significant discounts on the invoice amount are granted; however, customer bonuses and other price reductions are included in the transaction price as variable price components in line with expectations. The customers do not usually make any significant advance payments. Revenue is recognized at the point in time when control is transferred to the customer, taking into account the agreed incoterms. There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

Description of revenue in other business activities

Revenue in other business activities is included in the sales of the automotive original-equipment business, in the sales of the industrial and replacement business, and in other revenues. On the one hand, services are provided and, on the other, project business is conducted in which developments for customers are made, goods produced or services provided over a medium-term or longer period. For this revenue, there are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

The largest component of this revenue relates to revenue from research and development, which is recognized at a point in time, either when the entire development is completed or when identifiable milestones within a development are reached. Invoices are generally prepared after completion of a milestone or an entire development and acceptance by the customer. Payments are made by bank transfer in most cases. No significant discounts on the invoice amount are granted. The customers do not usually make any significant advance payments.

In addition, services that are performed alongside the main business also lead to revenue recognition over time, though in smaller amounts. Both input- and output-based measurement methods are used and sales are measured either based on the hours or days worked or the costs incurred (input), or based on the services rendered (output). Invoices are generally prepared at least once a month, and payments are made by bank transfer in most cases. No significant discounts on the invoice amount are granted. The customers do not usually make any significant advance payments.

In addition, project business is conducted, in which generally customer-specific goods or services are produced or provided for customers over a medium-term or longer period. Revenue from this is likewise recognized over time and sales are mostly measured using input-based measurement methods, taking account of the costs incurred. Invoices are generally issued as contractually agreed. Advance payments averaging 30% are usually made by the customers before the start of a project. Payments are made by bank transfer in most cases. No significant discounts on the invoice amount are granted.

Research and development expenses

Research and development expenses comprise expenditure on research and development and expenses for customer-specific applications, prototypes and testing. Where refunds from customers for research and development expenses are agreed, these costs are recognized in inventories until control is transferred. Once control is transferred, they are stated under other income. In addition, the expenses are reduced by the amount relating to the application of research results from the development of new or substantially improved products, if the related activity fulfills the recognition criteria for internally generated intangible assets set out in IAS 38, *Intangible Assets*. This portion of the expenses is capitalized as an asset and amortized over a period of three to seven years from the date that the developed products become marketable. However, expenses for customer-specific applications, pre-production prototypes or tests for products already being marketed do not qualify as development expenditure which may be recognized as an intangible asset. Furthermore, expenses incurred directly in connection with the launch of new production operations and plants are recognized directly in profit or loss.

New developments for the original-equipment business are not marketable until Continental AG has been nominated as the supplier for the particular vehicle platform or model and, furthermore, has successfully fulfilled pre-production release stages. Moreover, these release stages serve as the prerequisite to demonstrate the technical feasibility of the product, especially given the high demands imposed on safety and comfort technology. Accordingly, development costs are recognized as an asset only as at the date of nomination as supplier and upon fulfillment of a specific pre-production release stage. The development is considered to be completed once the final approval for the unlimited production is granted. Only very few development projects fulfill the recognition criteria.

Although suppliers are nominated by original equipment manufacturers with the general obligation to supply products over the entire life of the particular model or platform, these supply agreements constitute neither long-term contracts nor firm commitments, in particular because the original equipment manufacturers make no commitments in regard to purchase quantities. For this reason, all pre-production expenses – with the exception of the capitalized development costs as previously described – are recognized immediately in profit or loss.

Product-related expenses
Costs for advertising, sales promotion and other sales-related items are expensed as incurred. Provisions are recognized for possible warranty claims on sold products on the basis of past experience, as well as legal and contractual terms. Additional provisions are recognized for specific known cases.

Financial result and investment income
Interest income and expenses are recognized for the period to which they relate.

Dividends are recognized in profit or loss if legal entitlement to payment of the dividend is established, the economic benefit associated with the dividend is likely to be received, and the dividend amount can be measured reliably.

Earnings per share
Basic earnings per share are calculated on the basis of the weighted average number of shares issued. Treasury stock is deducted for the period it is held. Diluted earnings per share also include shares from the potential exercise of option or conversion rights. The corresponding expenses that would no longer be incurred after the conversion or exchange are eliminated.

Statement of financial position classification
Assets and liabilities are reported as non-current assets and liabilities in the statement of financial position if they have a remaining term of over one year and, conversely, as current assets and liabilities if the remaining term is shorter. Liabilities are treated as current if there is no unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pension provisions, provisions for other post-employment benefits, and other employee benefits, as well as deferred tax assets and liabilities are accounted for as non-current. If assets and liabilities have both current and non-current portions, the amounts are classified separately and shown as current and non-current assets or liabilities.

Goodwill
Goodwill corresponds to the difference between the acquisition cost and the fair value of the acquired assets and liabilities of the business combination. Goodwill is not subject to amortization; it is tested for impairment at least annually and, if necessary, impaired.

The details of the annual impairment test are described under "Impairment" in this note. Once an impairment loss has been recognized on goodwill, it is not reversed in subsequent periods.

Intangible assets
Purchased intangible assets are carried at acquisition costs and internally generated intangible assets at their production costs, provided that the conditions for recognition of an internally generated intangible asset are met in accordance with IAS 38, *Intangible Assets*. If intangible assets have finite useful lives, they are amortized on a straight-line basis over a useful life of three to eight years in general. Intangible assets with indefinite useful lives are tested at least annually for impairment and, if necessary, impaired.

The details of the annual impairment test are described under "Impairment" in this note.

Property, plant and equipment
Property, plant and equipment is measured at cost less straight-line depreciation. If necessary, additional impairment is recognized on the affected items.

Production cost consists of the direct costs and attributable material and manufacturing overheads, including depreciation.

Under certain conditions, portions of the borrowing costs are capitalized as part of the acquisition cost. This also applies to finance leases and investment property.

As soon as an asset is available for its intended use, subsequent cost is capitalized only to the extent the related modification changes the function of the asset or increases its economic value and the cost can be clearly identified. All other subsequent expenditure is recognized as current maintenance expense.

Property, plant and equipment is broken down into the lowest level of the components that have significantly different useful lives and, to the extent integrated in other assets, when they are likely to be replaced or overhauled during the overall life of the related main asset. Maintenance and repair costs are recognized in profit or loss as incurred. The Continental Group has no property, plant or equipment that by the nature of its operation and deployment can be repaired and serviced only in intervals over several years. The useful lives are up to 25 years for buildings and land improvements; up to 20 years for technical equipment and machinery; and up to 12 years for operating and office equipment.

When assets are sold, closed down or scrapped, the difference between the net proceeds and the net carrying amount of the assets is recognized as gain or loss in other income or expense, respectively.

Government grants
Government grants are reported if there is reasonable assurance that the conditions in place in connection with the grants will be fulfilled and that the grants will be awarded.

Monetary government grants and government subsidies that are directly attributable to depreciable fixed assets are deducted from the procurement and manufacturing costs of the assets in question. All other monetary grants and subsidies are recognized as income in line with planning and are presented alongside the corresponding expenses. Non-monetary government grants are recognized at fair value.

Investment property
Land and buildings held for the purpose of generating rental income instead of production or administrative purposes are carried at depreciated cost. Depreciation is charged on a straight-line basis over the useful lives, which correspond to those for real estate in use by the company.

Leases
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lessee shall recognize a right-of-use asset and a corresponding lease liability, which represents the lessee's obligation to make lease payments.

The lease liability is measured at the present value of the lease payments not yet made. It is recognized under indebtedness. Discounting is determined using the incremental borrowing rates, as the interest rates underlying the leases often cannot be determined regularly. The right-of-use-asset recognized by the lessee is measured at cost. This amount comprises the corresponding lease liability and prepaid lease payments, taking into account any lease incentives received. It is recognized in property, plant and equipment. Depreciation is charged on a straight-line basis. The lease liability is subsequently measured according to the effective interest method. The resulting interest expense is recognized in the financial result.

Continental utilizes the exemptions for short-term leases and for leases in which the underlying asset is of low value.

Continental leases property, plant and equipment, especially buildings.

As lessor, Continental classifies leases as operating leases or finance leases. For this classification, Continental considers whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, it is a finance lease; otherwise, it is an operating lease.

If Continental acts as an intermediate lessor, the interests arising from the head lease and sublease are accounted for separately. The sublease is measured based on the value of the right-of-use asset resulting from the head lease and not based on the underlying asset. If the head lease is a short-term lease for which the Continental Group applies the exemption provision, it classifies the sublease as an operating lease.

The Continental Group applies IFRS 15, *Revenue from Contracts with Customers*, when allocating the consideration in the contract to each lease and non-lease component.

Impairment
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). Impairment is assessed by comparing the carrying amount with the recoverable amount. The recoverable amount is the higher of the fair value less cost of disposal and the present value of the expected future cash flows from the continued use of the asset (value in use). If the carrying amount is higher than the recoverable amount, the difference is recognized as impairment. If the indications for the prior recognition of impairment no longer apply, the impairment losses are reversed for intangible assets, property, plant and equipment, and investment property.

In particular, the rise in the general interest rate level is an indication of possible impairment, which is why we performed an impairment test for the individual CGUs on June 30, 2022, and September 30, 2022. Due to this triggering event and other significant assumptions made when calculating the value in use of a CGU – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €552.9 million in the Vehicle Dynamics CGU (September 30, 2022: €555.3 million; June 30, 2022: €57.3 million), and property, plant and equipment impaired by €311.4 million (September 30, 2022: €310.5 million; June 30, 2022: €313.1 million) in the Architecture and Networking CGU of the Automotive segment during the course of the year. This was mainly attributable to increased discount rates and updated planning. The impairment losses are reported as other expenses. The changes since September 30, 2022, result exclusively from changes in exchange rates.

The expected cash flows of the CGUs used as a basis for the impairment tests on September 30, 2022, and June 30, 2022, were derived from current long-term planning that covers the next five years. For the impairment test on September 30, 2022, the cash flows of the CGUs of the Automotive segment were discounted with an interest rate before tax of 13.2% (June 30, 2022: 12.8%). This pre-tax WACC is based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate as at September 30, 2022, was 2.07% (June 30, 2022: 1.64%), and the market risk premium was 7.5% (June 30, 2022: 7.5%). Borrowing costs correspond to the interest rate on industrial bonds, with the average rating derived via the peer group.

On average, the growth rate in the detailed planning period as at September 30, 2022, was 10.7% (June 30, 2022: 10.8%) for the CGUs of the Automotive segment. The long-term growth rates on both reporting dates were 1.0% for the CGUs of the Automotive segment. These growth rates do not exceed the long-term average growth rates for the markets in which the CGUs operate.

The recoverable amount of the Vehicle Dynamics CGU as at September 30, 2022, was €1,468.5 million, and the recoverable amount of the Architecture and Networking CGU as at June 30, 2022, was €775.6 million.

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. There were expenses of €80.6 million in the Tires segment (September 30, 2022: €77.1 million; June 30, 2022: 69.4 million), €5.9 million in the ContiTech segment (September 30, 2022: €5.7 million; June 30, 2022: €5.1 million) and €0.2 million in the Automotive segment (September 30, 2022: €0.1 million; June 30, 2022: €0.1 million).

In addition, capitalized goodwill is generally tested for impairment once a year as at November 30 at the level of cash-generating units (CGUs). CGUs are units that come below the segments and are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This represents the level at which goodwill is monitored for internal management purposes. The impairment test is performed by comparing the carrying amount of the CGU including its goodwill and the recoverable amount of this CGU. The recoverable amount in this case is the value in use calculated on the basis of discounted cash flows before interest and tax. Impairment is recognized to the extent the carrying amount exceeds the recoverable amount for a CGU. If the reasons for this cease to apply in the future, impairment losses on goodwill are not reversed.

The expected cash flows of the CGUs are derived from long-term planning that covers the next five years and is approved by management. The plans are based in particular on assumptions regarding macroeconomic developments, as well as trends in sales prices, raw material prices and exchange rates derived in part from external sources. In addition to these current market forecasts, past developments and experience are also taken into account. For the perpetuity beyond the period of five years, the cash flow is extrapolated using the expected long-term growth rates for the individual CGUs.

The main assumptions when calculating the value in use of a CGU are the free cash flows, the discount rate and its parameters, and the long-term growth rate.

Annual impairment testing was performed on the basis of the bottom-up business plan for the next five years approved by management in the period under review. The cash flows of the CGUs of the Automotive segment were discounted with an interest rate before tax of 12.9% (PY: 10.7%), those of the Tires segment with an interest rate of 11.0% (PY: 8.6%), those of the ContiTech segment with an interest rate of 11.1% (PY: 9.2%) and those of the Contract Manufacturing segment with an interest rate of 12.9% (PY: 10.7%). These pre-tax WACCs are based on the capital structure of the respective relevant peer group on average over the last five years. The risk-free interest rate is 1.75% (PY: -0.07%) and the market risk premium 7.5% (PY: 7.5%). Borrowing costs correspond to the interest rate on industrial bonds, with the average rating derived via the peer group.

For the annual impairment test, the average growth rate in the detailed planning period was 11.0% (PY: 15.7%) for the CGUs of the Automotive segment, 5.6% (PY: 4.4%) for those of the Tires segment and 5.7% (PY: 5.5%) for those of the ContiTech segment. Contract manufacturing for Vitesco Technologies is reported in the Contract Manufacturing segment and will conclude by the end of the detailed planning period. The long-term growth rate was 1.0% (PY: 1.0%) for the CGUs of the Automotive segment, 0.5% (PY: 0.5%) for those of the Tires and ContiTech segments and 0.0% (PY: 0.0%) for those of the Contract Manufacturing segment. These growth rates do not exceed the long-term average growth rates for the markets in which the CGUs operate.

The annual impairment testing of goodwill determined no further requirements for impairment for 2022. This was confirmed in a further test on December 31, 2022. In the Original Equipment CGU of the Tires segment, the carrying amount exceeds the value in use by €88.4 million. Due to the lack of material goodwill, the recoverability of the individual assets was reviewed. This review did not reveal any need for impairment, since the fair value less cost of disposal of the individual assets exceeds their respective carrying amount.

Assuming a 2.0-percentage-point increase in the discount rate would potentially lead to an additional asset impairment of around €227 million in the Architecture and Networking CGU. This would lead to an additional goodwill impairment of around €69 million in the Smart Mobility CGU and around €62 million in Vehicle Dynamics. In the Original Equipment CGU, the carrying amount would exceed the value in use by a further €278 million. Reducing the long-term growth rate by 1.0 percentage point would potentially lead to an additional asset impairment of around €56 million in Architecture and Networking. In the Original Equipment CGU, the carrying amount would exceed the value in use by a further €109 million. If sales in perpetuity would decline by 10.0%, consequently reducing free cash flow as a key planning parameter, this would potentially lead to an additional asset impairment of around €93 million in Architecture and Networking. In the Original Equipment CGU, the carrying amount would exceed the value in use by a further €130 million.

Assets held for sale and related liabilities

A non-current asset (or disposal group) is classified as held for sale and is presented separately in the statement of financial position if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

A non-current asset (or disposal group) held for sale is measured at the lower of its carrying amount and fair value less costs to sell where it meets the held for sale criteria. Depreciation of these assets ceases once they are classified as held for sale. Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts shall be measured in accordance with the applicable IFRS.

A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. A non-current asset (or disposal group) held for distribution is measured at the lower of its carrying amount and fair value less costs to distribute.

On subsequent remeasurement of a disposal group, the carrying amounts of any assets and liabilities that are not within the scope of the measurement requirements of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with the applicable IFRS before the fair value less costs to sell of the disposal group is remeasured.

A discontinued operation can also be classified as held for sale under IFRS 5. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The classification of a component of an entity as a discontinued operation is also appropriate in the case of classification as held for distribution, provided the criteria are met.

Financial instruments

A financial instrument, as defined in IAS 32, *Financial Instruments: Presentation*, is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

In the Continental Group, a purchase or sale of financial assets or financial liabilities is recognized or derecognized at the settlement date.

Financial assets

Financial assets are recognized in the statement of financial position as at the date Continental becomes a contractual party to the financial instrument. At the acquisition date, they must be classified into measurement categories that determine the subsequent accounting.

Receivables from the receivables factoring programs carried out in the Continental Group are recognized in the statement of financial position when the risks and rewards, in particular credit and default risk, have not been essentially transferred. The repayment obligations therefrom are, as a rule, then shown as short-term financial liabilities.

The classification and measurement of financial assets that constitute debt instruments is based on the business model in which the assets are managed and on their cash flow characteristics. These conditions are cumulative criteria whose audit sequence is irrelevant.

It is therefore necessary to analyze the business model in which the asset to be classified is held. This relates to the investigation of the way in which financial assets held in order to collect cash flows are managed. The Continental Group reclassifies debt instruments only if the corresponding business model changes.

IFRS 9, *Financial Instruments*, distinguishes between three business models:

- Hold-to-collect: The objective of this business model is to hold the financial assets and generate the contractual cash flows. This model is the prevalent business model in the Continental Group.

- Hold-to-collect and sale: This business model aims to collect the contractual cash flows or sell the financial assets. This business model does occur – for example, in connection with notes receivable – but is fundamentally of subordinate importance in the Continental Group.

- Other: This business model constitutes a catch-all category. This model occurs in the Continental Group in connection with recognized trade accounts receivable from third parties which will probably be sold under a true sale-of-receivables factoring agreement; however, it is fundamentally of subordinate importance in the Continental Group.

In addition to the analysis of the business model, the contractual terms applicable on acquisition of the financial instrument must also be assessed (SPPI (solely payments of principal and interest) criterion). The SPPI criterion is met when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement.

On the basis of the aforementioned conditions, a distinction is drawn between the following measurement categories for financial assets that constitute debt instruments:

- Measured at cost: The financial asset, which constitutes a debt instrument, is held within a business model whose objective is to hold assets in order to collect contractual cash flows. Furthermore, the contractual cash flows can be characterized as payments of principal and interest on the principal amount outstanding. Interest income is recognized in the financial result using the effective interest method. Gains or losses arising from derecognition are recognized in profit or loss together with the foreign-currency gains and losses. Impairment losses are likewise recognized separately in the income statement.

- Measured at fair value through other comprehensive income with reclassification (FVOCIwR): The financial asset, which constitutes a debt instrument, is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Furthermore, the contractual cash flows can be characterized as payments of principal and interest on the principal amount outstanding. Changes in the carrying amount are recognized in other comprehensive income. Income or expenses from impairment, interest income and foreign-currency gains and losses are recognized in profit or loss. The cumulative gain or loss stated in other comprehensive income is reclassified from equity to the income statement when the financial asset is derecognized. Interest income is recognized in the financial result using the effective interest method. Foreign-currency gains and losses are recognized in other income and expenses.

- Measured at fair value through profit or loss (FVPL): The financial asset, which constitutes a debt instrument, is not to be measured at cost or at fair value through other comprehensive income with reclassification (FVOCIwR), as either the SPPI criterion was not met or the “Other” business model applies. Classification to the “measured at fair value through profit or loss (FVPL)” category can also be appropriate if the fair value option is applied to debt instruments that should actually be classified as measured at cost or at fair value through other comprehensive income with reclassification (FVOCIwR). However, the Continental Group does not currently intend to apply the fair value option to debt instruments. Income or expense from a financial asset measured at fair value through profit or loss is recognized in the income statement.

Investments that fall within the scope of IFRS 9, *Financial Instruments*, and meet the definition of equity must generally be measured at fair value. For equity instruments that are neither held for trading nor constitute contingent consideration accounted for by the acquirer in a business combination according to IFRS 3, *Business Combinations*, the Continental Group decides at the acquisition date for each (equity) instrument whether to exercise the option of recognizing changes in fair value in other comprehensive income (fair value OCI option). The cumulative gain or loss in other comprehensive income is not reclassified to the income statement when the financial asset is derecognized. This results in the measurement category of fair value through other comprehensive income without reclassification (*FVOCIwoR*).

Dividends are an exception to this and continue to be recognized in profit or loss when the legal entitlement is established, unless this relates to a partial restitution of acquisition costs. Dividends are recognized in other income from investments.

Equity instruments held for trading purposes or for which the fair value OCI option is not utilized are without exception accounted for at fair value through profit or loss (FVPL).

On initial recognition, the Continental Group measures a financial asset at fair value plus the transaction costs directly attributable to the acquisition, with the exception of financial assets measured at fair value through profit or loss, for which associated transaction costs are recognized as expense in the income statement.

Impairment is recognized using the expected loss model. The impairment model applies to financial assets measured at amortized cost or at fair value through other comprehensive income (FVOCI) (except for investments in equity instruments), contract assets that result from IFRS 15, *Revenue from Contracts with Customers*, lease receivables, loan commitments and financial guarantee contracts.

Loss allowances are measured on the basis of 12-month expected credit losses or on the basis of lifetime expected credit losses. 12-month expected credit losses result from possible default events within 12 months after the reporting date. Lifetime expected credit losses result from all possible default events over the expected life of a financial instrument.

Lifetime expected credit loss measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition, and 12-month expected credit loss measurement applies if it has not. The credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due on the reporting date.

For trade accounts receivable and contract assets with and without significant financing components, lease payments receivable and current receivables from related parties, only lifetime expected credit loss measurement is applied. Under this approach, the lifetime expected credit losses must be recognized from the initial recognition of the receivable.

A financial asset is in default or credit-impaired if one of the following criteria is met:

› Insolvency or a similar event that indicates significant financial difficulty and a probable default of the counterparty.

› Probable debt waiver.

› A breach of contract that leads to the assumption that it is more probable that one or more receivables are not collectible.

› Other reasons in the assessment of credit management that lead to the assumption that it is more probable that the receivables are not collectible.

If there is evidence of uncollectibility, the financial asset is derecognized. If creditworthiness improves, the allowance is reversed.

Financial liabilities

Financial liabilities are recognized in the statement of financial position as at the date Continental becomes a contractual party to the financial instrument.

Financial liabilities are generally measured at amortized cost using the effective interest method. Instruments that are held for trading are classified as "financial liabilities measured at fair value through profit or loss." For financial liabilities not held for trading, the fair value option can be exercised. If the fair value option is used, the portion of the change in the fair value due to changes in the credit risk of the liability is recognized in other comprehensive income. The fair value option is not currently exercised in the Continental Group. In the consolidated financial statements of Continental AG, all non-derivative financial liabilities are measured at amortized cost, which as a rule comprises the remaining principal balance and issuing costs, net of any unamortized premium or discount. Liabilities from leases are shown at the present value of the remaining lease payments based on the implicit lease interest rate. Financial obligations with fixed or determinable payments that comprise neither financial liabilities nor derivative financial liabilities and are not quoted in an active market are reported in the statement of financial position under other financial liabilities in accordance with their term.

In the case of information reported in accordance with IFRS 7, *Financial Instruments: Disclosures*, classification is in line with the items disclosed in the statement of financial position and/or the measurement category used in accordance with IFRS 9, *Financial Instruments*.

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value through profit or loss (FVPL).

The fair value is generally the market or exchange price. In the absence of an active market, the fair value is determined using financial models.

Fair values of currency forwards are calculated by way of future cash flows being translated into one of the two currencies using forward rates, netted, discounted with risk-free interest rates and then translated into the functional currency of the respective subsidiary at current spot exchange rates if applicable (par method).

The value of options is determined by applying recognized option pricing models.

To calculate the fair value of interest-rate swaps and cross-currency interest-rate swaps, the future cash flows are discounted with the interest rates for the respective maturities, with primarily deposit or IBOR rates used as short-term interest rates while long-term interest rates are based on the swap rates in the respective currency. Future cash flows are forecast using interest-rate curves with an appropriate payment tenor. When discounting, currency basis spreads or, if applicable, tenor basis spreads are taken into account.

The measurement of derivative instruments takes into account the credit spread in general.

Derivative instruments are recognized at the date when the obligation to buy or sell the instrument arises.

For the current status of implementation of the IBOR reform and its impact on the consolidated financial statements of Continental, see Note 33.

Hedge accounting is currently not applied.

The amount of the effective portion of the change in value of the hedges remaining from the hedging of foreign-currency risks from net investments in foreign operations is still recognized together with the effect from the currency translation of the net investment in the difference from currency translation in equity. The accumulated currency effects are not reclassified in profit and loss until the foreign operations are sold or liquidated.

Embedded derivatives

An embedded derivative is a component of a hybrid contract alongside a non-derivative host contract. A portion of the cash flows of the hybrid contract is therefore subject to similar variability as a separate derivative.

Non-derivative host contracts, with the exception of financial assets, are regularly inspected within the Continental Group for embedded derivatives.

If the host contract does not fall under the scope of IFRS 9 or if the host contract is a financial liability, embedded derivatives must be separated from the host contract if the assessment finds that the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms would meet the definition of a derivative and Continental does not exercise the option to measure the entire hybrid instrument at fair value through profit or loss.

If separation is appropriate, the host contract is accounted for in accordance with the relevant IFRS requirements. The embedded derivative is recognized at fair value through profit or loss (FVPL).

Inventories

Inventories are recognized at the lower of cost and net realizable value. Acquisition cost is generally determined using the weighted-average method. Production cost includes direct costs, production-related material costs, overheads and depreciation. Inventory risks resulting from decreased marketability or excessive storage periods are accounted for with write-downs.

Other assets

Other assets are recognized at amortized cost. Allowances are recognized as appropriate to reflect any possible risk related to recoverability.

Accounting for income taxes

Income taxes are measured using the concept of the statement of financial position liability method in accordance with IAS 12, *Income Taxes*. Tax expenses and refunds that relate to income are recognized as income taxes. Late payment fines and interest arising from subsequently assessed taxes are not reported under the item income tax expense, but rather as interest income and expense.

Current taxes owed on income are recognized as expenses when they are incurred. They are determined taking into account the respective local tax laws and relevant case law. The complexity of these regulations and the possible differences in interpretation between taxpayers on the one hand and local tax authorities on the other may lead to uncertainties regarding the handling of individual facts and circumstances. These uncertain tax positions are measured in accordance with IFRIC 23 as the mostly likely amount. Owing to the lack of an unrestricted market comparison, determining prices for cross-border intercompany transactions is extremely complex and therefore subject to uncertainty. In the Continental Group, prices are therefore regularly determined on the basis of the internationally recognized arm's length principle, taking into account the transfer pricing methods specified by lawmakers and the Organisation for Economic Co-operation and Development (OECD). If there are multiple tax uncertainties and a correlation between them and certain tax parameters, they are presented in the financial statements either individually or as a group, depending on how the risk is realized. For improved transparency, an unconverted individual presentation has been preferred to date.

Deferred taxes include expected tax payments and refunds from temporary differences between the carrying amounts in the consolidated financial statements and the related tax bases, as well as from the utilization of loss carryforwards. No deferred tax is recognized for non-tax-deductible goodwill. The deferred tax assets and liabilities are measured at the applicable tax rates related to the period when the temporary differences are expected to reverse. Changes in tax rates are recognized once the rate has been substantially enacted. Deferred tax assets are not recognized if it is not probable that they will be realized in the future.

In the year under review, the Continental Group changed the methodology used in its consolidated financial statements for the recognition of uncertain tax positions. In a country-specific review, Continental analyses the extent to which tax-related risks that are likely to occur can or must be offset against losses or loss carryforwards in the individual countries or tax groups. If there is a need for offsetting in the countries or tax groups, the probable tax-related risks are offset against the associated losses and loss carryforwards. As a result, the disclosure of deferred taxes on loss carryforwards now includes a risk adjustment for the Continental Group units affected, whereas previously a provision for uncertain tax positions was recognized in all cases. In the opening statement of financial position as at January 1, 2021, this retrospective adjustment led to a reduction in deferred tax assets of €114.9 million to €2,636.5 million and simultaneously to a reduction in tax liabilities of €114.9 million to €675.2 million. There was also a reduction in the provision for possible interest payments and penalties on income tax liabilities of €45.1 million to €101.8 million and, conversely, an increase in retained earnings of €45.1 million to €12,005.3 million. Furthermore, as at December 31, 2021, deferred tax assets decreased by €85.7 million to €2,328.8 million and tax liabilities decreased by €85.7 million to €472.2 million. In addition, provisions for possible interest payments and penalties on income tax liabilities as at December 31, 2021, increased by €19.8 million to €122.4 million, while interest income decreased by €19.8 million to €82.9 million. In fiscal 2022, the deferred tax assets of €2,059.2 million and tax liabilities of €525.7 million are thus €72.3 million lower than under the old methodology. The short-term provisions for other risks and obligations as at December 31, 2022, and the interest income for fiscal 2022 were not affected by the change in methodology.

Income tax receivables and liabilities are recognized as current items, as they are due immediately and this due date often cannot be deferred.

The OECD is currently working on the introduction of a global minimum tax (OECD – Pillar 2) with the aim of ensuring fair tax competition between countries and preventing tax avoidance. Under the proposed scheme, the profit of multinational enterprises with revenues of more than €750 million will be taxed at a minimum rate of 15%. As a company potentially affected by this, Continental is closely following the developments regarding the introduction of the global minimum tax, analyzing the current draft regulations in terms of their impact on the company and working on the necessary adjustments to its tax reporting processes. Owing to the complexity of the regulations and the fact that they have yet to be definitively implemented in local law, this impact analysis has not yet been completed. Hence, any estimation of the financial effects has not yet been undertaken.

Employee benefits
The retirement benefits offered by the Continental Group comprise both defined benefit and defined contribution plans.

Pension provisions under defined benefit plans are actuarially measured pursuant to IAS 19, *Employee Benefits* (revised 2011), using the projected unit credit method that reflects salary, pension and employee fluctuation trends. The discount rate to determine the present value is based on long-term loans in the respective capital market. Actuarial gains and losses are recognized in other comprehensive income. Expenses from interest cost on pension liabilities and income from pension funds are reported net in the financial result.

Accordingly, the interest effects of other long-term employee benefits are reported in the financial result. Pension liabilities for some companies of the Continental Group are covered by pension funds. Furthermore, plan assets comprise all assets, as well as claims from insurance contracts, that are held exclusively toward payments to those entitled to pensions and are not available to meet the claims of other creditors. Pension obligations and plan assets are reported on a net basis in the statement of financial position.

The other post-employment benefits also shown under the employee benefits relate to obligations to pay for health costs for retired workers in the USA and Canada in particular.

Defined contribution plans represent retirement benefits where the company only contributes contractually fixed amounts for current service entitlements, which are generally invested by independent, external asset managers until the date of retirement of the employee. The fixed amounts are partly dependent on the level of the employee's own contribution. The company gives no guarantees of the value of the asset after the fixed contribution, either at the retirement date or beyond. The entitlement is therefore settled by the contributions paid in the year.

Provisions for other risks and obligations
Provisions are recognized when a legal or constructive obligation has arisen that is likely to result in a future cash outflow to third parties and the amount can be reliably determined or estimated. The provisions are recognized as at the end of the reporting period at the value at which the obligations could probably be settled or transferred to a third party. Non-current provisions such as those for litigation or environmental risks are discounted to their present value. The resulting periodic interest charge for the provisions is shown under the financial result including an effect from a change in interest.

Non-financial liabilities
Current non-financial liabilities are carried at their settlement amount. Non-current non-financial liabilities are measured at amortized cost.

Share-based payments
Cash-settled share-based payments are measured at fair value using a Monte Carlo simulation. The liabilities are recognized under employee benefits until the end of the holding period. Equity-settled share-based payments are measured at the fair value of the granted equity instruments.

Estimates
Proper and complete preparation of the consolidated financial statements requires management to make estimates and assumptions affecting the amount and disclosure of the recognized assets and liabilities, income and expenses as well as the disclosures in the notes for the reporting period.

The significant assumptions and estimates in the reporting period related to:

- the determination of the useful lives of intangible assets and property, plant and equipment.
- the impairment testing of goodwill and non-current assets, in particular the underlying cash flow forecasts and discount rates (determination of the recoverable).
- the identification of impairment losses or reversals of impairment losses on intangible assets.
- the identification of impairment losses or reversals of impairment losses on inventories.
- the identification of intangible assets and their measurement within the scope of company acquisitions.
- the assessment of the recoverability of receivables and other financial assets (impairment amount).
- the determination of fair values with regard to financial assets and liabilities.
- the recognition and measurement of income tax payables and deferred taxes on temporary differences, and the recognition of deferred tax assets on losses carried forward.
- the assessment of technical and economic feasibility when capitalizing development costs.
- the recognition and measurement of leases.
- the measurement of revenue reductions and reimbursement liabilities within the scope of revenue recognition.
- the actuarial parameters influencing share-based payments.
- the recognition and measurement of liabilities and provisions, in particular the actuarial parameters for pensions and similar obligations used to determine defined benefit obligations.
- the point in time at which assets and liabilities are classified as held for sale.
- the recognition and measurement of provisions and contingent liabilities, in particular with regard to the parameters for measuring restructuring provisions, as well as the probability of occurrence and the amount of warranty, litigation and environmental risks.

The assumptions and estimates are based on the information currently available at the date of preparation of the consolidated financial statements. The underlying information is regularly reviewed and updated to reflect actual developments as necessary.

We again reviewed whether climate-related issues had a significant effect on reporting in the year under review. Climate-related aspects can affect, for example, the recoverability of non-financial assets and inventories, the useful life and residual carrying values of assets, the expected credit losses of financial instruments, the input factors and assumptions used to measure value in use and fair value (e.g. discount rates, point in time and amount of projected cash flows), deferred tax assets, legal and de facto obligations (provisions and contingent liabilities), financial risk management (market risk, liquidity risk and default risk as well as risk concentration) and the financial accounting of participation in emissions trading systems. Climate-related risk factors were therefore considered in estimates and judgments when preparing the consolidated financial statements. As in previous years, no significant effects of climate-related risk factors on reporting were identified in the above-mentioned areas. There were also no significant effects on individual items in the reporting period.

Based on available information, the effects of the current macroeconomic environment on the accounting of the Continental Group were also continuously reviewed over the course of 2022. These included the effects of the COVID-19 pandemic, inflation, the rise in interest rates and energy costs and deterioration in the general business climate. The analysis of the effects of the macroeconomic environment on the accounting of the Continental Group included in particular the impairment testing of non-financial assets, the review of actuarial assumptions used to measure employee benefits and the review of the measurement of financial instruments and revenue from contracts with customers. The rise in interest rates in the reporting year triggered impairment tests that led to impairment. Further details are provided under “Impairment” in this note. Furthermore, the adjustment of the pension trend and the adjustment of discount rates had a significant impact on the recognition and measurement of pensions and similar obligations in the reporting year. Overall, the level of uncertainty involved when making estimates was higher in the reporting year than in previous years.

It is difficult at present to predict how the geopolitical situation will develop, particularly in Eastern Europe. We cannot foresee the effects that the ongoing war in Ukraine and the associated disruptions to production, supply chains and demand will have on accounting. The level of uncertainty involved when making estimates is higher than in previous reporting periods. Continental therefore reviewed the effects of the war on the accounting of the Continental Group as at December 31, 2022, on the basis of the information available in the reporting period. In particular, the evaluation regarding control over subsidiaries in accordance with IFRS 10, *Consolidated Financial Statements*, IAS 28, *Investments in Associates and Joint Ventures* and IFRS 11, *Joint Arrangements*, had to be critically reviewed given the current situation. The assessment that took place to that effect within the Continental Group was based on standard principles and on the general conditions in place at the time of the assessment. All facts and circumstances of the individual case were taken into consideration. With respect to the conditions determined until now, the analysis did not reveal any changes. In particular, loss of control in accordance with IFRS 10 was ruled out in the reporting period. As part of the recognition of financial instruments, the Continental Group has made allowances in cases where, in the assessment of credit management, the more probable scenario is that receivables are not collectible. The Continental Group regularly reviews the expected credit loss model pursuant to IFRS 9, *Financial Instruments*, in order to identify potential effects on the model and make any necessary adjustments. A review based on the information currently available did not reveal any need for adjustment as at December 31, 2022. For the impairment testing of intangible assets and property, plant and equipment in accordance with IAS 36, *Impairment of Assets*, at the Russian companies of the Continental Group, please refer to the section on impairment.

With respect to further developments concerning the war in Ukraine, climate-related aspects and the macroeconomic environment, the Continental Group is still continuously reviewing the possible effects on accounting.

Consolidated statement of cash flows

The statement of cash flows shows the sources during the reporting period that generated cash and cash equivalents as well as the application of cash and cash equivalents. This includes all cash and cash equivalents and demand deposits. Cash equivalents are short-term, highly liquid financial investments that can be readily converted into known cash amounts and are subject to an insignificant risk of changes in value.

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Continental Group, the cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes 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.

Financial investments are considered to be cash equivalents only if they have a remaining term not exceeding three months.

3. New Accounting Pronouncements

In accordance with EU Regulation (EC) No. 1606/2002 in conjunction with Section 315e (1) of the German Commercial Code *(Handelsgesetzbuch – HGB)*, Continental AG has prepared its consolidated financial statements in compliance with IFRS as adopted by the Commission of the European Communities under the European Union endorsement procedure. Accordingly, IFRS are only required to be applied following endorsement of the new standards by the EU Commission.

The following endorsed standards, interpretations issued in relation to published standards and amendments that were applicable to the consolidated financial statements of Continental AG became effective in 2022 and have been adopted accordingly:
The amendments to IAS 16, *Property, Plant and Equipment (Proceeds before Intended Use)*, deal with the accounting of proceeds from selling items produced during the period in which an item of property, plant and equipment is brought to its location and in the condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit the deduction of such proceeds from the cost of an item of property, plant and equipment. The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments had no significant effect on the consolidated financial statements of Continental AG.

The amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)*, specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The cost of fulfilling a contract comprises the costs that relate directly to the contract. This includes the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments had no significant effect on the consolidated financial statements of Continental AG.

The amendments to IFRS 3, *Business Combinations (Reference to the Conceptual Framework)*, replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (issued in March 2018). As the replacement of the reference was made without the intention to make significant changes to the requirements of IFRS 3, the amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities. The amendments also clarify the existing guidance for contingent assets. The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments had no significant effect on the consolidated financial statements of Continental AG.

Under the IASB's annual improvements project, *Improvements to IFRSs, May 2020, Cycle 2018–2020*, the following amendments became effective:

- The amendment to IFRS 1, *First-time Adoption of International Financial Reporting Standards (Subsidiary as a First-time Adopter)*, extends the exemption relating to the measurement of assets and liabilities for a subsidiary that becomes a first-time adopter later than its parent. The amendment also extends the exemption to cumulative translation differences in equity.

- The amendment to IFRS 9, *Financial Instruments (Fees in the "10 percent" Test for Derecognition of Financial Liabilities)*, clarifies which fees an entity includes in the 10 percent test for derecognition of financial liabilities. An entity derecognizes the original financial liability and recognizes a new financial liability when there is an exchange between an existing borrower and lender of debt instruments with substantially different terms; or a substantial modification of the terms of an existing financial liability or a part of it. To identify whether the terms are substantially different, the 10 percent test must be carried out. The amendment to IFRS 9 clarifies that in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- The amendment to *Illustrative Examples* accompanying IFRS 16, *Leases (Lease Incentives)*, deletes in Illustrative Example 13 the reimbursement relating to leasehold improvements that was included as part of the fact pattern. The example did not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.

- The amendment to IAS 41, *Agriculture (Taxation in Fair Value Measurements)*, removes the requirement in IAS 41 to exclude cash flows from taxation when measuring fair value.

The amendments are required to be applied for annual periods beginning on or after January 1, 2022. The amendments had no significant effect on the consolidated financial statements of Continental AG.

The following standards, interpretations issued in relation to published standards and amendments have already been adopted by the EU but will not take effect until a later date: The amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgements*, (Disclosure of Accounting Policies), provide guidance and examples to clarify the application of materiality judgments to accounting policy disclosures. The amendments replace the requirement to disclose significant accounting policies with the requirement to disclose material accounting policies. Furthermore, the amendments add guidance on how to apply the concept of materiality in the context of accounting policy disclosures. The amendments are required to be applied for annual periods beginning on or after January 1, 2023. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)*, replace the previous definition of a change in accounting estimate with a definition of accounting estimates to clarify the distinction between accounting policies and accounting estimates. Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments are required to be applied for annual periods beginning on or after January 1, 2023. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendments to IAS 12, *Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*, narrow the scope of the initial recognition exemption in IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are required to be applied for annual periods beginning on or after January 1, 2023. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

IFRS 17, *Insurance Contracts*, replaces IFRS 4, *Insurance Contracts*, and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. In June 2020, further amendments and clarifications were made to IFRS 17 in order to simplify the requirements of the standard and facilitate the transition to the new regulations. The standard and the consequential amendments to other standards were originally required to be applied for annual periods beginning on or after January 1, 2021. The amendments to IFRS 17 defer the effective date of IFRS 17 (including the amendments to IFRS 17 and the consequential amendments to other standards) by two years to annual reporting periods beginning on or after January 1, 2023. The standard and the consequential amendments to other standards are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The amendment to IFRS 17, *Insurance Contracts (Initial Application of IFRS 17 and IFRS 9 – Comparative Information)*, adds a transition option (classification overlay) for entities that apply IFRS 17 and IFRS 9 at the same time. An entity is permitted to apply the option for the purpose of presenting comparative information about a financial asset if the comparative information has not been restated for IFRS 9. This is the case when the entity chooses not to restate prior periods or if the entity restates prior periods but the financial asset has been derecognized during those prior periods. When applying the option, the comparative information should be presented as if the classification and measurement requirements of IFRS 9 for financial assets had been applied. For entities that have applied IFRS 9 before they apply IFRS 17, the option applies to financial assets that have been derecognized in the comparative period. In this case, an entity is permitted to apply the redesignation requirements of IFRS 17 based on how the entity expects the asset would have been designated at the date of initial application of IFRS 17. The amendment is required to be applied for annual periods beginning on or after January 1, 2023. The amendment is not expected to have any significant effect on the future consolidated financial statements of Continental AG.

The following standards, interpretations issued in relation to published standards and amendments have not yet been adopted by the EU and will become effective at a later date: The amendments to IAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*, in 2020 clarify the classification of a liability. For a liability to be classified as non-current, the entity's substantial right to defer settlement of the liability for at least 12 months after the reporting period must exist at the end of the reporting period. For a liability to be non-current, an assessment is required of whether an entity has the right to defer settlement of a liability and not whether the entity will exercise that right. Furthermore, the amendments clarify the circumstances in which counterparty conversion options in relation to issued equity instruments affect classification as current or non-current. The 2020 amendments also specified how an entity should assess whether it has the right to defer settlement of a liability when that right is subject to compliance with specified conditions (covenants) within 12 months after the reporting period. Due to strong concerns about its interpretation, the IASB addressed this point and made improvements in further amendments to IAS 1 in 2022. These further amendments to IAS 1, *Presentation of Financial Statements (Non-current Liabilities with Covenants)*, clarify that covenants to be complied with after the reporting period do not affect the classification of the corresponding liability as current or non-current at the end of the reporting period. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements. The amendments to IAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*, in 2020 were originally required to be applied for annual periods beginning on or after January 1, 2022. The additional amendment to IAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current – Deferral of Effective Date)*, in July 2020 deferred the effective date of the amendments by one year to annual reporting periods beginning on or after January 1, 2023, as operational relief due to the COVID-19 pandemic. With the further amendments to IAS 1, *Presentation of Financial Statements (Non-current Liabilities with Covenants)*, in 2022, all amendments to IAS 1 together are required to be applied for annual periods beginning on or after January 1, 2024. The effects of the amendments to IAS 1 on the future consolidated financial statements of Continental AG are currently being reviewed.

The amendments to IFRS 16, Leases *(Lease Liability in a Sale and Leaseback)*, set out the accounting treatment for sale and leaseback transactions. The amendments specify the requirements that a seller-lessee should apply when measuring the lease liability arising from a sale and leaseback transaction, to ensure that the seller-lessee does not recognize a gain or loss from the right of use retained. The amendments are required to be applied for annual periods beginning on or after January 1, 2024. The amendments are not expected to have any significant effect on the future consolidated financial statements of Continental AG.

4. Companies Consolidated and Information on Subsidiaries and Investments

Companies consolidated

In addition to the parent company, the number of companies consolidated includes 477 (PY: 472) domestic and foreign companies that Continental Aktiengesellschaft incorporates according to the regulations of IFRS 10 or that are classified as joint arrangements or associates. Of these, 400 (PY: 393) are fully consolidated and 77 (PY: 79) are accounted for using the equity method.

The number of companies consolidated has increased by a total of five since the previous year. Thirteen new companies were founded and eight companies were acquired. The number of companies consolidated decreased by eight as a result of mergers. Other companies no longer included in the scope of consolidation are attributable to disposals and liquidations.

A total of 30 (PY: 30) companies whose assets and liabilities, expenses and income – individually and combined – are not material for the earnings, financial and net assets position of the Continental Group are not included in consolidation. Twenty-nine (PY: 29) of these are affiliated companies, five (PY: three) of which are currently inactive. One (PY: one) further company not included in consolidation is a joint venture. This unit is active.

Information on subsidiaries and investments

As at December 31, 2022, non-controlling interests were not of significance to the Continental Group. There are no significant restrictions in terms of access to or the use of assets of the Continental Group due to statutory, contractual or regulatory restrictions or property rights of non-controlling interests.

Continental Teves Taiwan Co., Ltd., Tainan, Taiwan; and e.solutions GmbH, Ingolstadt, Germany, each of which has a 51% share of voting rights, and Carrel Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz, Germany, which has a 94% share of voting rights, are not fully consolidated as, under the companies' statutes, these interests are not enough to direct the relevant activities of these investments.

EasyMile SAS, Toulouse, France, which has a 9.5% share of voting rights, is classified as an associate, as significant influence can be exerted on the basis of the company's Articles of Incorporation.

Continental AG consolidates 18 (PY: 18) structured entities. The structured entities within the Continental Group are essentially companies that serve to finance investments. These structured entities are characterized, among other things, by limited activities and a narrowly defined business purpose. Continental holds no voting rights or investments in the fully consolidated structured entities. However, Continental directs the business activities of these entities on the basis of contractual rights. The shareholders therefore have no influence. Furthermore, Continental is also exposed to variable returns from these entities and can influence these by directing business activities. There are no significant shares or rights in non-consolidated structured entities.

Further information on equity investments and an overview of the German companies and partnerships that utilized the exemption provisions of Sections 264 (3) and 264b of the German Commercial Code *(Handelsgesetzbuch – HGB)* can be found in Note 43.

5. Acquisition and Disposal of Companies and Business Operations

Acquisition of companies and business operations
In the Tires segment, an asset deal took place. The purchase price of €0.4 million in total was paid in cash. Intangible assets of €0.1 million resulted from the purchase price allocation. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2022.

In the Automotive segment, changes to the preliminary purchase price allocation for the termination of the former joint venture OSRAM CONTINENTAL GmbH, Munich, Germany, carried out in 2021 resulted in an increase in the purchase price of €0.4 million. The resulting change to the preliminary purchase price allocation resulted in an increase in goodwill of €0.4 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2022.

In the ContiTech segment, ContiTech USA, Inc., Wilmington, Delaware, USA, acquired 100% of the shares in WCCO Belting, LLC, Wilmington, Delaware, USA, on July 1, 2022. The company, a leading manufacturer of conveyor belts for the agricultural industry, generated sales of €49.4 million in fiscal 2021. With this acquisition, the Conveying Solutions business area expanded its customer portfolio for conveyor belts and strengthened its agricultural business. The preliminary purchase price of €79.0 million was paid in cash. The total incidental acquisition costs incurred were recognized as other expenses in the amount of €0.8 million in fiscal 2022. The preliminary purchase price allocation resulted in goodwill of €20.0 million and other intangible assets of €16.3 million in the Conti-Tech segment. If the transaction had been completed on January 1, 2022, net income after tax would have increased by €2.8 million and sales by €35.5 million. Since the transaction was completed on July 1, 2022, the entity has generated sales of €39.1 million and, taking into account effects from the purchase price allocation, contributed earnings after tax of €4.1 million to net income. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2022.

In the ContiTech segment, three further share deals took place. The purchase prices of €7.3 million in total were paid in cash. Intangible assets of €7.3 million resulted from the purchase price allocations. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2022.

In the Automotive segment, a 40% share in an equity-accounted investee was acquired for a purchase price of €3.2 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2022.

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

	Fair value at date of first-time consolidation	
Acquired net assets in € millions	WCCO Belting	Other
Other intangible assets	16.3	7.3
Property, plant and equipment	29.5	0.4
Long-term other financial assets	–	0.0
inventories	15.0	1.1
Trade accounts receivable	9.7	1.6
Short-term other financial assets	0.4	–
Short-term other assets	0.4	0.1
Income tax receivables	–	0.1
Cash and cash equivalents	0.0	0.8
Deferred tax liabilities	–	-1.5
Long-term indebtedness	-1.6	0.0
Short-term employee benefits	-2.1	-0.5
Trade accounts payable	-5.5	-0.9
Short-term contract liabilities	-1.4	–
Income tax payables	–	0.0
Short-term provisions for other risks and obligations	-0.2	–
Short-term indebtedness	-1.5	–
Short-term other liabilities	–	-0.8
Purchased net assets	**59.0**	**7.7**
Consideration transferred	79.0	8.1
Goodwill	**20.0**	**0.4**

Disposal of companies and business operations
In the Tires segment, sub-areas of the Replacement EMEA business area were sold. This transaction resulted in income of €0.1 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2022.

In the Tires segment, the sale of an equity-accounted investee resulted in income of €0.3 million. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2022.

In the ContiTech segment, there was income of €0.7 million from the disposal of a company. Other than this, there was no material effect on the earnings, financial and net assets position of the Continental Group as at December 31, 2022.

Notes to the Consolidated Statement of Income

6. Revenue from Contracts with Customers

In addition to the comments in Note 2, the disclosure requirements arising with respect to IFRS 15, *Revenue from Contracts with Customers*, are grouped together in this note.

Revenue in the Continental Group
Revenue from contracts with customers and revenue from other sources are shown in the tables below:

€ millions	2022	2021
Sales	39,408.9	33,765.2
Income from research and development	1,293.9	943.6
Other revenues	91.6	87.3
Revenues from contracts with customers	**40,794.4**	**34,796.1**
Other ancillary business	98.0	93.7
Government grants[1]	51.6	51.4
Sale of fixed assets	25.2	39.5
Revenues from franchising and trademarks	20.1	20.1
Sale of energy and scrap	29.5	23.5
Gains from sale of a company	0.4	335.0
Other	10.8	8.9
Revenues from other sources	**235.6**	**572.1**
Total revenues	**41,030.0**	**35,368.2**

1 Government grants in connection with the COVID-19 pandemic are not included in this presentation. Please see Note 13.

Sales from contracts with customers from January 1 to December 31, 2022

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Germany	3,886.4	1,665.8	1,211.9	256.7	–100.3	6,920.5
Europe excluding Germany	4,329.2	5,297.4	1,643.1	191.7	4.6	11,466.0
North America	4,413.0	4,197.0	2,023.2	142.3	–44.0	10,731.5
Asia-Pacific	5,240.7	1,972.9	1,273.2	74.9	–25.1	8,536.6
Other countries	452.3	872.1	442.9	0.0	–13.0	1,754.3
Sales by region	**18,321.6**	**14,005.2**	**6,594.3**	**665.6**	**–177.8**	**39,408.9**
Automotive original-equipment business	17,245.9	3,120.4	3,137.8	645.2	–38.7	24,110.6
Industrial/replacement business	1,075.7	10,884.8	3,456.5	20.4	–139.1	15,298.3
Sales by customer type	**18,321.6**	**14,005.2**	**6,594.3**	**665.6**	**–177.8**	**39,408.9**
Goods	17,962.5	13,389.1	6,305.9	665.2	–168.5	38,154.2
Services	181.2	616.1	111.8	0.4	–7.8	901.7
Project business	177.9	–	176.6	–	–1.5	353.0
Sales by product type	**18,321.6**	**14,005.2**	**6,594.3**	**665.6**	**–177.8**	**39,408.9**

Sales from contracts with customers from January 1 to December 31, 2021

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Germany	3,088.9	1,447.3	1,112.8	318.1	–88.7	5,878.4
Europe excluding Germany	4,038.2	4,778.4	1,548.8	256.3	–36.2	10,585.5
North America	3,539.1	3,196.1	1,682.8	155.8	–44.6	8,529.2
Asia-Pacific	4,339.6	1,679.6	1,185.8	156.2	–20.9	7,340.3
Other countries	351.6	706.2	382.4	3.2	–11.6	1,431.8
Sales by region	**15,357.4**	**11,807.6**	**5,912.6**	**889.6**	**–202.0**	**33,765.2**
Automotive original-equipment business	14,375.9	2,454.2	2,842.5	874.9	–91.6	20,455.9
Industrial/replacement business	981.5	9,353.4	3,070.1	14.7	–110.4	13,309.3
Sales by customer type	**15,357.4**	**11,807.6**	**5,912.6**	**889.6**	**–202.0**	**33,765.2**
Goods	14,999.6	11,134.5	5,595.0	888.8	–165.9	32,452.0
Services	200.0	673.1	125.6	0.8	–7.3	992.2
Project business	157.8	–	192.0	–	–28.8	321.0
Sales by product type	**15,357.4**	**11,807.6**	**5,912.6**	**889.6**	**–202.0**	**33,765.2**

Income from research and development is presented in Note 7 of the notes to the consolidated financial statements.

Information on contract assets and contract liabilities

Contract assets primarily arise in the project business from customer-specific goods or services for customers, but are only of minor significance in the Continental Group. Please see Note 2. because in these cases the goods or services are provided over a medium-term or longer period in which goods or services have already been provided by Continental but there is not yet an unconditional right against the customer – i.e. a receivable – contract assets must be recognized. The right – or part of the right – to consideration from the customer is often only unconditional once the provision of the services has been completed and can then be recognized as a receivable and invoiced in full. The associated payments are generally made on the basis of actual invoicing. The recognition of receivables and the receipt of payments reduce the associated contract assets.

The table below shows the contract assets from contracts with customers:

€ millions	Dec. 31, 2022	Dec. 31, 2021
Contract assets	99.8	94.0

Contract liabilities include mainly advance payments by customers for deliveries of goods and for services to be performed. In the case of these advance payments by customers for deliveries of goods and for services to be performed, for which contract liabilities are recognized, the customer has already paid the consideration – or part of the consideration – but Continental has generally not yet satisfied its performance obligation, or has done so only to a limited extent. The provision of the corresponding services to the customers by Continental in these cases reduces the level of the associated contract liabilities.

The table below shows the contract liabilities from contracts with customers:

€ millions	Dec. 31, 2022	Dec. 31, 2021
Contract liabilities	240.2	272.8

Of the contract liabilities of €272.8 million accounted for at the beginning of the year, €244.6 million was recognized as revenue in the reporting year.

Revenue of €49.2 million (PY: –) for performance obligations satisfied in the previous year was recognized in the reporting year due to transaction price changes.

Transaction price for performance obligations not yet satisfied
The table below shows the aggregated, anticipated amounts of transaction prices for performance obligations not yet satisfied or only partly satisfied from contracts as defined in IFRS 15 with a term of more than one year.

€ millions	2023	2024 onward
Income from research and development	296.0	277.0
Other revenues	123.5	79.6
Total	**419.5**	**356.6**

The amounts relate chiefly to future income from research and development, whereby the revenue is expected to be recognized within the periods shown. For contracts as defined in IFRS 15 with a term of less than one year, the practical expedient under IFRS 15.121 (a) is applied and no amounts are shown.

Use of other practical expedients
For contracts for which the time interval between the provision of the service by Continental and the expected payment by the customer comes to less than one year as at the start of the contract, the practical expedient from IFRS 15.63 is applied and the transaction price is not adjusted for any significant financing components contained.

7. Research and Development Expenses

The expenses and income from research and development are shown in the two tables below.

The research and development expenses include government grants totaling €44.4 million (PY: €43.9 million).

	2022				
€ millions	**Automotive**	**Tires**	**ContiTech**	**Contract Manufacturing**	**Continental Group**
Research and development expenses	-3,654.8	-319.8	-190.6	-0.1	-4,165.3
Income from research and development	1,267.1	–	26.8	0.0	1,293.9
Research and development expenses (net)	**-2,387.7**	**-319.8**	**-163.8**	**-0.1**	**-2,871.4**

	2021				
€ millions	**Automotive**	**Tires**	**ContiTech**	**Contract Manufacturing**	**Continental Group**
Research and development expenses	-3,051.1	-293.8	-185.6	0.1	-3,530.4
Income from research and development	914.5	–	29.1	0.0	943.6
Research and development expenses (net)	**-2,136.6**	**-293.8**	**-156.5**	**0.1**	**-2,586.8**

8. Other Income and Expenses

€ millions	**2022**	2021
Other income	2,091.0	2,099.8
Other expenses	-1,819.7	-1,122.5
Other income and expenses	**271.3**	**977.3**

Other income

€ millions	**2022**	2021
Income from research and development	1,293.9	943.6
Income in connection with specific warranties, restructuring measures and pending losses	228.7	271.9
Compensation from customers and suppliers	115.6	22.1
Income in connection with litigation and environmental risks	63.8	36.4
Income from the reimbursement of customer tooling expenses	57.3	49.4
Income from the reversal of impairment on financial assets and contract assets	52.2	46.2
Income from transactions with related parties	34.3	37.9
Income from the disposal of property, plant and equipment	25.2	39.5
Income from the reversal of provisions for severance payments	8.2	4.2
Reversal of impairment losses on property, plant and equipment	3.5	9.4
Income from the disposal of companies and business operations	1.0	258.8
Income from currency translation	–	11.5
Other	207.3	368.9
Other income	**2,091.0**	**2,099.8**

Other income decreased by €8.8 million to €2,091.0 million (PY: €2,099.8 million) in the reporting period.

Income of €228.7 million (PY: €271.9 million) resulted in the reporting period in conjunction with specific warranties, restructuring measures and pending losses.

Specific warranties amounting to €101.8 million (PY: €112.5 million) are fully attributable to cost of sales. Restructuring measures amounting to €126.5 million (PY: €150.3 million) are mainly attributable to cost of sales in the amount of €67.3 million, research and development expenses in the amount of €20.0 million, selling and logistics expenses in the amount of €5.9 million and administrative expenses in the amount of €32.2 million.

Compensation from customers and suppliers resulted in income totaling €115.6 million (PY: €22.1 million) in the reporting period.

The income from the reversal of provisions for severance payments amounting to €8.2 million in the reporting period (PY: €4.2 million) is mainly attributable to cost of sales in the amount of €2.2 million, research and development expenses in the amount of €2.6 million, selling and logistics expenses in the amount of €1.2 million and administrative expenses in the amount of €1.9 million.

Reversal of impairment losses on property, plant and equipment resulted in income of €3.5 million (PY: €9.4 million) in 2022, which is fully attributable to cost of sales. These figures do not include reversals of impairment losses that arose in connection with restructuring.

The "Other" item also includes income from insurance compensation due to damage to property, plant and equipment caused by force majeure. In addition, government grants amounting to €7.2 million (PY: €7.5 million) that were not intended for investments in non-current assets were received and recognized in profit or loss in the "Other" item.

Other expenses

€ millions	2022	2021
Impairment on goodwill	552.9	–
Impairment on property, plant and equipment, and intangible assets	411.5	29.0
Expenses from specific warranties, restructuring measures and pending losses	218.6	274.6
Expenses in connection with litigation and environmental risks	151.1	119.4
Expenses from currency translation	76.7	–
Expenses from impairment on financial assets and contract assets	60.2	64.0
Expenses from severance payments	48.6	116.4
Expenses from customer tooling	37.7	47.0
Compensation to customers and suppliers	29.9	21.7
Expenses from transactions with related parties	23.0	112.5
Losses on the disposal of property, plant and equipment, and from scrapping	20.7	26.8
Other	188.8	311.1
Other expenses	**1,819.7**	**1,122.5**

Other expenses increased by €697.2 million to €1,819.7 million (PY: €1,122.5 million) in the reporting period.

Goodwill was impaired by €552.9 million in 2022 (PY: –).

The expense from impairment on property, plant and equipment, and intangible assets amounting to €411.5 million in the reporting period (PY: €29.0 million) is attributable to cost of sales in the amount of €325.9 million, research and development expenses in the amount of €8.1 million, selling and logistics expenses in the amount of €7.9 million and administrative expenses in the amount of €69.6 million. These figures do not include impairment that arose in connection with restructuring.

Expenses totaling €218.6 million (PY: €274.6 million) resulted in conjunction with specific warranties, restructuring measures and pending losses. Specific warranties amounting to €127.0 million (PY: €228.2 million) are fully attributable to cost of sales. Restructuring measures amounting to €88.8 million (PY: €38.3 million) are mainly attributable to cost of sales in the amount of €58.8 million, research and development expenses in the amount of €5.4 million, selling and logistics expenses in the amount of €1.7 million and administrative expenses in the amount of €21.4 million.

In the year under review, expenses of €76.7 million were incurred (PY: income of €11.5 million) as a result of currency translation from operating receivables and liabilities in foreign currencies not classified as indebtedness.

Personnel adjustments not related to restructuring led to expenses from severance payments of €48.6 million (PY: €116.4 million). This is attributable to cost of sales in the amount of €19.4 million, research and development expenses in the amount of €7.3 million, selling and logistics expenses in the amount of €6.6 million and administrative expenses in the amount of €13.2 million.

Compensation to customers and suppliers that is not attributable to warranties resulted in expenses of €29.9 million (PY: €21.7 million) in the reporting period.

The “Other” item also includes expenses from other taxes and losses due to force majeure.

9. Personnel Expenses

The following total personnel expenses are included in function costs in the income statement:

€ millions	**2022**	2021
Wages and salaries	8,257.0	7,547.3
Social security contributions	1,580.8	1,474.8
Pension and post-employment benefit costs	334.7	414.7
Personnel expenses	**10,172.5**	**9,436.8**

Compared with the 2021 reporting year, personnel expenses increased by €735.7 million to €10,172.5 million (PY: €9,436.8 million).

The average number of employees in 2022 was 195,203 (PY: 193,451). As at the end of the year, there were 199,038 (PY: 190,875) employees in the Continental Group.

The year-on-year increase in personnel expenses was mainly due to higher wages and salaries and exchange-rate effects.

Social security contributions of the companies of the Continental Group (employer contributions) amounted to €325.3 million in the reporting year. The previous year's figure of €262.1 million was based on the main German companies of the Continental Group.

10. Income from Investments

€ millions	**2022**	2021
Income from equity-accounted investees	28.3	54.8
Other income from investments	0.8	0.4
Income from investments	**29.1**	**55.2**

Income from equity-accounted investees includes the shares of income from these participations in the amount of €28.3 million (PY: €23.6 million).

In the previous year, it also included income of €32.5 million from the reversal of the provision for capital commitments to OSRAM CONTINENTAL GmbH, Munich, Germany.

11. Financial Result

€ millions	2022	2021
Interest income[1]	**83.6**	**82.9**
Interest and similar expenses	-149.5	-116.9
Interest expenses from lease liabilities	-26.7	-25.1
Interest effects from non-current liabilities	3.8	5.6
Interest effects from long-term employee benefits and from pension funds	-62.4	-44.0
Interest expense	**-234.8**	**-180.4**
Effects from currency translation	**-59.6**	**-128.1**
Effects from changes in the fair value of derivative instruments	7.7	-52.2
Other valuation effects	5.1	121.7
Effects from changes in the fair value of derivative instruments, and other valuation effects	**12.8**	**69.5**
Financial result[1]	**-198.0**	**-156.1**

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.

The negative financial result increased 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 (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 of this 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.

12. Income Tax Expense

The domestic and foreign income tax expense of the Continental Group is as follows:

€ millions	2022	2021
Current taxes (domestic)[1]	-103.9	-62.8
Current taxes (foreign)	-607.5	-411.6
Deferred taxes (domestic)[1]	-81.6	60.6
Deferred taxes (foreign)	348.4	54.3
Income tax expense	**-444.6**	**-359.5**

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.

The following table shows the reconciliation of the expected tax expense to the reported tax expense:

€ millions	2022	2021
Earnings before tax[1]	**556.8**	**1,689.7**
Non-tax-deductible impairment of goodwill[2]	377.2	–
Earnings before tax and impairment of goodwill[1]	**934.0**	**1,689.7**
Expected tax expense at the domestic tax rate[1]	**-286.7**	**-518.7**
Non-deductible expenses and non-imputable withholding taxes[1]	-252.8	-156.5
Incentives and tax holidays	146.3	172.0
Non-recognition of deferred tax assets unlikely to be realized	-113.2	-109.5
Foreign tax rate differences	76.6	164.0
Realization of previously non-recognized deferred taxes	30.4	16.8
Taxes for previous years	-24.6	47.2
Local income tax with different tax base	-23.4	-25.2
Initial recognition of deferred tax assets likely to be realized	17.4	–
Effects from changes in enacted tax rate	-7.8	8.5
Other	-6.8	41.9
Income tax expense	**-444.6**	**-359.5**
Effective tax rate in %[1]	**47.6**	**21.3**

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 Earnings before tax were not adjusted for the goodwill impairment in the amount of €552.9 million. A portion totaling €175.7 million resulted in the reversal of deferred tax liabilities and therefore must be excluded from the reconciliation.

The average domestic tax rate in 2022 was 30.7% (PY: 30.7%). This took into account a corporate tax rate of 15.0% (PY: 15.0%), a solidarity surcharge of 5.5% (PY: 5.5%) and a trade tax rate of 14.8% (PY: 14.8%).

The reduction in the tax expense from foreign tax rate differences primarily reflects the volume of activities in Asia and Eastern Europe.

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. Please see Note 20.

As in the previous year, the utilization of incentives in Europe, Asia and the USA as well as in Brazil and Mexico had a positive impact on the tax rate. In the year under review, local income taxes of €23.4 million (PY: €25.2 million) were incurred with a different tax base. This was attributable primarily to local income taxes in Hungary and the alternative minimum tax in the USA.

The effects from the change in enacted tax rate relate to the remeasurement of deferred tax assets and liabilities due to changes in the law already taking effect with regard to future applicable tax rates.

The following table shows the total income tax expense, also including the items reported under reserves recognized directly in equity:

€ millions	**Dec. 31, 2022**	Dec 31, 2021
Income tax expense (acc. to consolidated statement of income)	**–444.6**	**–359.5**
Tax income on other comprehensive income	–537.7	–184.2
Remeasurement of defined benefit plans	–536.6	–186.0
Remeasurement of other financial investments	0.4	–
Investment in equity-accounted investees	0.0	0.0
Currency translation	–1.5	1.8
Total income tax expense	**–982.3**	**–543.7**

13. Grants in Connection with the COVID-19 Pandemic

Government grants paid to the Continental Group as a result of the COVID-19 pandemic totaled €2.5 million (PY: €10.3 million) in the year under review and were recognized in the income statement. These primarily include reimbursements of social security contributions in the amount of €1.5 million (PY: €4.5 million), the majority of which relate to short-time work income.

Notes to the Consolidated Statement of Financial Position

14. Goodwill and Other Intangible Assets

€ millions	Goodwill	Capitalized development expenses	Other intangible assets	Advances to suppliers	Total other intangible assets
As at January 1, 2021					
Cost	**9,860.1**	717.7	3,130.3	41.6	**3,889.6**
Accumulated amortization	**-5,498.5**	-392.1	-2,150.6	–	**-2,542.7**
Book value	**4,361.6**	**325.6**	**979.7**	**41.6**	**1,346.9**
Net change in 2021					
Book value	**4,361.6**	325.6	979.7	41.6	**1,346.9**
Exchange-rate changes	**77.9**	2.0	47.5	0.3	**49.8**
Additions	**–**	49.8	32.7	38.4	**120.9**
Additions from the first-time consolidation of subsidiaries	**64.0**	–	46.4	–	**46.4**
Amounts disposed of through disposal of subsidiaries	**-791.7**	-165.8	-8.2	-6.4	**-180.4**
Reclassification to/from assets held for sale	**–**	–	-25.0	–	**-25.0**
Transfers	**–**	28.5	-7.1	-21.6	**-0.2**
Disposals	**–**	0.0	-0.4	-0.3	**-0.7**
Amortization	**–**	-47.4	-219.5	–	**-266.9**
Impairment	**–**	–	-3.1	0.0	**-3.1**
Book value	**3,711.8**	**192.7**	**843.0**	**52.0**	**1,087.7**
As at December 31, 2021					
Cost	**7,866.5**	541.8	3,068.1	52.0	**3,661.9**
Accumulated amortization	**-4,154.7**	-349.1	-2,225.1	0.0	**-2,574.2**
Book value	**3,711.8**	**192.7**	**843.0**	**52.0**	**1,087.7**
Net change in 2022					
Book value	**3,711.8**	192.7	843.0	52.0	**1,087.7**
Exchange-rate changes	**38.9**	-1.1	9.6	0.3	**8.8**
Additions	**–**	24.4	54.5	20.4	**99.3**
Additions from the first-time consolidation of subsidiaries	**20.4**	–	23.6	–	**23.6**
Amounts disposed of through disposal of subsidiaries	**–**	–	0.0	–	**0.0**
Transfers	**–**	0.0	36.6	-36.6	**0.0**
Disposals	**–**	0.0	-0.3	-0.5	**-0.8**
Amortization	**–**	-46.4	-198.0	–	**-244.4**
Impairment	**-552.9**	–	-0.5	–	**-0.5**
Book value	**3,218.2**	**169.6**	**768.5**	**35.6**	**973.7**
As at December 31, 2022					
Cost	**7,943.0**	543.9	3,198.8	35.6	**3,778.3**
Accumulated amortization	**-4,724.8**	-374.3	-2,430.3	–	**-2,804.6**
Book value	**3,218.2**	**169.6**	**768.5**	**35.6**	**973.7**

The addition to goodwill in 2022 totaling €20.4 million resulted mainly from the acquisition of WCCO Belting, LLC, Wilmington, Delaware, USA. Please see Note 5. In the previous year, the addition to goodwill totaling €64.0 million resulted mainly from the termination of OSRAM CONTINENTAL GmbH, Munich, Germany. The disposal of goodwill due to changes in the scope of consolidation in the amount of €791.7 million and the disposals of other intangible assets due to changes in the scope of consolidation in the amount of €180.4 million in the previous year resulted mainly from the spin-off of Vitesco Technologies.

The carrying amount of goodwill relates principally to the acquisitions of Siemens VDO (2007), Continental Teves (1998), the automotive electronics business from Motorola (2006), Elektrobit Automotive (2015) and Veyance Technologies (2015). Please see Notes 2 and 8 for information on impairment.

The table below shows the goodwill of each cash-generating unit (CGU), in line with the applicable organizational structure in the respective fiscal year:

	Goodwill		
€ millions	**Dec. 31, 2022**		Dec. 31, 2021
Safety and Motion	1,017.7		
Vehicle Dynamics	259.1	Vehicle Dynamics	808.0
Hydraulic Brake Systems	145.4	Hydraulic Brake Systems	143.1
Passive Safety and Sensorics	596.1	Passive Safety and Sensorics	592.1
		Advanced Driver Assistance Systems[1]	365.2
Continental Engineering Services	17.1	Continental Engineering Services	17.7
		Autonomous Mobility and Safety	**1,926.1**
Smart Mobility	794.3	Commercial Vehicles and Services[2]	783.2
		Vehicle Networking and Information	**783.2**
Autonomous Mobility	366.7		
Automotive	**2,178.7**		
Original Equipment	2.0	Original Equipment	2.0
Replacement EMEA (Europe, the Middle East and Africa)	172.2	Replacement EMEA (Europe, the Middle East and Africa)	172.6
Replacement APAC (Asia-Pacific region)	210.0	Replacement APAC (Asia-Pacific region)	212.0
Replacement The Americas (North, Central and South America)	16.2	Replacement The Americas (North, Central and South America)	15.2
Specialty Tires	19.6	Specialty Tires	19.5
Tires	**420.0**	**Tires**	**421.3**
Surface Solutions	117.0	Surface Solutions	116.7
Special Technologies and Solutions	1.8	Special Technologies and Solutions	1.9
Conveying Solutions	137.4	Conveying Solutions	115.7
Mobile Fluid Systems	51.0	Mobile Fluid Systems	50.0
Industrial Fluid Solutions	159.5	Industrial Fluid Solutions	152.9
Power Transmission Group	50.1	Power Transmission Group	47.3
Advanced Dynamics Solutions	102.7	Advanced Dynamics Solutions	96.7
ContiTech	**619.5**	**ContiTech**	**581.2**
Continental Group	**3,218.2**	**Continental Group**	**3,711.8**

1 Since January 2022: Autonomous Mobility.
2 Since January 2022: Smart Mobility.

The additions to purchased intangible assets from changes in the scope of consolidation are attributable primarily to customer relationships and know-how. Other additions related mainly to software in the amount of €42.7 million (PY: €30.5 million).

Under IAS 38, *Intangible Assets*, €24.4 million (PY: €49.8 million) of the total development costs incurred in 2022 qualified for recognition as an asset.

Amortization of other intangible assets amounted to €244.4 million (PY: €266.9 million). Of this, €195.5 million (PY: €213.5 million) is included in the consolidated statement of income under the cost of sales and €48.9 million (PY: €53.4 million) under administrative expenses.

The other intangible assets include carrying amounts adjusted for translation-related exchange-rate effects and not subject to amortization in the amount of €41.0 million (PY: €41.0 million). These relate in particular to the Elektrobit brand name (User Experience CGU) in the amount of €30.4 million (PY: €30.4 million), the Phoenix brand name (Industrial Fluid Solutions, Conveying Solutions, and Advanced Dynamics Solutions CGUs) in the amount of €4.2 million (PY: €4.2 million) and the Matador brand name (Replacement EMEA [Europe, the Middle East and Africa], Original Equipment, and Specialty Tires CGUs) in the amount of €3.2 million (PY: €3.2 million). The purchased intangible assets also include the carrying amounts of software amounting to €124.5 million (PY: €89.4 million), which are amortized on a straight-line basis as scheduled.

15. Property, Plant and Equipment

In the Automotive segment, investments were made at locations in Germany as well as in China, Mexico, Romania, the USA, Serbia and Czechia. In particular, production capacity was increased. There were major additions related to the construction of new manufacturing plants for electronic brake systems, the expansion of production for 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.

In the Tires segment, 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.

In the ContiTech segment, 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.

In the Contract Manufacturing segment, the capital expenditure was primarily attributable to production equipment for the manufacture of specific products and the implementation of new technologies.

The addition to property, plant and equipment from changes in the scope of consolidation totaling €29.9 million resulted mainly from the acquisition of WCCO Belting, LLC, Wilmington, Delaware, USA. Please see Note 5. In the previous year, the addition to property, plant and equipment totaling €4.7 million resulted mainly from the termination of OSRAM CONTINENTAL GmbH, Munich, Germany.

The disposal of property, plant and equipment due to changes in the scope of consolidation in the amount of €2,313.7 million in the previous year resulted mainly from the spin-off of Vitesco Technologies.

Please see Notes 2 and 8 for information on impairment and reversals of impairment losses.

Government investment grants of €32.9 million (PY: €86.7 million) were deducted directly from cost.

As in the previous year, no borrowing costs were capitalized when applying IAS 23, *Borrowing Costs*.

Please see Note 26 for information on reclassifications during the period to assets held for sale.

There are restrictions on title and property, plant and equipment pledged as security for liabilities in the amount of €8.3 million (PY: €49.9 million).

Please see Note 16 for information on the right-of-use assets that are recognized under property, plant and equipment in accordance with IFRS 16, *Leases*.

€ millions	Land, land rights and buildings[1]	Technical equipment and machinery	Other equipment, factory and office equipment	Advances to suppliers and assets under construction	Total
As at January 1, 2021					
Cost	5,637.0	21,077.2	3,344.0	1,752.4	**31,810.6**
Accumulated depreciation	-2,417.2	-14,554.5	-2,533.7	-31.7	**-19,537.1**
Book value	**3,219.8**	**6,522.7**	**810.3**	**1,720.7**	**12,273.5**
Net change in 2021					
Book value	3,219.8	6,522.7	810.3	1,720.7	**12,273.5**
Exchange-rate changes	98.3	215.6	18.5	55.1	**387.5**
Additions	37.6	461.2	143.7	1,114.2	**1,756.7**
Additions from the first-time consolidation of subsidiaries	1.1	0.2	3.2	0.2	**4.7**
Amounts disposed of through disposal of subsidiaries	-355.6	-1,554.1	-121.3	-282.7	**-2,313.7**
Reclassification to/from assets held for sale	-6.2	-10.0	-0.5	-1.6	**-18.3**
Transfers	146.1	810.0	92.7	-1,049.7	**-0.9**
Disposals	-12.1	-44.2	-3.8	-4.0	**-64.1**
Depreciation	-196.2	-1,306.1	-238.8	–	**-1,741.1**
Impairment[2]	-3.6	-60.0	-6.5	2.3	**-67.8**
Book value	**2,929.2**	**5,035.3**	**697.5**	**1,554.5**	**10,216.5**
As at December 31, 2021					
Cost	5,273.8	18,062.8	2,923.5	1,580.8	**27,840.9**
Accumulated depreciation	-2,344.6	-13,027.5	-2,226.0	-26.3	**-17,624.4**
Book value	**2,929.2**	**5,035.3**	**697.5**	**1,554.5**	**10,216.5**
Net change in 2022					
Book value	2,929.2	5,035.3	697.5	1,554.5	**10,216.5**
Exchange-rate changes	36.1	72.5	4.0	28.3	**140.9**
Additions	184.4	438.9	151.7	1,294.7	**2,069.7**
Additions from the first-time consolidation of subsidiaries	14.2	14.6	0.4	0.7	**29.9**
Amounts disposed of through disposal of subsidiaries	-1.3	-0.1	-0.1	–	**-1.5**
Reclassification to/from assets held for sale	6.4	1.7	–	–	**8.1**
Transfers	172.6	579.8	104.8	-856.9	**0.3**
Disposals	-6.2	-52.0	-6.3	-3.6	**-68.1**
Depreciation	-199.0	-1,248.2	-235.9	–	**-1,683.1**
Impairment[2]	-56.3	-241.7	-3.7	-104.9	**-406.6**
Book value	**3,080.1**	**4,600.8**	**712.4**	**1,912.8**	**10,306.1**
As at December 31, 2022					
Cost	5,686.7	18,643.2	3,091.5	2,021.6	**29,443.0**
Accumulated depreciation	-2,606.6	-14,042.4	-2,379.1	-108.8	**-19,136.9**
Book value	**3,080.1**	**4,600.8**	**712.4**	**1,912.8**	**10,306.1**

1 Investment property is shown separately in Note 17.
2 Impairment also includes necessary reversals of impairment losses.

16. Leases

In addition to the comments in Note 2, the disclosure requirements arising from IFRS 16, *Revenue from Contracts with Customers*, are grouped together in this note.

Continental Group as lessee

Right-of-use assets

The right-of-use assets recognized from leases relate primarily to the leasing of land and buildings at various locations worldwide. To a small extent, right-of-use assets are recognized for technical equipment and machinery as well as other equipment, factory and office equipment.

Additions within the right-of-use assets amounted to €404.0 million for the reporting year (PY: €326.6 million). These resulted mainly from additions to land and buildings in the amount of €362.6 million (PY: €275.7 million) and from additions to other equipment, factory and office equipment in the amount of €38.0 million (PY: €47.9 million).

In the previous year, the additions to right-of-use assets due to changes in the scope of consolidation in the amount of €1.8 million resulted mainly from the termination of OSRAM CONTINENTAL GmbH, Munich, Germany.

The disposals of right-of-use assets due to changes in the scope of consolidation in the amount of €173.0 million in the previous year resulted mainly from the spin-off of Vitesco Technologies.

The right-of-use assets reported as at December 31, 2022, in the amount of €1,161.1 million (PY: €1,195.1 million) correspond to 10.1% (PY: 10.5%) of all property, plant and equipment of the Continental Group. The weighted average lease term is approximately five years (PY: approx. five years) for right-of-use assets for land and buildings, approximately four years (PY: approx. four years) for right-of-use assets for technical equipment and machinery, and approximately three years (PY: approx. three years) for right-of-use assets for other equipment, factory and office equipment.

The development of right-of-use assets in the reporting year was as follows:

€ millions	Right of use for land and buildings	Right of use for technical equipment and machinery	Right of use for other equipment, factory and office equipment	**Total**
Book value as at January 1, 2021	**1,402.9**	**5.8**	**78.4**	**1,487.1**
Net change in 2021				
Book value	1,402.9	5.8	78.4	**1,487.1**
Exchange-rate changes	41.0	0.2	1.7	**42.9**
Additions	275.7	3.0	47.9	**326.6**
Additions from the first-time consolidation of subsidiaries	1.8	–	–	**1.8**
Amounts disposed of through disposal of subsidiaries	-159.5	-1.9	-11.6	**-173.0**
Reclassification to/from assets held for sale	–	–	-0.1	**-0.1**
Transfers	-0.5	-0.1	0.2	**-0.4**
Disposals	-149.4	0.0	-4.5	**-153.9**
Amortization	-281.1	-2.6	-42.1	**-325.8**
Impairment[1]	-10.1	–	–	**-10.1**
Book value	**1,120.8**	**4.4**	**69.9**	**1,195.1**
As at December 31, 2021				
Cost	1,866.9	10.7	143.6	**2,021.2**
Accumulated amortization	-746.1	-6.3	-73.7	**-826.1**
Book value	**1,120.8**	**4.4**	**69.9**	**1,195.1**
Net change in 2022				
Book value	1,120.8	4.4	69.9	**1,195.1**
Exchange-rate changes	15.0	0.0	1.1	**16.1**
Additions	362.6	3.4	38.0	**404.0**
Transfers	0.2	-0.1	-0.5	**-0.4**
Disposals	-127.6	-0.2	-2.9	**-130.7**
Amortization	-274.1	-2.9	-39.4	**-316.4**
Impairment	-6.2	0.0	-0.4	**-6.6**
Book value	**1,090.7**	**4.6**	**65.8**	**1,161.1**
As at December 31, 2022				
Cost	2,013.6	12.6	148.5	**2,174.7**
Accumulated amortization	-922.9	-8.0	-82.7	**-1,013.6**
Book value	**1,090.7**	**4.6**	**65.8**	**1,161.1**

1 Impairment also includes necessary reversals of impairment losses.

Lease liabilities

As at the end of the reporting period, lease liabilities amounted to €1,242.4 million (PY: €1,274.1 million). Future cash outflows resulting from leases are shown in the following table:

€ millions	2022	2021
Less than one year	303.4	308.6
One to two years	240.8	257.6
Two to three years	200.1	198.1
Three to four years	163.7	159.1
Four to five years	119.5	123.8
More than five years	285.2	305.4
Total undiscounted lease liabilities	**1,312.7**	**1,352.6**
Lease liabilities as at December 31	**1,242.4**	**1,274.1**
Current	285.0	288.2
Non-current	957.4	985.9

In the reporting year, the following amounts were recognized in the income statement:

€ millions	2022	2021
Interest expenses on lease liabilities	26.7	25.1
Expenses relating to short-term leases	23.4	20.4
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1.9	3.0
Expenses from variable lease payments not included in the measurement of lease liabilities	865.3	308.6
Income from subleasing right-of-use assets	2.5	3.5

In the reporting year, the following amounts were recognized in the statement of cash flows:

€ millions	2022	2021
Cash outflow for leases	1,240.4	676.3

In addition to cash outflows for the interest and principal portion of recognized lease liabilities, the cash outflow for leases also includes variable lease payments and lease payments for unrecognized leases for low-value assets as well as for short-term leases.

Potential future cash outflows

The leases recognized as at December 31, 2022, include options that were not considered reasonably certain as at the reporting date and are not included in the measurement of lease liabilities. These options may result in potential future cash outflows over the coming fiscal years.

The leases in some cases include variable lease payments as well as extension, termination and purchase options. As a rule, the Continental Group endeavors to include extension and termination options in new leases in order to ensure operational flexibility. For the initial measurement of lease liabilities, such options are recognized once it is reasonably certain that they will be exercised. If a significant event or a significant change in circumstances occurs that is within Continental's control, this will be taken into account accordingly in the remeasurement of lease liabilities. As at the end of the reporting period, potential future lease payments of €685.1 million (PY: €621.2 million) from such options were not included in the measurement of lease liabilities. Potential future cash outflows of €812.3 million (PY: €1,803.6 million) arising from variable lease payments were likewise not included in the measurement of lease liabilities as at the end of the reporting period. The year-on-year change is mainly due to the gradual reduction in contract manufacturing with Vitesco Technologies.

The future scope of obligations arising from leases to which Continental is committed but that had not yet commenced as at the balance sheet date amounted to €33.9 million (PY: €77.7 million).

The Continental Group estimates the potential cash outflow from residual value guarantees, which were not included in the measurement of the lease liability as at the reporting date, at €0.4 million (PY: €0.4 million).

Contract manufacturing

In 2018, the Continental Group concluded a framework agreement with Vitesco Technologies on contract manufacturing. In cases where Vitesco Technologies manufactures products on behalf of the Continental Group in a contract manufacturing plant, the agreement in certain cases includes an embedded lease whereby Continental acts as lessee of the production equipment and bears the investment risk. Due to variable lease payments from Continental to Vitesco Technologies, which are made according to customer calls for delivery, no right-of-use assets or corresponding lease liabilities are recognized. In the fiscal year under review, the expenses for variable lease payments due to contract manufacturing amounted to €863.3 million (PY: €306.6 million). The previous year's figure is based solely on the time period after the spin-off of Vitesco Technologies on September 15, 2021. In connection with contract manufacturing, the Continental Group expects future cash outflows from variable lease payments of €811.7 million (PY: €1,802.1) for the remaining lease terms.

Continental Group as lessor

The Continental Group acts as lessor in some business relationships. These constitute operating leases as well as finance leases. Whereas for operating leases the Continental Group retains the material risks and rewards incidental to ownership, for finance leases these are transferred to the lessee.

Operating leases

Lease income from operating leases in which the Continental Group acts as lessor amounted to €4.1 million (PY: €1.7 million). These related primarily to the (sub)leasing of land and buildings.

Future cash inflows resulting from operating leases as at the end of the reporting period are shown in the following table:

€ millions	2022	2021
Less than one year	4.2	1.4
One to two years	3.0	0.9
Two to three years	1.1	0.5
Three to four years	1.1	0.3
Four to five years	1.0	0.3
More than five years	0.9	0.2
Total undiscounted lease payments	**11.3**	**3.6**

Contract manufacturing

Insofar as the Continental Group manufactures products on behalf of Vitesco Technologies as part of contract manufacturing, the agreement in certain cases includes an embedded lease whereby Continental acts as lessor. Such leases are classified as operating leases. The Continental Group receives variable lease payments depending on customer calls for delivery. Income in the reporting year related to variable lease payments due to contract manufacturing amounted to €696.6 million (PY: €273.1 million). The previous year's figure is based solely on the time period after the spin-off of Vitesco Technologies.

Finance leases

The Continental Group acts exclusively as a sublessor of leased land and buildings. As these subleases extend beyond the total remaining term of the head lease, they are classified as finance leases.

Future cash inflows resulting from finance leases and financial income not yet realized as at the end of the reporting period are shown in the following table:

€ millions	2022	2021
Less than one year	4.9	3.1
One to two years	5.0	3.2
Two to three years	5.0	3.2
Three to four years	5.1	3.3
Four to five years	4.8	3.4
More than five years	2.6	4.0
Total undiscounted receivables from lease payments	**27.4**	**20.2**
Financial income not yet realized	0.6	0.8
Net investments in leases	**26.8**	**19.4**

17. Investment Property

€ millions	2022	2021
Cost as at January 1	21.4	21.2
Accumulated depreciation as at January 1	-9.4	-9.0
Net change		
Book value as at January 1	**12.0**	**12.2**
Exchange-rate changes	0.2	0.2
Additions	–	0.2
Reclassifications	0.0	-0.2
Depreciation	-0.7	-0.4
Book value as at December 31	**11.5**	**12.0**
Cost as at December 31	20.5	21.4
Accumulated depreciation as at December 31	-9.0	-9.4

The fair value – determined using the gross rental method on the basis of company-internal calculations (Level 3 of the fair value hierarchy) – of land and buildings accounted for as investment property as at December 31, 2022, amounted to €31.3 million (PY: €31.8 million).

Rental income in 2022 amounted to €2.6 million (PY: €2.7 million), while associated maintenance costs of €1.4 million (PY: €1.3 million) were incurred.

18. Investments in Equity-Accounted Investees

€ millions	2022	2021
As at January 1	**305.9**	**351.3**
Additions	6.3	25.3
Disposals	-0.1	-31.5
Changes in the consolidation method, and transfers	—	-15.3
Share of earnings	28.3	23.9
Impairment	—	-13.8
Dividends received	-30.6	-30.6
Changes in other comprehensive income	-2.7	-6.7
Exchange-rate changes	-2.0	3.3
As at December 31	**305.1**	**305.9**

Investments in equity-accounted investees include carrying amounts of joint ventures in the amount of €194.7 million (PY: €204.3 million) and of associates in the amount of €110.4 million (PY: €101.6 million).

A material joint venture of the Tires segment is MC Projects B.V., Maastricht, Netherlands, plus its subsidiaries. The company, which is jointly controlled by Continental Global Holding Netherlands B.V., Maastricht, Netherlands, and Compagnie Financière Michelin SAS, Clermont-Ferrand, France, each holding 50% of the voting rights, mainly supplies tire-wheel assemblies to automotive manufacturers. Michelin contributed the rights to the Uniroyal brand for Europe to the joint venture. MC Projects B.V. licenses these rights to Continental.

A material joint venture of the Automotive segment is Shanghai Automotive Brake Systems Co., Ltd., Shanghai, China. Continental Holding China Co., Ltd., Shanghai, China, holds 49% of the voting rights in Shanghai Automotive Brake Systems Co., Ltd., Shanghai, China, which is jointly controlled with Huayu Automotive Systems Co., Ltd., Shanghai, China. The main business purpose of the company is the production of hydraulic brake systems for the Chinese market.

The figures taken from the last two available sets of IFRS-compliant financial statements (2021 and 2020) for the material joint ventures above are as follows. Amounts are stated at 100%. Furthermore, the share of net assets has been reconciled to the respective carrying amount of the investment. All investments are accounted for using the equity method.

	MC Projects B.V.		Shanghai Automotive Brake Systems Co., Ltd.	
€ millions	2021	2020	2021	2020
Dividends received	5.0	0.0	12.7	14.0
Current assets	130.6	140.1	230.5	223.2
thereof cash and cash equivalents	30.7	40.0	72.9	59.5
Non-current assets	143.5	153.1	100.7	101.0
Total assets	274.1	293.2	331.2	324.2
Current liabilities	93.6	95.7	121.0	142.4
thereof short-term financial liabilities	0.0	0.0	–	–
Non-current liabilities	48.6	46.8	9.3	7.2
thereof long-term financial liabilities	1.3	1.3	–	–
Total liabilities	142.2	142.5	130.3	149.6
Sales	131.0	130.0	365.9	362.3
Interest income	0.1	0.1	1.3	1.1
Interest expense	0.4	0.6	–	–
Depreciation and amortization	22.0	18.2	18.6	17.9
Earnings from continuing operations	-2.0	2.9	30.0	27.4
Other comprehensive income	-6.7	-0.2	–	–
Income tax expense	0.3	-2.8	3.9	3.3
Earnings after tax	-8.7	2.7	30.0	27.4
Net assets	131.9	150.7	200.9	174.6
Share of net assets	65.9	75.3	98.4	85.5
Goodwill	–	–	10.6	10.6
Exchange-rate changes	–	–	-13.2	3.5
Change in other comprehensive income for the prior year	3.4	0.1	–	–
Share of earnings for prior years	-2.2	-1.4	–	–
Carrying amount	67.1	74.0	95.8	99.6

e.solutions GmbH, Ingolstadt, Germany is a material associate in the Automotive segment. The wholly owned Continental subsidiary Elektrobit Automotive GmbH, Erlangen, Germany, holds 51% of the voting rights in e.solutions GmbH, Ingolstadt, Germany. e.solutions GmbH, Ingolstadt, Germany, develops software for in-car infotainment systems, instrument clusters and communication modules as well their associated back-end systems for the Volkswagen Group.

The figures taken from the last two available sets of financial statements (2021 and 2020) for e.solutions GmbH, Ingolstadt, Germany, are as follows. Amounts are stated at 100%. Furthermore, the share of net assets has been reconciled to the respective carrying amount of the investment, which is accounted for using the equity method.

	e.solutions GmbH	
€ millions	2021	2020
Dividends received	12.1	15.9
Current assets	300.1	316.0
Non-current assets	6.6	7.6
Total assets	306.7	323.6
Current liabilities	26.3	40.1
Non-current liabilities	211.3	221.7
Total liabilities	237.6	261.8
Sales	246.7	144.7
Interest income	0.4	0.3
Interest expense	0.0	0.0
Depreciation and amortization	2.6	2.8
Earnings from continuing operations	31.1	23.8
Other comprehensive income	0.0	0.0
Income tax expense	16.0	11.5
Earnings after tax	31.1	23.8
Net assets	69.1	61.8
Share of net assets	35.2	31.5
Effects of purchase price allocation	1.5	2.4
Share of earnings for prior years	6.2	6.4
Carrying amount	42.9	40.3

The figures taken from the last two available sets of financial statements (2021 and 2020) for the joint ventures and associates that are not material to the Continental Group are summarized as follows. Amounts are stated in line with the proportion of ownership interest.

	Associates		Joint ventures	
€ millions	2021	2020	2021	2020
Earnings from continuing operations	3.5	13.5	-3.7	-4.8
Earnings after tax	**3.5**	**13.5**	**-3.7**	**-4.8**

19. Other Investments

€ millions	**Dec. 31, 2022**	Dec. 31, 2021
Investments in unconsolidated affiliated companies	9.8	9.9
Other participations	160.2	159.5
Other investments	**170.0**	**169.4**

Other investments are accounted for at fair value. Changes are recognized in other comprehensive income.

With regard to year-on-year changes in the carrying amount, -€12.5 million (PY: €5.3 million) resulted from changes in fair value, €10.4 million (PY: €28.5 million) from additions, €0.5 million (PY: €10.8 million) from reclassifications, €0.0 million (PY: €0.8 million) from disposals and €2.2 million (PY: €2.2 million) from exchange-rate effects.

Dividends received from other investments amounted to €0.8 million in the reporting year (PY: €0.5 million).

There is currently no intention to sell any of the other investments.

20. Deferred Taxes

Deferred taxes developed as follows:

	Dec. 31, 2022						Dec. 31, 2021
€ millions	**Deferred tax assets**	**Deferred tax liabilities**	**Net**	**Recognized in profit or loss**	**Changes in the scope of consolidation**	**Recognized in other comprehensive income**	Net
Other intangible assets and goodwill	588.7	-488.2	100.5	201.0	-1.5	10.6	-109.6
Property, plant and equipment	226.8	-392.8	-166.0	67.2	–	-5.1	-228.1
Inventories	356.0	-102.7	253.3	49.0	–	-0.3	204.6
Other assets	263.5	-294.7	-31.2	-75.9	–	-0.9	45.6
Employee benefits less defined benefit assets	631.3	-34.6	596.7	80.0	–	-531.7	1,048.4
Provisions for other risks and obligations	187.7	-17.0	170.7	-82.2	–	5.9	247.0
Indebtedness and other financial liabilities	469.4	-59.1	410.3	36.8	–	5.4	368.1
Other differences	301.3	-183.4	117.9	3.8	–	4.8	109.3
Allowable tax credits	78.3	–	78.3	6.0	–	4.3	68.0
Tax losses carried forward and limitation of interest deduction[1]	471.2	–	471.2	-18.9	1.3	14.9	473.9
Deferred taxes (before offsetting)[1]	**3,574.2**	**-1,572.5**	**2,001.7**	**266.8**	**-0.2**	**-492.1**	**2,227.2**
Offsetting (IAS 12.74)	-1,515.0	1,515.0	–				–
Net deferred taxes[1]	**2,059.2**	**-57.5**	**2,001.7**				**2,227.2**

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.

€ millions	Dec. 31, 2021						Dec. 31, 2020
	Deferred tax assets	Deferred tax liabilities	Net	Recognized in profit or loss	Changes in the scope of consolidation	Recognized in other comprehensive income	Net
Other intangible assets and goodwill	466.6	-576.2	-109.6	61.5	180.2	-15.5	-335.8
Property, plant and equipment	175.9	-404.0	-228.1	82.0	19.8	-13.6	-316.3
inventories	282.3	-77.7	204.6	14.2	-21.9	5.3	207.0
Other assets	316.1	-270.5	45.6	51.5	-1.5	1.8	-6.2
Employee benefits less defined benefit assets	1,075.6	-27.2	1,048.4	-91.8	-195.0	-166.9	1,502.1
Provisions for other risks and obligations	259.3	-12.3	247.0	-76.5	-107.4	16.0	414.9
Indebtedness and other financial liabilities	429.3	-61.2	368.1	-92.6	-0.8	6.5	455.0
Other differences	280.8	-171.5	109.3	115.8	-33.2	6.7	20.0
Allowable tax credits	68.0	—	68.0	17.3	-0.1	-11.0	61.8
Tax losses carried forward and limitation of interest deduction[1]	473.9	—	473.9	-6.3	-28.3	43.1	465.4
Deferred taxes (before offsetting)[1]	**3,827.8**	**-1,600.6**	**2,227.2**	**75.1**	**-188.2**	**-127.6**	**2,467.9**
Offsetting (IAS 12.74)	-1,499.0	1,499.0	—				—
Net deferred taxes[1]	**2,328.8**	**-101.6**	**2,227.2**				**2,467.9**

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.

Deferred taxes are measured in accordance with IAS 12, *Income Taxes*, at the tax rate applicable for the periods in which they are expected to be realized. Since 2008, there has been a limit on the deductible interest that can be carried forward in Germany; the amount deductible under tax law is limited to 30% of taxable income before depreciation, amortization and interest.

Deferred tax assets were down €269.6 million at €2,059.2 million (PY: €2,328.8 million). This was primarily attributable to a reduction in employee benefits of €444.3 million. Conversely, deferred tax assets on goodwill and other intangible assets increased by €122.1 million, due mainly to the rise in deferred tax assets on intangible assets.

Deferred tax liabilities declined by €44.1 million year-on-year to €57.5 million (PY: €101.6 million). This was influenced primarily by a decline in deferred tax liabilities on goodwill and other intangible assets.

As at December 31, 2022, the consolidated tax losses carried forward in Germany and abroad amounted to €5,397.9 million (PY: €5,214.6 million). Due to the adjusted methodology used for the recognition of uncertain tax positions, €470.8 million (PY: €1,308.7 million) of the tax losses carried forward in Germany no longer apply. Compared with the previous year, both corporate and trade tax losses carried forward are included. The majority of the Continental Group's tax losses carried forward relate to foreign subsidiaries and are largely unlimited in terms of the time period for which they can be carried forward.

Deferred tax assets were not recognized in relation to the following items because it is currently not deemed sufficiently likely that they will be utilized:

€ millions	Dec. 31, 2022	Dec. 31, 2021
Temporary differences	388.5	274.4
Tax losses carried forward and limitation of interest deduction	2,603.8	2,327.4
Allowable tax credits	324.5	333.2
Total of all items for which no deferred tax assets were recognized	**3,316.8**	**2,935.0**

Of the deferred tax assets deemed unusable, tax losses and interest carried forward of €1,837.8 million (PY: €1,585.6 million) can be used indefinitely, €763.0 million (PY: €650.0 million) expire within the next 10 years and €3.0 million (PY: €91.8 million) expire in more than 10 years. Of the deferred tax assets on allowable tax credits deemed unusable, €122.1 million (PY: €282.3 million) can be used indefinitely and €202.4 million (PY: €50.9 million) expire within the next 10 years. Deferred tax assets arising from temporary differences can be used indefinitely.

As at December 31, 2022, some Continental Group companies and tax groups that reported a loss in the current or previous year recognized total deferred tax assets of €1,534.9 million (PY: €1,746.3 million), which arose from current losses, tax losses carried forward and a surplus of deferred tax assets. Due to the adjusted methodology used for the recognition of uncertain tax positions, €72.3 million (PY: €200.6 million) of the deferred tax assets on tax losses carried forward within the German tax group no longer apply. Given that future taxable income is expected, it is sufficiently probable that these deferred tax assets can be realized.

The temporary differences from retained earnings of foreign companies amounted to a total of €1,062.3 million (PY: €1,023.0 million). Deferred tax liabilities were not taken into account, since remittance to the parent company is not planned in the short or medium term.

21. Other Financial Assets

	Dec. 31, 2022		Dec. 31, 2021	
€ millions	**Short-term**	**Long-term**	Short-term	Long-term
Amounts receivable from related parties	0.9	–	0.9	–
Loans to third parties	–	127.2	–	92.8
Amounts receivable from employees	15.2	–	18.1	–
Other amounts receivable	123.9	142.8	99.4	136.8
Other financial assets	**140.0**	**270.0**	**118.4**	**229.6**

Amounts receivable from related parties related primarily to loans to associates.

Loans to third parties related mainly to tenant loans for individual properties and loans to customers with various maturities.

Amounts receivable from employees related mainly to preliminary payments for hourly wages and for other advances.

In particular, other amounts receivable include investment subsidies for research and development expenses not yet utilized and amounts receivable from suppliers. The carrying amounts of the other financial assets are essentially their fair values.

Please see Note 33 for information on the default risks in relation to other financial assets.

22. Other Assets

	Dec. 31, 2022		Dec. 31, 2021	
€ millions	**Short-term**	**Long-term**	Short-term	Long-term
Trade accounts receivable from the sale of customer tools	128.4	–	126.4	–
Tax refund claims (incl. VAT and other taxes)	391.7	–	406.9	–
Prepaid expenses	219.4	–	198.7	–
Other	294.3	114.9	334.1	113.7
Other assets	**1,033.8**	**114.9**	**1,066.1**	**113.7**

The tax refund claims primarily resulted from VAT receivables from the purchase of production materials.

The trade accounts receivable from the sale of customer tools related to costs that have not yet been invoiced.

In particular, prepaid expenses include rent and maintenance services paid for in advance and license fees.

Among other things, the "Other" item includes other advanced costs as well as assets from related parties.

Impairment totaling €5.7 million (PY: €12.5 million) was recognized for the probable default risk on other assets.

23. Inventories

€ millions	**Dec. 31, 2022**	Dec. 31, 2021
Raw materials and supplies	3,100.1	1,953.0
Work in progress	719.6	722.3
Finished goods and merchandise	2,909.9	2,318.4
Inventories	**6,729.6**	**4,993.7**

Write-downs recognized on inventories increased by €107.2 million to €555.4 million (PY: €448.2 million).

24. Trade Accounts Receivable

€ millions	**Dec. 31, 2022**	Dec. 31, 2021
Trade accounts receivable	7,906.1	7,238.7
Allowances for doubtful accounts	-138.4	-149.2
Trade accounts receivable	**7,767.7**	**7,089.5**

The carrying amounts of the trade accounts receivable, net of allowances for doubtful accounts, are their fair values. Please see Note 33 for information on the default risks in relation to trade accounts receivable.

The Continental Group uses several programs for the sale of receivables. When the risks and rewards of receivables, in particular credit and default risks, have mostly not been transferred, the receivables are still recognized as assets in the statement of financial position.

Under the existing sale-of-receivables programs, the contractual rights to the receipt of payment inflows have been assigned to the corresponding contractual parties. The transferred receivables have short remaining terms. As a rule, therefore, the carrying amounts as at the reporting date in the amount of €551.9 million (PY: €474.7 million) are approximately equivalent to their fair value. The respective liabilities with a carrying amount of €323.9 million (PY: €286.8 million) represent the liquidation proceeds from the sale of the receivables. As in the previous year, this was approximately equivalent to their fair value. The committed financing volume under these sale-of-receivables programs amounts to €400.0 million (PY: €400.0 million).

25. Cash and Cash Equivalents

Cash and cash equivalents include all liquid funds and demand deposits. Cash equivalents are short-term, highly liquid financial investments that can be readily converted into known cash amounts and are subject to an insignificant risk of changes in value. As at the reporting date, cash and cash equivalents amounted to €2,988.0 million (PY: €2,269.1 million). Of that, €2,441.3 million (PY: €1,998.2 million) was unrestricted.

For information on the interest-rate risk and the sensitivity analysis for financial assets and liabilities, please see Note 33.

26. Assets Held for Sale

€ millions	**Dec. 31, 2022**	Dec. 31, 2021
Individual assets held for sale	–	7.9
Assets of a disposal group	–	–
Assets held for sale	**–**	**7.9**

There were no assets held for sale at the end of the reporting period. In the previous year, assets held for sale included in particular a plant building in Yangsan, South Korea, in the amount of €6.4 million.

27. Equity

€	**Dec. 31, 2022**	Dec. 31, 2021
Issued capital		
Subscribed capital	512,015,316.48	512,015,316.48
Less the notional value of treasury shares	–	-7.68
Issued capital	**512,015,316.48**	**512,015,308.80**

Continental AG sold three treasury shares in fiscal 2022.

The issued capital of Continental AG increased year-on-year by €7.68. At the end of the reporting period it amounted to €512,015,316.48 and was composed of 200,005,983 no-par-value shares (PY: 200,005,980) with a notional value of €2.56 per share.

Under the German Stock Corporation Act *(Aktiengesetz – AktG)*, the dividends distributable to the shareholders are based solely on Continental AG's retained earnings as at December 31, 2022, of €3,134.9 million (PY: €2,591.6 million), as reported in the annual financial statements prepared in accordance with the German Commercial Code. 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.

Non-controlling interests

The compiled financial information of fully consolidated subsidiaries with material non-controlling interests corresponds to the values prior to the implementation of consolidation measures.

Non-controlling interests

€ millions	Continental Automotive Corporation		Continental Automotive Corporation (Lianyungang) Co., Ltd.		ContiTech (Shandong) Engineered Rubber Products Co., Ltd.	
	2022	2021	**2022**	2021	**2022**	2021
Capital share of non-controlling interests in %	35.0	35.0	35.0	35.0	40.0	40.0
Current assets	501.6	482.7	216.8	273.0	193.8	194.0
Non-current assets	64.0	78.6	43.5	79.4	115.3	131.4
Total assets	565.6	561.3	260.3	352.5	309.1	325.4
Current liabilities	179.1	165.5	59.5	142.7	74.0	104.3
Non-current liabilities	14.6	9.3	-5.0	0.1	5.6	5.9
Total liabilities	193.7	174.8	54.5	142.8	79.6	110.2
Net assets	371.9	386.5	205.8	209.6	229.5	215.3
Attributable to non-controlling interests	130.2	135.3	72.0	73.4	91.8	86.1
Sales	798.1	739.7	200.3	317.5	208.6	191.8
Earnings after tax	42.9	32.0	18.0	28.2	20.2	16.4
Attributable to non-controlling interests	15.0	11.2	6.3	9.9	8.1	6.6
Dividends to minority shareholders	9.9	10.7	2.2	4.5	–	–
Cash flow before financing activities (free cash flow)	47.3	34.9	76.1	24.6	24.4	25.2

28. Capital Management

The aim of the Continental Group is to maintain a strong capital base in order to preserve the trust of the capital market, customers and employees and to ensure the sustainable development of the company. To assess the achievement of these goals, the Continental Group uses the equity ratio (defined as equity reported in the statement of financial position, including non-controlling interests, divided by total assets) and the gearing ratio as key figures. The gearing ratio is calculated as net indebtedness (corresponding to the amount of interest-bearing financial liabilities, the fair values of derivative instruments, cash and cash equivalents, and other interest-bearing investments) divided by equity (as disclosed in the statement of financial position, including non-controlling interests). In general, the gearing ratio should be below 40% in the coming years and not exceed 60% in the long term. 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%. The overall strategy of the Continental Group remained unchanged from the previous year. The Continental Group is not subject to any externally imposed capital requirements, and its main loan agreements do not currently contain any financial covenants.

The above key figures and parameters as at the reporting date were as follows:

€ millions	**Dec. 31, 2022**	Dec. 31, 2021
Total equity[1]	13,735.0	12,668.5
Total assets[1]	37,926.7	35,640.1
Equity ratio in %[1]	**36.2**	**35.5**
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
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.

29. Employee Benefits

The following table outlines the employee benefits:

	Dec. 31, 2022		Dec. 31, 2021	
€ millions	**Short-term**	**Long-term**	Short-term	Long-term
Pension provisions (unfunded obligations and net liabilities from obligations and related funds)	–	2,199.8	–	4,286.8
Provisions for other post-employment benefits	–	133.2	–	168.7
Provisions for similar obligations	1.3	44.9	1.4	49.1
Other employee benefits	–	232.1	–	225.3
Liabilities for workers' compensation	31.1	13.5	29.4	13.1
Liabilities for payroll and personnel-related costs	848.6	–	808.4	–
Termination benefits	40.1	–	71.6	–
Liabilities for social security	162.2	–	164.3	–
Liabilities for vacation	191.4		168.4	–
Employee benefits	**1,274.7**	**2,623.5**	**1,243.5**	**4,743.0**
Defined benefit assets (difference between pension obligations and related funds)		**93.1**		**101.6**

Long-term employee benefits

Pension plans

In addition to statutory pension insurance, the majority of employees are also entitled to defined benefit or defined contribution plans after the end of their employment.

Our pension strategy is focusing on switching from defined benefit to defined contribution plans in order to offer both employees and the company a sustainable and readily understandable pension system.

Many defined benefit plans have been closed for new employees or future service and replaced by defined contribution plans.

In countries in which defined contribution plans are not possible for legal or economic reasons, defined benefit plans have been optimized or changed to minimize the associated risks of longevity, inflation and salary increases.

Defined benefit plans

Defined benefit plans include pension plans, termination indemnities regardless of the reason for the end of employment and other post-employment benefits. As a result of the significant increase in the number of employees in recent years and the high level of acquisition activity, pension obligations essentially relate to active employees. The defined benefit pension plans cover 158,452 beneficiaries, including 107,078 active employees, 23,017 former employees with vested benefits, and 28,357 retirees and surviving dependents. The pension obligations are concentrated in four countries: Germany, the USA, the United Kingdom and Canada, which account for more than 90% of total pension obligations.

The weighted average term of the defined benefit pension obligations is around 15 years. This term is based on the present value of the obligations.

Germany

In Germany, Continental provides pension benefits through the cash balance plan, prior commitments and deferred compensation.

The retirement plan regulation applicable to active members is based primarily on the cash balance plan and thus on benefit modules. When the insured event occurs, the retirement plan assets are paid out as a lump-sum benefit, in installments or as a pension, depending on the amount of the retirement plan assets. There are no material minimum guarantees in relation to a particular amount of retirement benefits.

Pension plans transferred to or assumed by Continental in the context of acquisitions (Siemens VDO, Temic, Teves, Phoenix) were included in the cash balance plan. For the main German companies, the cash balance plan is partly covered by funds in contractual trust arrangements (CTAs). In Germany, there are no legal or regulatory minimum funding requirements.

The CTAs are legally independent from the company and manage the plan assets as trustees in accordance with the respective CTAs.

In the reporting period, Continental AG reacquired a €475.6 million share in ContiTech AG, Hanover, from Continental Pension Trust e. V., Hanover. Furthermore, an additional purchase price of €20.7 million was agreed for the sale of the former compensation payment by ContiTech AG, Hanover. The purchase price and the additional purchase price will become due on January 31, 2024, at the latest. The purchase price claim of Continental Pension Trust e. V., Hanover, constitutes plan assets as defined in IAS 19, *Employee Benefits*, and is therefore reported net against the corresponding obligations.

Some prior commitments were granted through two legally independent pension contribution funds. Pensionskasse für Angestellte der Continental Aktiengesellschaft VVaG and Pensionskasse von 1925 der Phoenix AG VVaG have been closed since March 1,1984, and July 1, 1983, respectively. The pension contribution funds are smaller associations within the meaning of Section 53 of the German Insurance Supervision Act *(Versicherungsaufsichtsgesetz – VAG)* and are subject to the supervision of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht). The investment regulations are in accordance with the legal requirements and risk structure of the obligations. The pension contribution funds have tariffs with an interest rate of 2.6%. Under the German Company Pensions Law *(Betriebsrentengesetz – BetrAVG)*, Continental is ultimately liable for the implementation path of the pension contribution fund. In accordance with IAS 19, *Employee Benefits*, the pension obligations covered by the pension contribution fund are therefore defined benefit pension plans. The pension contribution funds met their minimum net funding requirement as at December 31, 2022. However, given that only the plan members are entitled to the assets and amounts generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

Continental also supports private contribution through deferred compensation schemes.

Deferred compensation is essentially offered through a fully funded multi-employer plan (Höchster Pensionskasse VVaG) for contributions up to 4% of the assessment ceiling in social security. The pension contribution fund ensures guaranteed minimum interest for which Continental is ultimately liable under the German Company Pensions Law. The company is not liable for guarantees to employees of other companies. As Höchster Pensionskasse VVaG is a combined defined benefit plan for several companies and Continental has no right to the information required for accounting for this defined benefit plan, this plan is recognized as a defined contribution plan.

Entitled employees can use the cash balance plan for deferred compensation contributions above the 4% assessment ceiling. This share is funded by insurance annuity contracts.

USA

Owing to its acquisition history, Continental has various defined benefit plans in the USA, which were closed to new entrants and frozen to accretion of further benefits in a period from April 1, 2005, to December 31, 2011. In 2017, acquisitions also included an open defined benefit plan for unionized employees.

The closed defined benefit plans are commitments on the basis of the average final salary and cash balance commitments. The defined benefit plans for unionized and non-unionized employees are based on a pension multiplier per year of service.

Closed defined benefit plans were replaced by defined contribution plans. Defined contribution plans apply to the majority of active employees in the USA.

Due to the rise in interest rates, further efforts are currently being made to push for additional funding.

The plan assets of the defined benefit plans are managed in a master trust. Investment supervision was delegated to the Pension Committee, a body appointed within the Continental Group. The legal and regulatory framework for the plans is based on the US Employee Retirement Income Security Act (ERISA).

The valuation of the financing level is required on the basis of this law. The interest rate used for this calculation is the average rate over a period of 25 years and therefore currently higher than the interest rate used to discount obligations under IAS 19. The statutory valuation therefore gives rise to a lower obligation than that in line with IAS 19. There is a regulatory requirement to ensure minimum funding of 80% in the defined benefit plans to prevent benefit curtailments.

United Kingdom

Continental maintains four defined benefit plans as a result of its history of acquisitions in the United Kingdom. All plans are commitments on the basis of the average or final salary. The four plans were closed to new employees in the period between April 1, 2002, and November 30, 2004. Continental offers defined contribution plans for all employees who have joined the company since that time.

As at April 5, 2016, the Continental Group Pension and Life Assurance Scheme was frozen to accretion of further benefits. It was replaced by a defined contribution plan as at April 6, 2016.

As at July 31, 2017, the Mannesmann UK Pension Scheme was frozen to accretion of further benefits. It was replaced by a defined contribution plan as at August 1, 2017.

Our pension strategy in the UK focuses on reducing risks and includes the option of partial or complete funding by purchasing annuities. The rise in interest rates currently presents opportunities to push for partial or complete funding.

The funding conditions are defined by the UK Pensions Regulator and the corresponding laws and regulations. The defined benefit plans are managed by trust companies. The boards of trustees of these companies have an obligation solely to the good of the beneficiaries on the basis of the trust agreement and the law.

The necessary funding is determined every three years through technical valuations in line with local provisions. The obligations are measured using a discount rate based on government bonds and other conservatively selected actuarial assumptions.

Compared with IAS 19, which derives the discount rate from senior corporate bonds, this usually results in a higher obligation. Three of the four defined benefit plans had a funding deficit on the basis of the most recent technical valuation. The trustees and the company have agreed on a recovery plan that provides for additional temporary annual payments. The valuation process must be completed within 15 months of the valuation date.

The most recent technical valuations of the four defined benefit pension plans took place with their valuation dates between December 2018 and December 2020 and led to the following result:

- Continental Teves UK Employee Benefit Scheme (assessment as at December 31, 2020): Due to the extraordinary allocation in 2021 of GBP 10.0 million and the scheduled payment of GBP 1.4 million in October 2021, there is no need for a recovery plan and therefore no further allocations are currently envisaged.

- Continental Group Pension and Life Assurance Scheme: An agreement was concluded with an insurer in 2019 for a complete buy-out through the acquisition of annuities. The necessary data clarifications progressed in 2022 but have not yet been finalized. Implementation has been further delayed and will not be completed until 2023 at the earliest.

- Mannesmann UK Pension Scheme (assessment as at March 31, 2019): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 75,000 for the period from April 1, 2019, to September 30, 2019; a minimum monthly endowment of GBP 100,000 for the period from October 1, 2019, to March 31, 2020; a minimum monthly endowment of GBP 150,000 for the period from April 1, 2020, to March 31, 2021; a minimum monthly endowment of GBP 175,000 for the period from April 1, 2021, to March 31, 2023; and a minimum monthly endowment of GBP 200,000 for the period from April 1, 2023, to August 31, 2026. The assessment as at March 31, 2022, was performed, and negotiations between the trustees and the company are ongoing. The valuation process will be completed within the planned 15 months.

- Phoenix Dunlop Oil & Marine Pension Scheme (assessment as at December 31, 2018): As part of the assessment, an agreement was resolved on a minimum annual endowment of GBP 2.2 million and an annual adjustment of 3.5% over a period of four years. Thereafter, there will be an annual payment of GBP 1.4 million and an annual adjustment of 3.5% over a period of another three years. The assessment as at December 31, 2021, was performed, and negotiations between the trustees and the company are at an advanced stage. The valuation process will be completed within the planned 15 months.

Canada

Continental maintains various defined benefit plans as a result of its history of acquisitions. The pension plans are based mainly on a pension multiplier per year of service.

Fluctuations in the amount of the pension obligation resulting from exchange-rate effects are subject to the same risks as overall business development. These fluctuations relate mainly to the currencies of the USA, Canada and the UK and have no material impact on Continental. For information on the effects of interest-rate risks and longevity risk on the pension obligations, please refer to the sensitivities described later on in this note.

The pension obligations for Germany, the USA, Canada, the UK and other countries, as well as the amounts for Continental as a whole, are shown in the following tables.

The reconciliation of the changes in the defined benefit obligations from the beginning to the end of the year is as follows:

	2022						2021					
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Total
Defined benefit obligations as at January 1	**5,368.8**	**1,071.6**	**43.2**	**423.7**	**341.3**	**7,248.6**	**6,570.2**	**1,139.0**	**125.6**	**426.1**	**386.9**	**8,647.8**
Exchange-rate differences	–	69.2	0.4	-16.8	6.6	**59.4**	–	89.1	7.7	29.1	5.3	131.2
Current service cost	185.1	2.9	1.6	1.7	22.5	**213.8**	287.3	5.0	1.9	2.2	25.2	321.6
Service cost from plan amendments	–	3.7	–	–	0.5	**4.2**	–	–	–	–	30.1	30.1
Curtailments/settlements	–	–	–	–	-3.1	**-3.1**	–	–	–	–	-2.4	-2.4
Interest on defined benefit obligations	80.8	32.0	1.4	7.8	11.5	**133.5**	51.3	27.3	2.6	6.1	8.8	96.1
Actuarial gains/losses from changes in demographic assumptions	–	–	–	-1.2	-0.4	**-1.6**	–	3.5	–	-1.9	0.2	1.8
Actuarial gains/losses from changes in financial assumptions	-1,816.2	-255.4	-12.2	-149.6	-57.7	**-2,291.1**	-591.9	-51.4	-8.5	-16.2	-18.3	-686.3
Actuarial gains/losses from experience adjustments	8.5	8.6	0.2	12.6	8.5	**38.4**	-1.5	0.6	-1.3	-5.0	-3.8	-11.0
Net changes in the scope of consolidation	–	–	–	–	0.2	**0.2**	-837.5	-80.0	-80.1	–	-61.8	-1,059.4
Employee contributions	–	–	0.4	0.1	-0.6	**-0.1**	–	–	0.3	0.1	-0.6	-0.2
Other changes	3.4	–	0.0	–	-0.2	**3.2**	0.7	–	–	–	-0.3	0.4
Benefit payments	-115.5	-66.8	-2.3	-16.6	-34.2	**-235.4**	-109.8	-61.5	-5.0	-16.8	-28.0	-221.1
Defined benefit obligations as at December 31	**3,714.9**	**865.8**	**32.7**	**261.7**	**294.9**	**5,170.0**	**5,368.8**	**1,071.6**	**43.2**	**423.7**	**341.3**	**7,248.6**

The reconciliation of the changes in the fund assets from the beginning to the end of the year is as follows:

	2022						2021					
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Total
Fair value of fund assets as at January 1	**1,331.0**	**1,112.0**	**39.1**	**441.2**	**141.0**	**3,064.3**	**1,368.2**	**1,157.5**	**105.9**	**408.8**	**162.8**	**3,203.2**
Exchange-rate differences	–	72.0	0.2	-18.6	1.3	**54.9**	–	91.5	6.6	28.9	0.8	127.8
Interest income from pension funds	17.3	33.0	1.3	8.1	4.1	**63.8**	13.6	27.8	2.2	5.9	4.0	53.5
Actuarial gains/losses from fund assets	-99.5	-272.4	-8.6	-119.9	-9.2	**-509.6**	33.1	-35.4	4.3	-5.0	1.5	-1.5
Employer contributions	51.1	5.5	1.7	5.6	15.2	**79.1**	50.0	4.0	2.7	19.3	13.3	89.3
Employee contributions	–	–	0.4	0.1	0.1	**0.6**	–	–	0.3	0.1	0.9	1.3
Net changes in the scope of consolidation	–	-7.1	–	–	–	**-7.1**	-109.6	-70.2	-77.5	–	-24.1	-281.4
Other changes	496.4	5.4	-0.2	–	0.4	**502.0**	–	-1.7	-0.4	–	-0.1	-2.2
Benefit payments	-74.0	-66.8	-2.3	-16.6	-24.0	**-183.7**	-24.3	-61.5	-5.0	-16.8	-18.1	-125.7
Fair value of fund assets as at December 31	**1,722.3**	**881.6**	**31.6**	**299.9**	**128.9**	**3,064.3**	**1,331.0**	**1,112.0**	**39.1**	**441.2**	**141.0**	**3,064.3**

The carrying amount consisting of the defined benefit assets and the pension provisions decreased by €2,078.5 million compared with the previous year. This was primarily due to actuarial gains in all countries.

The defined benefit assets decreased by €8.5 million year-on-year. This resulted primarily from the rise in actuarial gains in all countries.

€5,079.7 million (PY: €7,135.8 million) of the defined benefit obligations as at December 31, 2022, related to plans that are fully or partially funded, and €90.3 million (PY: €112.8 million) related to plans that are unfunded.

The €2,078.6 million decrease in the defined benefit obligations compared with December 31, 2021, resulted in particular from actuarial gains from changes in financial assumptions.

The fund assets in Germany include the CTA assets amounting to €1,406.2 million (PY: €996.6 million), pension contribution fund assets of €185.7 million (PY: €211.8 million) and insurance annuity contracts amounting to €130.4 million (PY: €122.3 million). In the previous year, the fund assets also included plan assets in the amount of €0.3 million.

Fund assets in the reporting year were €3,064.3 million, the same as in the previous year. The reacquisition of a €475.6 million share in ContiTech AG, Hanover, from Continental Pension Trust e. V., Hanover, increased fund assets. Conversely, actuarial losses reduced fund assets.

Actuarial gains and losses on fund assets in Germany resulted from actuarial gains of €101.2 million (PY: €33.1 million) from the CTAs.

In the Continental Group, there are pension contribution funds for previously defined contributions in Germany that have been closed to new entrants since July 1, 1983, and March 1, 1984, respectively. As at December 31, 2022, the minimum net funding requirement was exceeded; Continental AG has no requirement to make additional contributions. The pension fund assets had a fair value of €185.8 million as at December 31, 2022 (PY: €211.8 million). The pension contribution funds have tariffs with an interest rate of 2.6%. Under the German Company Pensions Law, Continental AG is ultimately liable for the implementation path of the pension contribution fund. It therefore constitutes a defined benefit pension plan that must be reported in line with the development of pension provisions. However, given that only the plan members are entitled to the assets and income generated, the benefit obligations are recognized in the same amount as the existing assets at fair value.

The following table shows the reconciliation of the funded status to the amounts contained in the statement of financial position:

	Dec. 31, 2022						Dec. 31, 2021					
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Total
Funded status[1]	**-1,992.6**	**15.8**	**-1.1**	**38.2**	**-166.0**	**-2,105.7**	**-4,037.8**	**40.4**	**-4.1**	**17.5**	**-200.3**	**-4,184.3**
Asset ceiling	–	–	–	–	-1.0	**-1.0**	–	–	–	–	-0.9	-0.9
Carrying amount	**-1,992.6**	**15.8**	**-1.1**	**38.2**	**-167.0**	**-2,106.7**	**-4,037.8**	**40.4**	**-4.1**	**17.5**	**-201.2**	**-4,185.2**

1 Difference between fund assets and defined benefit obligations.

The carrying amount comprises the following items of the statement of financial position:

	Dec. 31, 2022						Dec. 31, 2021					
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Total
Defined benefit assets	–	40.4	0.7	42.8	9.2	**93.1**	–	69.6	–	22.9	9.1	101.6
Pension provisions	-1,992.6	-24.6	-1.8	-4.6	-176.2	**-2,199.8**	-4,037.8	-29.2	-4.1	-5.4	-210.3	-4,286.8
Carrying amount	**-1,992.6**	**15.8**	**-1.1**	**38.2**	**-167.0**	**-2,106.7**	**-4,037.8**	**40.4**	**-4.1**	**17.5**	**-201.2**	**-4,185.2**

The assumptions used to measure the pension obligations – in particular, the discount factors for determining the interest on expected pension obligations and the expected return on fund assets, as well as the long-term salary growth rates and the long-term pension trend – are specified for each country.

In the principal pension plans, the following weighted-average valuation factors as at December 31 of the year have been used:

	2022					2021				
%	**Germany[1]**	**USA**	**Canada**	**UK**	**Other**	Germany[1]	USA	Canada	UK	Other
Discount rate	3.65	5.40	5.25	4.80	5.96	1.25	2.80	3.20	1.90	3.40
Long-term salary growth rate	3.00	0.00	3.00	1.30	4.37	3.00	0.00	3.00	1.36	3.18

1 Not including the pension contribution funds.

Another parameter for measuring the pension obligation is the long-term pension trend. The following weighted average long-term pension trend was used as at December 31, 2022, for the key countries: Germany 2.20% (PY: 1.75%), Canada 0.0% (PY: 0.0%) and the United Kingdom 3.3% (PY: 3.5%). For the USA, the long-term pension trend does not constitute a significant measurement parameter.

The pension trend increased from 1.75% to 2.20% as at December 31, 2022, due to inflation and the associated pension increases in Germany.

Net pension cost can be summarized as follows:

	2022						2021						
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Continuing operations	Continuing and discontinued operations
Current service cost	185.1	2.9	1.6	1.7	22.5	213.8	247.1	5.0	1.9	2.2	21.9	278.1	321.6
Service cost from plan amendments	–	3.7	–	–	0.5	4.2	–	–	–	–	30.1	30.1	30.1
Curtailments/settlements	–	–	–	–	-3.1	-3.1	–	–	–	–	-1.8	-1.8	-2.4
Interest on defined benefit obligations	80.8	32.0	1.4	7.8	11.5	133.5	46.2	26.7	1.2	6.1	7.5	87.7	96.1
Expected return on the pension funds	-17.3	-33.0	-1.3	-8.1	-4.1	-63.8	-12.8	-27.2	-0.9	-5.9	-3.3	-50.1	-53.5
Effect of change of asset ceiling	–	–	–	–	0.1	0.1	–	–	–	–	0.0	0.0	0.0
Other pension income and expenses	–	1.7	0.2	–	0.0	1.9	–	1.5	0.2	–	-0.2	1.5	2.0
Net pension cost	**248.6**	**7.3**	**1.9**	**1.4**	**27.4**	**286.6**	**280.5**	**6.0**	**2.4**	**2.4**	**54.2**	**345.5**	**393.9**

The table below shows the changes in actuarial gains and losses that are reported directly in equity:

	2022						2021						
€ millions	**Germany**	**USA**	**Canada**	**UK**	**Other**	**Total**	Germany	USA	Canada	UK	Other	Continuing operations	Continuing and discontinued operations
Actuarial gains/losses from defined benefit obligations	-1,807.7	-246.8	-12.0	-138.2	-49.6	-2,254.3	527.2	46.4	-5.8	23.1	-21.5	569.4	640.9
Actuarial gains/losses from fund assets	99.5	272.4	8.6	119.9	9.2	509.6	29.9	-36.9	-1.5	-5.0	-0.8	-14.3	-6.1
Actuarial gains/losses from asset ceiling	–	–	–	–	-0.1	-0.1	–	–	–	–	0.7	0.7	-0.2
Actuarial gains/losses	**-1,708.2**	**25.6**	**-3.4**	**-18.3**	**-40.5**	**-1,744.8**	**557.1**	**9.5**	**-7.3**	**18.1**	**-21.6**	**555.8**	**634.6**

Actuarial gains and losses arise from increases or decreases in the present value of the defined benefit obligation due to changes in the actuarial assumptions made. The increase in the discount factor in all countries in the 2022 reporting period compared with 2021 resulted in actuarial gains in all countries. The actuarial gains in the previous fiscal year likewise resulted from a rise in interest rates compared with the prior year.

If the other assumptions remained constant, the changes in individual key actuarial assumptions that could reasonably have been possible at the reporting date would have impacted the defined benefit obligation by the following amounts. Although the analysis does not take account of the complete allocation of the cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

If the other assumptions are maintained, a 0.5-percentage-point increase or decrease in the discount rate used to discount pension obligations would have had the following impact on the pension obligations as at the end of the reporting period:

	Dec. 31, 2022					Dec. 31, 2021				
€ millions	**Germany[1]**	**USA**	**Canada**	**UK**	**Other**	Germany[1]	USA	Canada	UK	Other
0.5% increase										
Effects on service and interest cost	-5.9	-2.5	-0.3	0.6	-0.1	-11.6	-2.4	-0.3	1.1	-0.1
Effects on benefit obligations	-270.5	-37.2	-2.4	-15.8	-12.4	-501.8	-57.1	-3.6	-35.5	-16.8
0.5% decrease										
Effects on service and interest cost	6.5	2.1	0.3	-1.0	0.0	13.2	2.0	0.3	-1.2	0.1
Effects on benefit obligations	308.6	40.4	2.6	17.5	13.5	587.4	62.9	4.0	39.8	18.4

1 Not including the pension contribution funds.

A 0.5-percentage-point increase or decrease in the long-term salary growth rate would have had the following impact on the pension obligations as at the end of the reporting period:

	Dec. 31, 2022				Dec. 31, 2021			
€ millions	**Germany**	**USA[1]**	**Canada**	**UK**	Germany	USA[1]	Canada	UK
0.5% increase								
Effects on benefit obligations	1.3	–	0.6	0.9	3.7	–	0.7	2.5
0.5% decrease								
Effects on benefit obligations	-1.3	–	-0.4	-0.9	-3.9	–	-0.6	-2.5

1 Any change in the long-term salary growth rate would have no effect on the value of the benefit obligations.

A 0.5-percentage-point increase or decrease in the long-term pension trend would have had the following impact on the pension obligations as at the end of the reporting period:

	Dec. 31, 2022				Dec. 31, 2021			
€ millions	**Germany**	**USA[1]**	**Canada**	**UK**	Germany	USA[1]	Canada	UK
0.5% increase								
Effects on benefit obligations	109.6	–	–	11.6	176.0	–	–	25.1
0.5% decrease								
Effects on benefit obligations	-100.4	–	–	-11.5	-159.5	–	–	-24.9

1 Any change in the long-term pension trend would have no effect on the value of the benefit obligations.

Changes in the discount rate and the salary and pension trends do not have a linear effect on the defined benefit obligations (DBO) owing to the financial models used (particularly due to the compounding of interest rates). For this reason, the net periodic pension cost derived from the pension obligations does not change by the same amount as a result of an increase or decrease in the actuarial assumptions.

In addition to the aforementioned sensitivities, the impact of a one-year-longer life expectancy on the value of benefit obligations was computed for the key countries. A one-year increase in life expectancy would lead to a €147.3 million (PY: €270.6 million) increase in the value of the benefit obligations, and that figure would be broken down as follows: Germany €115.1 million (PY: €216.4 million), USA €23.7 million (PY: €35.1 million), United Kingdom €7.9 million (PY: €18.3 million) and Canada €0.6 million (PY: €0.8 million). In Germany, increased payments in the form of pensions rather than capital were assumed in the actuarial valuation, which has the effect of increasing the benefit obligations. For the calculation of pension obligations for domestic plans, life expectancy is based on the 2018 G mortality tables by Prof. Klaus Heubeck. For foreign pension plans, comparable criteria are used for the respective country.

Plan assets

The structure of the Continental Group's plan assets is reviewed by the investment committees on an ongoing basis taking into account the forecast pension obligations. In doing so, the investment committees regularly review the investment decisions taken, the underlying expected returns of the individual asset classes reflecting empirical values and the selection of the external fund managers.

The portfolio structures of the pension funds at the measurement date for the fiscal years 2022 and 2021 are as follows:

%	**2022**					2021				
Asset class	**Germany[1]**	**USA**	**Canada**	**UK**	**Other**	Germany[1]	USA	Canada	UK	Other
Equity instruments	5	1	61	7	26	6	3	59	14	14
Debt securities	32	96	38	40	53	51	94	40	31	68
Real estate	9	–	–	0	2	12	–	–	1	2
Absolute return[2]	10	–	1	4	–	18	–	–	6	–
Cash, cash equivalents and other	44	3	–	13	19	13	3	1	10	16
Annuities[3]	–	–	–	36	–	–	–	–	38	–
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

1 The portfolio structure of the fund assets in Germany excludes the pension contribution funds whose assets are invested mainly in fixed-income securities and shares.
2 This refers to investment products that aim to achieve a positive return regardless of market fluctuations.
3 Annuities are insurance contracts that guarantee pension payments.

The following table shows the cash contributions made by the company to the pension funds for 2022 and 2021 as well as the expected contributions for 2023:

€ millions	2023 (expected)	**2022**	2021
Germany	–	51.1	50.0
USA	1.1	5.5	4.0
Canada	1.6	1.7	2.3
UK	5.7	5.6	19.3
Other	13.7	15.2	13.1
Total	**22.1**	**79.1**	**88.7**

The following overview contains the pension benefit payments made in the reporting year and the previous year, as well as the undiscounted, expected pension benefit payments for the next 10 years:

€ millions	Germany	USA	Canada	UK	Other	**Total**
Benefits paid						
2021	108.0	60.2	2.4	16.8	24.2	**211.6**
2022	115.5	66.8	2.3	16.6	34.2	**235.4**
Benefit payments as expected						
2023	148.9	68.4	2.1	11.5	16.0	**246.9**
2024	141.9	68.4	1.9	11.8	21.5	**245.5**
2025	147.3	68.6	2.2	12.6	24.5	**255.2**
2026	156.3	68.7	2.1	13.5	27.2	**267.8**
2027	162.8	68.3	2.6	14.2	28.1	**276.0**
Total of years 2028 to 2032	895.9	328.1	13.1	81.2	180.3	**1,498.6**

The pension payments from 2021 onward relate to lump-sum amounts in connection with fixed service cost benefit plans, as well as annual pension benefits. Furthermore, the earliest eligible date for retirement has been assumed when determining future pension payments. The actual retirement date could occur later. Therefore, the actual payments in future years for present plan members could be lower than the amounts assumed.

For the current and four preceding reporting periods, the amounts of the defined benefit obligations, fund assets, funded status, as well as the remeasurement of plan liabilities and plan assets are as follows:

€ millions	2022	2021	2020	2019	2018
Defined benefit obligations	5,170.0	7,248.6	8,647.8	7,875.1	6,595.3
Fund assets	3,064.3	3,064.3	3,203.2	3,032.7	2,728.5
Funded status	-2,105.7	-4,184.3	-5,444.6	-4,843.9	-3,866.8
Remeasurement of plan liabilities	-2,254.3	-695.5	704.5	997.0	-2.4
Remeasurement of plan assets	-509.6	-1.5	191.5	209.0	-104.5

Other post-employment benefits

Certain subsidiaries – primarily in the USA and Canada – grant eligible employees healthcare and life insurance on retirement if they have fulfilled certain conditions relating to age and years of service. The amount and entitlement can be altered. Certain retirement benefits, in particular for pensions and healthcare costs, are provided in the USA for hourly paid workers at unionized tire plants under the terms of collective pay agreements. No separate fund assets have been set up for these obligations.

The weighted average term of the defined benefit pension obligation is around nine years. This term is based on the present value of the obligation.

The reconciliation of the changes in the defined benefit obligations and the financing status from the beginning to the end of the year is as follows:

€ millions	2022	2021
Defined benefit obligations as at January 1	**168.7**	**205.7**
Exchange-rate differences	9.9	12.8
Current service cost	0.9	1.2
Curtailments/settlements	0.4	0.0
Interest on healthcare and life insurance benefit obligations	5.3	4.9
Actuarial gains/losses from changes in demographic assumptions	0.0	-1.3
Actuarial gains/losses from changes in financial assumptions	-33.9	-8.0
Actuarial gains/losses from experience adjustments	-5.7	-3.1
Changes in the scope of consolidation	–	-30.7
Benefit payments	-12.4	-12.8
Defined benefit obligations/net amount recognized as at December 31	**133.2**	**168.7**

The assumptions used for the discount rate and cost increases to calculate the healthcare and life insurance benefits vary according to conditions in the USA and Canada. The following weighted average valuation factors as at December 31 of the year have been used:

%	2022	2021
Discount rate	5.45	2.92
Rate of increase in healthcare and life insurance benefits in the following year	0.48	0.48
Long-term rate of increase in healthcare and life insurance benefits	0.37	0.36

The net cost of healthcare and life insurance benefit obligations can be broken down as follows:

€ millions	2022	2021 Continuing operations	2021 Continuing and discontinued operations
Current service cost	0.9	1.1	1.2
Service cost from plan amendments	0.2	–	–
Curtailments/settlements	0.2	0.0	0.0
Interest on healthcare and life insurance benefit obligations	5.3	4.4	4.9
Net cost	**6.6**	**5.5**	**6.1**

If the other assumptions remained constant, the changes in individual key actuarial assumptions that could reasonably have been possible at the reporting date would have impacted the defined benefit obligation by the following amounts. Although the analysis does not take account of the complete allocation of the cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

The following table shows the effects of a 0.5% increase or decrease in the cost trend for healthcare and life insurance obligations:

€ millions	2022	2021
0.5% increase		
Effects on service and interest cost	0.4	0.0
Effects on benefit obligations	–5.0	1.0
0.5% decrease		
Effects on service and interest cost	–0.4	0.0
Effects on benefit obligations	5.5	–0.9

A 0.5-percentage-point increase or decrease in the discount rate specified above for calculating the net cost of healthcare and life insurance benefit obligations would have had the following effect on net cost:

€ millions	2022	2021
0.5% increase		
Effects on service and interest cost	0.0	0.4
Effects on benefit obligations	0.7	–8.2
0.5% decrease		
Effects on service and interest cost	0.0	–0.4
Effects on benefit obligations	–0.6	9.1

The following table shows the payments made for other post-employment benefits in the reporting year and the previous year, as well as the undiscounted, expected benefit payments for the next 10 years:

€ millions	
Benefits paid	
2021	11.9
2022	12.4
Benefit payments as expected	
2023	14.3
2024	14.3
2025	14.3
2026	14.2
2027	14.1
Total of years 2028 to 2032	42.2

The amounts for the defined benefit obligations, funded status and remeasurement of plan liabilities for the current and four preceding reporting periods are as follows:

€ millions	**2022**	2021	2020	2019	2018
Defined benefit obligations	133.2	169.5	205.7	215.9	194.9
Funded status	-133.2	-169.5	-205.7	-215.9	-194.9
Remeasurement of plan liabilities	-39.6	-12.4	16.1	13.2	-15.6

Obligations similar to pensions
Some companies of the Continental Group have made commitments to employees for a fixed percentage of the employees' compensation. These entitlements are paid out when the employment relationship is terminated. In the year under review, expenses from these obligations amounted to €4.5 million (PY: €8.0 million).

Defined contribution pension plans
The Continental Group offers its employees pension plans in the form of defined contribution plans, particularly in the USA, the UK, Japan and China. Not including social security contributions, expenses from defined contribution pension plans amounted to €80.0 million (PY: €76.4 million) in the fiscal year.

Other employee benefits
Other employee benefits include provisions for partial early retirement programs and anniversary and other long-service benefits. The provisions for partial early retirement are calculated using a discount rate of 3.32% (PY: 0.0%). Provisions for anniversary and other long-service benefits were calculated using a discount rate of 3.77% (PY: 0.95%). In accordance with the option under IAS 19, *Employee Benefits*, the interest component is reported in the financial result.

Variable remuneration elements
Liabilities for payroll and personnel-related costs also include variable components based on performance. The variable components that are based on performance comprise a short-term remuneration component (performance bonus without equity deferral) as well as long-term remuneration components (long-term incentive and equity deferral of the performance bonus). Liabilities for payroll and personnel-related costs also include the amounts of variable remuneration converted into virtual shares of Continental AG for members of the Executive Board (performance bonus, deferral) in accordance with the remuneration system valid until 2019 (hereinafter "2019 remuneration system").

The LTI plans for the years starting from 2014 and the deferral of the performance bonus from the 2019 remuneration system are classified as cash-settled share-based payments; hence they are recognized at fair value in accordance with IFRS 2, *Share-based Payment*. The equity deferral of the performance bonus of the remuneration system applicable from 2020 is classified as an equity-settled share-based payment; hence it is recognized at fair value in accordance with IFRS 2, *Share-based Payment*.

Long-term incentive plans (LTI plans)
Expenses of €3.3 million (PY: €6.4 million) from the addition of provisions for the TIP bonus and the 2020, 2021 and 2022 LTI plans were recognized in the respective function costs.

- 2014 to 2019 LTI plan: From 2014 to 2019, senior executives of the Continental Group and members of the Executive Board were granted an LTI bonus. This bonus was intended to allow for participation in the long-term, sustainable increase in the Continental Group's value and profitability. The LTI bonus depended on job grade and degree of target achievement and was issued in annual tranches.

- The term of the 2017/20 tranche, which was resolved on January 27, 2017, by the Supervisory Board for the members of the Executive Board and on June 2, 2017, by the Executive Board for senior executives, begins retroactively as at January 1, 2017, and is four years. After the expiry of the 2017/20 LTI tranche in December 2020, the bonus was not paid out in 2021, as the fair value of the tranche as at the payment date was €0.0 million.

- The term of the 2018/21 tranche, which was resolved on March 13, 2018, by the Supervisory Board for the members of the Executive Board and on May 28, 2018, by the Executive Board for senior executives, begins retroactively as at January 1, 2018, and is four years. After the expiry of the 2018/21 LTI tranche in December 2021, the bonus was not paid out in 2022, as the fair value of the tranche as at the payment date was €0.0 million.

- The term of the 2019/22 tranche, which was resolved on March 14, 2019, by the Supervisory Board for the members of the Executive Board and on May 24, 2019, by the Executive Board for senior executives, begins retroactively as at January 1, 2019, and is four years.

For each beneficiary of an LTI tranche, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives) of Continental AG specified the amount of a target bonus in euros to be paid out upon 100% target achievement. The actual LTI bonus paid out on expiry of the LTI tranche depends on the degree of target achievement. The LTI bonus can range between 0% (no payment) and 200% (maximum payment).

The degree of achievement of two target criteria is decisive for the payment and amount of the LTI bonus. The first target criterion is the equally weighted average of the Continental Value Contribution (CVC) of the Continental Group over a period of four fiscal years, starting from the fiscal year in which the LTI tranche is issued. The equally weighted average is calculated by adding together 25% of the CVC of the four fiscal years of the term of the LTI tranche. The second target criterion is the total shareholder return (TSR) on Continental shares as at the end of the term in relation to the beginning of the LTI tranche. The share price used in calculating the TSR is the arithmetic mean of closing prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the three months from October to December before the issue and expiry of the LTI tranche. In addition, all dividends paid during the term of the LTI tranche are taken into account for the TSR.

The scale for determining the degree of target achievement is defined by the Supervisory Board or the Executive Board when the respective LTI tranche is issued. This key data is identical for the members of the Executive Board and senior executives. The degree of target achievement for the first target criterion can lie between 0% and 200%. Target achievement is calculated on a straight-line basis between 0% and the maximum amount. There is no cap for the second target criterion. The ultimate degree of target achievement used to calculate the LTI bonus to be paid out is determined by multiplying the two target criteria. The LTI bonus to be paid out is determined by multiplying the degree of target achievement by the target bonus. The total maximum achievable LTI bonus is 200% of the target bonus.

A Monte Carlo simulation is used in the measurement of the TSR target criterion. This means that log-normal distributed processes are simulated for the price of Continental shares. The Monte Carlo simulation takes into account the average value accumulation of share prices in the respective reference period, the TSR dividends and the restriction for the payment amount.

- 2019 Transformation Incentive Plan (TIP): In 2019, the Continental Group offered its senior executives the possibility of participating in the long-term, sustainable increase in the Continental Group's value by paying a TIP bonus in addition to the fixed salary and the annual variable remuneration. The term of the TIP, which the Executive Board adopted for senior executives on September 2, 2019, extends from October 1, 2019, to December 31, 2021. After the expiry of the TIP bonus in December 2021, the bonus was paid out in June 2022.

  The Executive Board of Continental AG specified the amount of the target bonus (TIP bonus) in euros for each beneficiary of a TIP bonus (senior executives). The TIP bonus is calculated based on a certain number of virtual shares of Continental AG (basic holding), which can increase through two bonus packages, multiplied by the payment share price. The payment share price is the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the last month prior to the Annual Shareholders' Meeting that follows the end of the term. The TIP bonus, which can total at most 200% of the initial share price, is paid to the respective beneficiary as a gross lump sum at the end of the second complete calendar month following the Annual Shareholders' Meeting that follows the end of the term. Since the basic holding can be increased through two bonus packages, the degree of achievement of two target criteria is decisive for the amount of the TIP bonus. The target criterion of the first bonus package is the results of the OUR BASICS Live corporate survey in 2021. If at least 70% (equally weighted average) of all participants respond positively to the Sustainable Engagement Index, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The target criterion of the second bonus package is met if, at the end of the term, the total shareholder return (TSR) on Continental shares equals or exceeds the performance of the STOXX Europe 600 Automobiles & Parts Index. In this case, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The TSR on Continental shares corresponds to the sum of the share price performance as at the end of the term and all dividends distributed during the term relative to the share price at the beginning of the term. The share price used in calculating the TSR is the arithmetic mean of the closing prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days (i) in the first month of the term ("initial share price") and (ii) in the last month of the term ("final share price").

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares and the price of the STOXX Europe 600 Automobiles & Parts Gross Return Index. The Monte Carlo simulation takes into account the average value accumulation of the Continental share prices for the final share price and the payment share price, the TSR dividends, the performance compared with the benchmark index and the restriction for the payment amount.

- 2020 to 2022 LTI plan: From 2020, a new LTI plan was granted to the Executive Board, senior executives and executives that aims to promote long-term commitment to the company and its sustainable growth. Therefore, the long-term TSR of Continental shares, compared with an index consisting of European companies that are active in the automotive and tire industry and comparable with Continental AG (STOXX Europe 600 Automobiles & Parts (SXAGR); hereinafter "benchmark index"), is a key performance criterion for the LTI. The second performance criterion is a sustainability score that is multiplied by the degree of target achievement in order to calculate the LTI to be paid. The amount of the LTI to be paid is based on the performance of the Continental share price over the term of the LTI.
- The term of the 2020 LTI plan, which was resolved on March 17, 2020, by the Supervisory Board for the members of the Executive Board, and on March 2, 2020, by the Executive Board for senior executives and executives, begins retroactively as at January 1, 2020, and is four years for the Executive Board and three years for senior executives and executives.
- The term of the 2021 LTI plan, which was resolved on December 15, 2020, by the Supervisory Board for the members of the Executive Board, and on March 22, 2021, by the Executive Board for senior executives and executives, begins retroactively as at January 1, 2021, and is four years for the Executive Board and three years for senior executives and executives.
- The term of the 2022 LTI plan, which was resolved on December 14, 2021, by the Supervisory Board for the members of the Executive Board, and on March 21, 2022, by the Executive Board for senior executives and executives, begins retroactively as at January 1, 2022, and is four years for the Executive Board and three years for senior executives and executives.
- For each beneficiary of the 2020, 2021 and 2022 LTI plan, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives and executives) of Continental AG agrees an allotment value in euros for the LTI.

At the start of the first fiscal year of the term of the LTI plan, this allotment value is converted into a basic holding of virtual shares. The allotment value is divided by the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the term of the respective LTI plan (issue price). The basic holding is multiplied by a performance index (PI) in order to determine the final holding of virtual shares. The performance index corresponds to the product from the relative total shareholder return (TSR) on Continental shares and a sustainability score. The relative TSR is calculated from the relative performance of the Continental TSR in comparison with the TSR on the STOXX Europe 600 Automobiles & Parts (SXAGR). The Continental TSR corresponds to the sum of the average Continental share price in the last month of the term (final share price) and all dividends distributed during the term relative to the average share price in the first month of the term (initial share price). The SXAGR TSR is determined using the same method.

In the previous year, the Executive Board of Continental AG resolved to adjust the share-based remuneration elements of senior executives and executives to compensate for the effects of the spin-off of Vitesco Technologies on the share price of Continental AG. The virtual shares of Continental AG granted as part of the LTI have been adjusted by a factor of 1.12. The same applies to the total shareholder return (TSR) of Continental AG applied in the LTI. The adjustment factor has been applied to the final share price and to the dividends paid after the spin-off.

Performance criteria and goals of the sustainability score are targets for CO_2 emissions, recycling quotas and the review of good working conditions for employees in the Continental Group (e.g. based on sick leave, accident rates and employee satisfaction).

The payment amount of the 2020, 2021 and 2022 LTI plan can total at most 200% of the defined initial share price (executives and senior executives) or issue price (Executive Board). The issue price is the average price of the two months before the start of the term.

The final holding of virtual shares is multiplied by the payout ratio in order to determine the gross amount of the LTI to be paid out in euros (hereinafter "payout amount"). The payout ratio is the sum of the arithmetic mean of Continental AG's closing share prices in Xetra trading on the Frankfurt Stock Exchange (or a successor system) on the trading days in the last two months prior to the next ordinary Annual Shareholders' Meeting that follows the end of the term of the LTI plan and the dividends paid out per share during the term of the LTI plan.

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares and the price of the STOXX Europe 600 Automobiles & Parts (benchmark index). The Monte Carlo simulation takes into account the average value accumulation of the Continental share prices and the benchmark index for the final share price and the payment share price, the TSR dividends, the performance compared with the benchmark index and the restriction for the payment amount.

The following TSR parameters were used as at the measurement date of December 31, 2022:

- Constant zero rates as at the measurement date of December 31, 2022:
  2019 LTI plan: 2.03% as at the expected payment date;
  2020 LTI plan (senior executives and executives): 1.76% as at the due date and 1.95% as at the end of the payment share price period;
  2020 LTI plan (Executive Board): 2.45% as at the due date and 2.49% as at the end of the payment share price period;
  2021 LTI plan (senior executives and executives): 2.45% as at the due date and 2.49% as at the end of the payment share price period;
  2021 LTI plan (Executive Board): 2.53% as at the due date and 2.52% as at the end of the payment share price period;
  2022 LTI plan (senior executives and executives): 2.52% as at the due date and 2.53% as at the end of the payment share price period;
  2022 LTI plan (Executive Board): 2.51% as at the due date and 2.51% as at the end of the payment share price period.

- Continental share price at year end of €55.98.

- Interest rate based on the yield curve for government bonds.

- Dividend payments as the arithmetic mean based on publicly available estimates for 2023 until 2025; the dividend of Continental AG amounted to €2.20 per share in 2022, and Continental AG distributed a dividend of €0.00 per share in 2021.

- Historical volatilities on the basis of daily Xetra closing rates for Continental shares and the benchmark index based on the respective remaining term for LTI tranches and the 2020 to 2022 LTI plan. The historical Continental share volatilities for the 2020 LTI plan are 45.32% for senior executives and executives and 43.76% for the Executive Board. The volatility for the 2021 LTI plan is 43.76% for senior executives and executives and 39.11% for the Executive Board. The volatility for the 2022 LTI plan is 39.33% for senior executives and executives and 43.14% for the Executive Board. The historical benchmark index volatilities for the 2020 LTI plan are 27.80% for senior executives and executives and 31.11% for the Executive Board. The volatility for the 2021 LTI plan is 31.11% for senior executives and executives and 28.24% for the Executive Board. The volatility for the 2022 LTI plan is 28.25% for senior executives and executives and 33.56% for the Executive Board.

- Historical correlations on the basis of daily Xetra closing rates for the benchmark index based on the respective remaining term of the components of the 2020 to 2022 LTI plans. For the 2020 LTI plan it is 0.8480 for senior executives and executives and 0.8191 for the Executive Board. For the 2021 LTI plan it is 0.8191 for senior executives and executives and 0.8148 for the Executive Board. For the 2022 LTI plan it is 0.8076 for senior executives and executives and 0.8464 for the Executive Board.

- The fair values of the tranches developed as follows. The amount of the provision as at the measurement date of December 31, 2022, results from the respective vesting level:
  2019 LTI plan: €0.0 million (PY: €0.0 million), the vesting level is 100%;
  2020 LTI plan (senior executives and executives): €14.7 million (PY: €26.9 million), the vesting level is 100%;
  2020 LTI plan (Executive Board): €0.0 million (PY: €1.0 million), the vesting level is 75%;
  2021 LTI plan (senior executives and executives): €13.1 million (PY: €27.9 million), the vesting level is 67%;
  2021 LTI plan (Executive Board): €0.2 million (PY: €1.3 million), the vesting level is 50%;
  2022 LTI plan (senior executives and executives): €30.8 million, the vesting level is 33%;
  2022 LTI plan (Executive Board): €1.6 million, the vesting level is 25%.

In total, no expenses or income for the 2017 to 2019 LTI plans were recorded in the reporting year. For the 2019 TIP bonus, reduced liabilities for payroll and personnel-related costs resulted in income of €4.5 million in 2022 (PY: expenses of €0.8 million). For the 2020 LTI plan, reduced liabilities for payroll and personnel-related costs resulted in income of €3.1 million (PY: €3.0 million) for senior executives and executives, and €0.4 million (PY: €1.0 million) for the Executive Board. Expenses of €0.6 million (PY: €9.3 million) were incurred for the 2021 LTI plan for senior executives and executives, and income of €0.3 million (PY: expenses of €0.3 million) was recognized for the 2021 LTI plan for the Executive Board due to reduced personnel expenses. Expenses of €10.5 million were incurred for the 2022 LTI plan for senior executives and executives, and €0.4 million for the 2022 LTI plan for the Executive Board.

Performance bonus (deferral) under the 2019 remuneration system

The performance bonus was based on a target amount that the Supervisory Board determined for each Executive Board member for 100% target achievement. Target criteria were the year-on-year change in the CVC and the return on capital employed (ROCE). For Executive Board members with responsibility for a particular business area, these criteria related to the relevant business area; for other Executive Board members, they related to the Continental Group. The CVC target was 100% achieved if the CVC was unchanged compared with the previous year. If the CVC fell or rose by a defined percentage, this element was reduced to zero or reached a maximum of 150%. In the case of a negative CVC in the previous year, target achievement was based on the degree of improvement. The criteria for the ROCE target were guided by planning targets. This component could also be omitted if a certain minimum value was not achieved.

The CVC target was weighted at 60% and the ROCE target at 40% in the calculation of the performance bonus. In any event, the performance bonus was capped at 150% of the target bonus.

The performance bonus achieved in a fiscal year was divided into a lump sum, which was paid out as an annual bonus (immediate payment), and a deferred payment (deferral). The immediate payment amounted to 60% and the deferral 40%. The deferral was converted into virtual shares of Continental AG. Following a holding period of three years after the end of the fiscal year for which the respective performance bonus was determined, the value of these virtual shares was paid out together with the value of the dividends that were distributed for the fiscal years of the holding period. The conversion of the deferral into virtual shares and payment of their value after the holding period were based on the average share price for the three-month period immediately preceding the Annual Shareholders' Meeting in the year of conversion or payment. The possible increase in the value of the deferral was capped at 250% of the initial value. Future payments of the value of deferrals will still be made under the 2019 remuneration system, provided the three-year holding period for the virtual shares has expired.

A Monte Carlo simulation is used in the measurement of stock options. This means that log-normal distributed processes are simulated for the price of Continental shares. The measurement model also takes into account the average value accumulation of share prices in the respective reference period and the floor and cap for the payment amount.

Income of €1.0 million (PY: €1.0 million) from the reversal of provisions from virtual shares was recognized in the respective function costs.

The following parameters were used as at the measurement date of December 31, 2022:

- Constant zero rates as at the measurement date of December 31, 2022:
  2019 tranche: 1.76% as at the due date and as at the expected payment date.

- Interest rate based on the yield curve for government bonds.

- Dividend payments: the dividend of Continental AG amounted to €2.00 per share in 2022; Continental AG distributed a dividend of €0.00 per share in 2021.

- Historical volatilities on the basis of daily Xetra closing rates for Continental shares based on the respective remaining term for virtual shares. The volatility calculated for the 2019 tranche was 45.32%.

As at December 31, 2022, commitments with a fair value of €0.3 million are attributable to Executive Board members active at the end of the reporting period; this is equivalent to 5,525 virtual shares (PY: €0.9 million; 9,393 virtual shares).

Performance bonus (deferral) under the remuneration system from 2020

In the service agreement, the Supervisory Board agrees to a target amount for the performance bonus (hereinafter "STI target amount") that is granted to each member of the Executive Board in the event of 100% target achievement. The maximum amount of the performance bonus is limited to 200% of the STI target amount.

The amount of the STI to be paid out depends on the extent to which a member of the Executive Board achieves the targets set by the Supervisory Board for this Executive Board member for the following three key financial indicators as performance criteria within the meaning of Section 87a (1) Sentence 2 No. 4 *AktG*:

- Earnings before interest and tax (hereinafter "EBIT"), adjusted for goodwill impairment as well as gains and/or losses from the disposal of parts of the company.

- Return on capital employed (ROCE) as the ratio of EBIT (adjusted, as mentioned above) to average operating assets for the fiscal year.

- Cash flow before financing activities (hereinafter "free cash flow"), adjusted for cash inflows and outflows from the disposal or acquisition of companies and business operations.

The degree to which the EBIT target is achieved is weighted at 40%, the ROCE target at 30% and the free cash flow target at 30% in the calculation of the STI.

For each financial performance criterion, the target value for 100% target achievement corresponds to the value that the Supervisory Board agreed in each case for this financial performance criterion in the planning for the respective fiscal year.

For each financial performance criterion, the Supervisory Board determines the values for target achievement of 0% and 200% on an annual basis. The degree to which the target is achieved is calculated on a straight-line basis between 0% and 200% by comparing this with the respective actual value for the fiscal year.

In addition, prior to the start of each fiscal year, the Supervisory Board can determine personal, non-financial performance criteria to be included in target achievement in the form of a personal contribution factor (hereinafter "PCF") with a value between 0.8 and 1.2 for individual or all members of the Executive Board.

After the end of the fiscal year, the target achievement for each financial performance criterion is calculated on the basis of the audited consolidated financial statements of Continental AG, and the sum total of these financial performance criteria is multiplied by the STI target amount in accordance with the weighting described above. By multiplying this result by the PCF, the gross value of the STI amount to be paid (hereinafter "gross payout amount") is determined.

Each member of the Executive Board is obligated to invest 20% of the gross payout amount (generally corresponding to around 40% of the net payment amount) in shares of Continental AG. The remainder is paid out as short-term variable remuneration.

Each member of the Executive Board is obligated to hold the shares legally and economically for a period of at least three years from the day of acquisition.

Expenses of €1.5 million (PY: €14.1 million) were incurred for the 2022 STI in 2022.

The number of shares converted by the Executive Board from the deferral of the 2021 STI came to 35,640 in 2022 (PY: 2,126).

Short-term employee benefits

Liabilities for payroll and personnel-related costs

The Continental value sharing bonus is a program that allows Continental employees to share in net income. The amount of profits shared is calculated on the basis of key internal figures. As in the previous year, no provision was recognized for the reporting period.

30. Provisions for Other Risks and Obligations

	Dec. 31, 2022		Dec. 31, 2021	
€ millions	**Short-term**	**Long-term**	Short-term	Long-term
Restructuring provisions	145.4	297.0	175.0	453.4
Litigation and environmental risks	142.9	209.2	149.1	213.5
Warranties	453.4	22.5	505.1	10.2
Other provisions[1]	295.1	95.4	276.2	110.6
Provisions for other risks[1]	**1,036.8**	**624.1**	**1,105.4**	**787.7**

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.

The provisions for other risks developed as follows:

€ millions	**Restructuring provisions**	**Litigation and environmental risks**	**Warranties**	**Other provisions[1]**
As at January 1, 2022	**628.4**	**362.6**	**515.3**	**386.8**
Additions	73.6	85.4	291.9	212.1
Utilizations	-141.8	-51.4	-177.6	-138.2
Changes in the scope of consolidation	–	–	0.2	-1.4
Reversals	-120.3	-63.8	-162.2	-54.9
Interest	-1.2	4.0	–	-19.6
Exchange-rate changes	3.7	15.3	8.3	5.7
As at December 31, 2022	**442.4**	**352.1**	**475.9**	**390.5**

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.

The additions to restructuring provisions resulted mainly from the ContiTech segment. Contrary to the original estimates of the effects from restructuring plans, agreements were reached over the course of the restructuring measures that resulted in reversals in all segments.

The utilization of restructuring provisions related to the implementation of restructuring measures adopted in previous years as well as those incorporated for the first time in 2022.

The additions to and reversals of provisions for litigation and environmental risks related in particular to product liability risks in the Tires segment in the USA and risks in connection with disputes over industrial property rights. Please see Note 37.

The utilizations relate mainly to the aforementioned product liability risks in the Tires segment and risks in connection with disputes over industrial property rights.

The changes in provisions for warranties include utilizations of €177.6 million (PY: €252.4 million) and reversals of €162.2 million (PY: €244.5 million), which are offset by additions of €291.9 million (PY: €541.2 million). The changes result mainly from specific individual cases within the Automotive segment.

The other provisions also include provisions for risks from operations, such as those in connection with compensation from customer and supplier claims that are not warranties. They also include provisions for dismantling and tire-recycling obligations, and provisions for possible interest payments and penalties on income tax liabilities.

In the other provisions, contingencies amounting to a low nine-figure sum have been set aside to cover risks and costs arising from the proceedings conducted by the public prosecutor's offices in Hanover and Frankfurt am Main in connection with illegal defeat devices in diesel engines. Please see Note 37.

31. Income Tax Liabilities

Income tax liabilities developed as follows:

€ millions	**2022**	2021
As at January 1[1]	**472.2**	**675.1**
Additions[1]	429.1	458.4
Utilizations and advance payments for the current fiscal year	–355.9	–506.5
Reversals	–17.4	–46.7
Changes in the scope of consolidation	0.0	–117.9
Exchange-rate changes	–2.3	9.8
As at December 31[1]	**525.7**	**472.2**

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.

When reconciling the income tax liabilities with the income taxes paid in the statement of cash flows, the cash changes in income tax receivables must be included in addition to the utilizations and current advance payments shown here.

32. Indebtedness and Additional Notes to the Statement of Cash Flows

	Dec. 31, 2022			Dec. 31, 2021		
€ millions	**Total**	**Short-term**	**Long-term**	Total	Short-term	Long-term
Bonds	**3,949.2**	1,261.0	2,688.2	3,307.3	–	3,307.3
Bank loans and overdrafts[1]	**1,579.6**	1,238.6	341.0	1,199.7	870.7	329.0
Derivative instruments	**20.6**	17.6	3.0	21.3	20.0	1.3
Lease liabilities	**1,242.4**	285.0	957.4	1,274.1	288.2	985.9
Liabilities from sale-of-receivables programs	**323.9**	323.9	–	286.8	286.8	–
Other indebtedness[2]	**579.0**	562.6	16.4	171.3	151.6	19.7
Indebtedness	**7,694.7**	**3,688.7**	**4,006.0**	**6,260.5**	**1,617.3**	**4,643.2**

1 Thereof €13.1 million (PY: €5.3 million) secured by land charges, mortgages and similar securities.
2 Other indebtedness included a carrying amount of €367.3 million (PY: €17.1 million) from commercial paper issuances.

Continental's key bond issues

€ millions Issuer/type	Amount of issue Dec. 31, 2022	Carrying amount Dec. 31, 2022	Stock market value Dec. 31, 2022	Amount of issue Dec. 31, 2021	Carrying amount Dec. 31, 2021	Stock market value Dec. 31, 2021	Coupon p.a.	Issue/maturity and fixed interest until	Issue price
CAG[1] euro bond	500.0	499.6	490.4	500.0	499.0	501.0	0.000%	2019/09.2023	99.804%
CGF[2] euro bond	750.0	749.9	741.6	750.0	746.8	779.6	2.125%	2020/11.2023	99.559%
CGF[2] euro bond	625.0	624.9	600.1	625.0	622.0	641.4	1.125%	2020/09.2024	99.589%
CAG[1] euro bond	600.0	600.0	555.3	600.0	598.3	603.8	0.375%	2019/06.2025	99.802%
CAG[1] euro bond	750.0	749.5	719.2	750.0	741.2	822.2	2.500%	2020/08.2026	98.791%
CAG[1] euro bond	625.0	625.2	607.4	–	–	–	3.625%	2022/11.2027	100.000%
Total	**3,850.0**	**3,849.1**	**3,714.0**	**3,225.0**	**3,207.3**	**3,348.0**			

1 CAG, Continental Aktiengesellschaft, Hanover.
2 CGF, Conti-Gummi Finance B.V., Maastricht, Netherlands.

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%.

The carrying amount of the bonds also includes a private placement issued by Continental AG in October 2019. The private placement has a nominal volume of €100.0 million, a term of five years and a fixed interest rate of 0.231% p.a.

Credit lines and available financing from banks

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. On December 31, 2022, there were credit lines and available financing from banks in the amount of €6,182.5 million (PY: €6,103.7 million). A nominal amount of €4,573.5 million of this had not been utilized as at the end of the reporting period (PY: €4,880.3 million). The syndicated loan of the Continental Group described below accounted for €3,700.0 million of this (PY: €4,000.0 million). Besides this, the major portion of the credit lines and available financing from banks related, as in the previous year, to predominantly floating-rate short-term borrowings.

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. If the Continental Group achieves the performance improvements in sustainability as set out in detail in the loan agreement, this will reduce the interest rate; non-achievement will result in an interest rate increase. The loan agreement contains no obligation to comply with financial covenants. Utilizations may be undertaken both in euros and US dollars on the basis of variable interest rates. Depending on the currency, interest is accrued at either the EURIBOR rate or the corresponding USD Libor rate, plus a margin in each case. With regard to interest rate benchmark reform, an amendment to the agreement with the bank consortium with respect to utilizations in US dollars was undertaken in 2022. Please see Note 33 for further details. As at December 31, 2022, Continental AG had utilized €300.0 million (PY: –) of this revolving loan. 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.

In the year under review, the Continental Group utilized its commercial paper programs, its sale-of-receivables programs and its various bank lines to meet short-term credit requirements.

Please see Note 33 for the maturity structure of indebtedness.

Additional notes to the statement of cash flows

The following table showing the (net) change in short-term and long-term indebtedness provides additional information on the consolidated statement of cash flows:

		Cash	Non-cash					
€ millions	**Dec. 31, 2022**		**Exchange-rate changes**	**Reclassifications**	**Changes in fair value**	**Changes in the scope of consolidation**	**Other**	Dec. 31, 2021
Change in derivative instruments and interest-bearing investments	207.3	-22.9	-4.2	—	9.5	—	-1.0	225.9
Change in short-term indebtedness	-3,688.7	-457.1	-6.5	-1,531.3	3.1	-1.5	-78.1	-1,617.3
thereof repayment of lease liabilities[1]	—	323.6	—	—	—	—	—	—
Change in long-term indebtedness	-4,006.0	-666.5	-9.8	1,531.3	-1.8	-1.6	-214.4	-4,643.2
thereof issuance of bonds[1]	—	-625.0	—	—	—	—	—	—

1 The presentation of the change in indebtedness was revised in fiscal 2022. The previous year's figures have been adjusted accordingly.

		Cash	Non-cash					
€ millions	**Dec. 31, 2021**		**Exchange-rate changes**	**Reclassifications**	**Changes in fair value**	**Changes in the scope of consolidation**	**Other**	Dec. 31, 2020
Change in derivative instruments and interest-bearing investments	225.9	-70.7	8.1	—	-21.9	-24.1	78.0	256.5
Change in short-term indebtedness	-1,617.3	1,169.8	-26.3	-561.8	-20.7	20.9	-9.2	-2,190.0
thereof redemption of bonds[1]	—	200.0	—	—	—	—	—	—
thereof repayment of lease liabilities[1]	—	339.3	—	—	—	—	—	—
Change in long-term indebtedness	-4,643.2	-16.6	-33.2	561.8	-1.3	134.0	-143.5	-5,144.4

1 The presentation of the change in indebtedness was revised in fiscal 2022. The previous year's figures have been adjusted accordingly.

33. Financial Instruments

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

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

1 Excluding investments in unconsolidated affiliated companies.

€ millions	Measurement category in acc. with IFRS 9	**Carrying amount as at Dec. 31, 2021**	**Fair value as at Dec. 31, 2021**	thereof Level 1	thereof Level 2	thereof Level 3
Other investments[1]	FVOCIwoR	159.5	159.5	–	–	159.5
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	25.1	25.1	–	25.1	–
Debt instruments	FVPL	81.2	81.2	81.2	–	–
Debt instruments	at cost	119.6	119.6	–	–	–
Trade accounts receivable without lease receivables						
Trade accounts receivable	at cost	6,795.9	6,795.9	–	–	–
Bank drafts	FVOCIwR	282.6	282.6	–	282.6	–
Trade accounts receivable	FVPL	7.7	7.7	–	7.7	–
Other financial assets without lease receivables						
Other financial assets	FVPL	114.2	114.2	–	114.2	–
Other financial assets	at cost	216.7	216.7	–	–	–
Cash and cash equivalents						
Cash and cash equivalents	at cost	1,672.1	1,672.1	–	–	–
Cash and cash equivalents	FVPL	597.0	597.0	597.0	–	–
Financial assets without lease receivables		**10,071.6**	**10,071.6**	**678.2**	**429.6**	**159.5**
Indebtedness without lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	21.3	21.3	–	21.3	–
Other indebtedness	at cost	4,965.1	5,113.0	3,348.0	477.8	–
Trade accounts payable	at cost	5,865.4	5,865.4	–	–	–
Other financial liabilities	at cost	1,275.3	1,275.3	–	–	–
Financial liabilities without lease liabilities		**12,127.1**	**12,275.0**	**3,348.0**	**499.1**	**–**
Aggregated according to categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		282.6				
Financial assets (FVOCIwoR)		159.5				
Financial assets (FVPL)		825.2				
Financial assets (at cost)		8,804.3				
Financial liabilities (FVPL)		21.3				
Financial liabilities (at cost)		12,105.8				

1 Excluding investments in unconsolidated affiliated companies.

Abbreviations

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

Levels of the fair value hierarchy according to IFRS 13, *Fair Value Measurement*

- Level 1: quoted prices in active markets for identical instruments
- Level 2: quoted prices in active markets for similar instruments or measurement methods for which all major input factors are based on observable market data
- Level 3: measurement methods for which the major input factors are not based on observable market data

Financial instruments allocated to the FVOCIwoR measurement category are classified as such because they are held over a long term for strategic purposes.

For financial instruments accounted for at FVOCIwoR for which there are no quoted prices in active markets for identical instruments (Level 1) or for similar instruments, or for which there are no applicable measurement methods in which all major input factors are based on observable market data (Level 2), the fair value must be calculated using a measurement method for which the major input factors are based on non-observable market data (Level 3). If external valuation reports or information from other financing rounds is available, these are used. If such information is not available, the measurement is performed according to the measurement method that is deemed appropriate and realizable in each case: for example, according to the discounted cash flow method or by valuation according to multiples using ratios based on purchase prices for comparable transactions. Measurement at amortized cost is only considered the best estimate of the fair value of financial assets if the most recent information available for fair value measurement is insufficient. Financial instruments accounted for at FVOCIwoR are centrally monitored with regard to any changes to the major non-observable input factors and continuously checked for changes in value.

In the previous year, as part of several transactions, Continental sold a minority stake that had been acquired as a purely financial investment and which was recognized under other financial assets. The cumulative sales price before deduction of costs was €125.4 million.

Please see Note 19 for information on the changes in carrying amounts of other investments. For reasons of materiality, a sensitivity analysis is not required.

The accounting and measurement methods applied are described in Note 2 of the notes to the consolidated financial statements.

The fair values of other indebtedness and other financial liabilities were derived from existing quotations on an active market (Level 1) or alternatively were determined by discounting all future cash flows at the applicable interest rates for the corresponding residual maturities, taking into account a company-specific credit spread (Level 2), provided their carrying amounts as at the reporting date are not approximately equivalent to their fair values. The other financial instruments measured at cost generally have short remaining terms. As a result, the carrying amounts as at the end of the reporting period are, as a rule, approximately their fair values and are not shown in the fair value hierarchy in the table.

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

€ millions	Other investments	Other financial assets	**Total**
As at January 1, 2021	**109.2**	**33.5**	**142.7**
Valuation effects recognized in other comprehensive income	5.3	–	5.3
Transfers to Level 1	–	-33.5	-33.5
Additions	28.3	–	28.3
Reclassification	15.1	–	15.1
Changes in the scope of consolidation	-0.7	–	-0.7
Exchange-rate effects	2.3	–	2.3
As at December 31, 2021	**159.5**	**–**	**159.5**
Valuation effects recognized in other comprehensive income	0.1	–	0.1
Transfers to Level 1	-18.1	–	-18.1
Additions	10.4	–	10.4
Convertible note conversion	0.5	–	0.5
Exchange-rate effects	3.1	–	3.1
As at December 31, 2022	**155.5**	**–**	**155.5**

The Continental Group recognizes possible reclassifications between the different levels of the fair value hierarchy as at the end of the reporting period in which a change occurred.

At the start of 2022, two financial investments were measured on the basis of input factors that do not constitute observable market data (Level 3). As a reliable quoted market price became available for these instruments in the second half of the year, they were assigned to Level 1.

At the start of 2021, the fair value of other financial assets in the amount of €33.5 million was determined based on input factors that do not constitute observable market data (Level 3). As a reliable quoted market price became available for these instruments as of the 2021 half-year financial statements, they were measured using the market price and assigned to Level 1 until they were sold.

The following income and expenses from financial instruments were recognized in the consolidated statement of income:

€ millions	Net gains and losses from interest		Other net gains and losses		**Total net gains and losses**	
	2022	2021	**2022**	2021	**2022**	2021
Financial assets (at cost)	53.6	35.2	-46.4	88.4	7.2	123.6
Financial assets and liabilities (FVPL)	2.2	0.2	-23.0	-23.1	-20.8	-22.9
Financial assets (FVOCI)	-0.9	–	0.8	0.5	-0.1	0.5
Financial liabilities (at cost)	-138.2	-100.7	-69.6	-57.0	-207.8	-157.7
Discontinued operations	–	0.5	–	3.9	–	4.4

Interest income and expense from financial instruments is reported in the financial result (Note 11).

Dividend income from financial assets measured at fair value through other comprehensive income is explained under Income from Investments (Note 10).

Collateral
As at December 31, 2022, a total of €585.0 million (PY: €521.2 million) of financial assets had been pledged as collateral. In the year under review, as in the previous year, collateral mainly consisted of trade accounts receivable assigned as collateral for liabilities from sale-of-receivables programs. The remainder related to pledged cash or other financial assets.

Risk management of financial instruments
Due to its international business activities and the resulting financing requirements, the Continental Group is exposed to default risks, risks from changes in exchanges rates and variable interest rates, and liquidity risk. The management of these risks is described in the following sections.

In addition, hedging instruments are used in the Continental Group. Their use is covered by corporate-wide policies, adherence to which is regularly reviewed by internal auditors. Internal settlement risks are minimized through the clear segregation of functional areas.

Further information about the risks presented below and about risk management can be found in the report on risks and opportunities in the consolidated management report.

1. Default risks
Default risks from trade accounts receivable, contract assets or other financial assets include the risk that receivables will be collected late or not at all if a customer or another contractual party does not fulfill its contractual obligations. The total of the positive carrying amounts is equivalent to the maximum default risk of the Continental Group from financial assets. Default risk is influenced mainly by characteristics of the customers and the sector and is therefore analyzed and monitored by central and local credit managers. The responsibilities of the credit management function also include pooled receivables risk management. Contractual partners' creditworthiness and payment history are analyzed on a regular basis.

Default risk for non-derivative financial receivables is also limited by ensuring that agreements are entered into with partners with proven creditworthiness only or that collateral is provided or, in individual cases, trade credit insurance is agreed. The Continental Group held an immaterial amount of collateral as at December 31, 2022. There are no trade accounts receivable or contract assets for which an impairment loss was not recognized due to collateral held.

However, default risk cannot be excluded with absolute certainty, and any remaining risk is addressed by recognizing expected credit losses for identified individual risks and on the basis of experience, taking account of any relevant future components. Financial assets that are neither past due nor impaired accordingly have a prime credit rating. Default risks are calculated on the basis of corporate-wide standards. The methods for calculating valuation allowances are described in Note 2 of the notes to the consolidated financial statements.

Trade accounts receivable and contract assets
If the creditworthiness of receivables is impaired, corresponding expenses are recognized in an allowance account.

Lifetime expected credit losses are largely calculated using estimates and assessments based on the creditworthiness of the respective customer, current economic developments and the analysis of historical losses on receivables. The creditworthiness of a customer is assessed on the basis of its payment history and its ability to make payments. It is regularly reviewed whether there is a need to take account of any risks in connection with different customer groups, sectors or countries. No such allocation of default risk was required in 2022.

Continental calculates the default rates for lifetime expected credit losses based on a three-year average, taking account of the historical defaults allocated to the different periods past due, and generally also taking account of a forward-looking component. Trade accounts receivable and contract assets whose creditworthiness is already impaired are not taken into account when calculating lifetime expected credit losses. There were no significant effects on expected credit losses from the modification of cash flows.

The table below shows the gross carrying amounts as at December 31, 2022, for trade accounts receivable and contract assets whose creditworthiness was not impaired[1]:

€ millions	**Dec. 31, 2022**	Dec. 31, 2021
not overdue	7,025.1	6,611.7
0–29 days	405.8	245.1
30–59 days	142.2	108.7
60–89 days	70.6	48.1
90–119 days	38.1	34.2
120 days or more	149.8	92.1
As at December 31	**7,831.6**	**7,139.9**

1 The difference of €174.3 million (December 31, 2021: €192.8 million) from the tables in Notes 6 and 24 results from the gross carrying amounts of trade accounts receivable and contract assets whose creditworthiness was impaired.

In the year under review, lifetime expected credit losses and valuation allowances for trade accounts receivable and contract assets whose creditworthiness was impaired developed as follows:

€ millions	**2022**	2021
As at January 1	**149.2**	**159.4**
Additions	60.3	71.4
Utilizations	–24.3	–19.4
Reversals	–52.1	–53.2
Amounts disposed of through disposal of subsidiaries	—	–15.3
Exchange-rate changes	5.3	6.3
As at December 31	**138.4**	**149.2**

As at December 31, 2022, valuation allowances for trade accounts receivable whose creditworthiness was impaired amounted to €114.9 million (PY: €132.6 million).

Of the impaired receivables written down in the reporting period, €0.9 million (PY: €1.3 million) is still subject to enforcement measures.

Other financial assets

Valuation allowances equivalent to the gross carrying amount totaling €2.8 million (PY: €2.9 million) were recognized for other financial assets whose creditworthiness was impaired. Other 12-month and lifetime expected credit losses on other financial assets are not of significance.

Cash and cash equivalents, derivative instruments and interest-bearing investments

In order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, the Continental Group 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 and other business partners 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 by tracking not only their credit ratings but also particularly the premiums for insuring against credit risks (credit default swap, CDS), provided such information is available. In addition, the Continental Group 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. As in the previous year, expected credit losses from cash and cash equivalents and other interest-bearing investments measured at amortized cost as well as assets measured at amortized cost with impaired creditworthiness are not significant.

2. Currency management

The international nature of the Continental Group's business activities results in deliveries and payments in various currencies. Currency-exchange fluctuations involve the risk of losses because assets denominated in currencies with a falling exchange rate lose value, while liabilities denominated in currencies with a rising exchange rate become more expensive. For hedging, it is allowed to use only derivative instruments that have been defined in corporate-wide policies and can be reported and measured in the treasury management system. It is generally not permitted to use financial instruments that do not meet these criteria.

Operational foreign-currency risk

In operational currency management, actual and expected foreign-currency cash flows are combined as operational foreign-exchange exposures in the form of net cash flows for each transaction currency on a rolling 12-month basis. These cash flows arise mainly from receipts and payments from external and intra-corporate transactions by the Continental Group's subsidiaries worldwide. A natural hedge approach for reducing currency risks has been pursued for several years, meaning that the difference between receipts and payments in any currency is kept as low as possible. Exchange-rate developments are also monitored, analyzed and forecast. Based on the operational foreign-exchange exposure and constantly updated exchange-rate forecasts, the interest-rate and currency committee, which convenes weekly, agrees on the hedging measures to be implemented in individual cases by concluding derivative instruments, particularly currency forwards, currency swaps and currency options with a term of up to 12 months. Their amount must not exceed 30% of the 12-month exposure per currency without Executive Board permission. In addition, further risk limits for open derivative positions are set, which considerably reduce the risks from hedging activities. Hedge accounting was not used in the reporting year or in the previous year for hedges concluded in this way. As in the previous year, there were no derivative instruments for hedging against operational foreign-currency risks as at December 31, 2022.

As at December 31, 2022, the net exposure from financial instruments that are denominated in a currency other than the functional currency of the respective subsidiary and are not allocated to net indebtedness existed in the major currencies of the euro in the amount of -€670.8 million (PY: €314.0 million) and the US dollar in the amount of -€573.4 million (PY: -€482.3 million). The main local currencies accounting for the aforementioned euro-foreign currency transactions are the Chinese renminbi at -€371.3 million, the Mexican peso at -€177.3 million and the Romanian leu at -€80.5 million (PY: the US dollar at €717.3 million, the Chinese renminbi at -€277.2 million and the Mexican peso at -€58.3 million). The main local currencies accounting for the US dollar-foreign currency transactions are the Chinese renminbi at -€177.1 million, the Romanian leu at -€143.7 million and the Czech koruna at -€124.4 million (PY: the Chinese renminbi at -€177.3 million, the Czech koruna at -€106.0 million and the Mexican peso at €93.1 million). Of these amounts, the positive values constitute net receivables and the negative values net liabilities.

Financial foreign-currency risks

In addition to operational foreign-currency risk, currency risks also result from the Continental Group's external and internal net indebtedness that is denominated in a currency other than the functional currency of the respective subsidiary. The quantity of these instruments is regularly summarized in the form of a financial foreign-currency exposure for each transaction currency. As at December 31, 2022, the net exposure in the major currencies amounted to -€1,045.4 million (PY: -€45.6 million) for the euro and €1,240.6 million (PY: €1,148.2 million) for the US dollar. The main local currencies accounting for the aforementioned euro-foreign currency transactions are the Romanian leu at -€675.0 million, the Hungarian forint at -€257.1 million and the Serbian dinar at -€142.4 million (PY: the Czech koruna at €744.2 million, the Romanian leu at -€278.0 million and the Hungarian forint at -€222.2 million). The main local currencies accounting for the US dollar-foreign currency transactions are the euro at €954.9 million, the Mexican peso at €285.8 million and the Canadian dollar at -€72.1 million (PY: the euro at €848.8 million, the Mexican peso at €291.7 million and the Canadian dollar at -€106.7 million). These currency risks are generally hedged against through the use of derivative instruments, particularly currency forwards, currency swaps and cross-currency interest-rate swaps. In the case of highly effective, longer-term and significant hedges, Continental usually applies hedge accounting. The hedged transactions are not divided into their risk components. Hedge accounting was not used in the reporting year or in the previous year for hedges concluded in this way.

Hedging against financial foreign-currency risks without using hedge accounting

As at December 31, 2022, there are derivative instruments for hedging against financial foreign-currency risks from intra-corporate receivables and liabilities. Hedge accounting is not used for these instruments, hence their assignment to the measurement category FVPL. Corresponding currency forwards and currency swaps are reported as at December 31, 2022, in the statement of financial position under the item "Short-term derivative instruments and interest-bearing investments" in the amount of €31.4 million (PY: €5.3 million), under the item "Long-term indebtedness" in the amount of 3.0 million (PY: €1.3 million) and under the item "Short-term indebtedness" in the amount of €9.1 million (PY: €20.0 million). Their nominal volume comes to €1,533.1 million as at December 31, 2022 (PY: €1,407.4 million). In addition, as at December 31, 2022, there are cross-currency interest-rate swaps with a total nominal volume of €500.0 million (PY: €500.0 million), which are reported under "Short-term indebtedness" in the amount of €8.5 million (PY: under "Long-term derivative instruments and interest-bearing investments" in the amount of €19.8 million).

Hedging against financial foreign-currency risks (net investment hedges)

Until August 2017, the Continental Group hedged its net investments in foreign operations. Based on the decision that currency effects from net investments in a foreign operation and from designated hedges that are accumulated in the currency translation reserve in equity are to be reclassified to the income statement only if the foreign operation is sold or liquidated, €20.2 million (PY: €20.2 million) from the hedged transactions remains in the currency translation reserve in equity.

Translation-related foreign-currency risks

A large number of the subsidiaries are located outside the euro currency zone. As Continental AG's reporting currency in the consolidated financial statements is the euro, the financial statements of these companies are translated into euros. With regard to managing the risks of translation-related currency effects, it is assumed that investments in foreign companies are entered into for the long term and that earnings are reinvested. Translation-related effects that arise when the value of net asset items translated into euros changes as a result of exchange-rate fluctuations are recognized directly in equity in the consolidated financial statements and are generally not hedged.

Sensitivity analysis

IFRS 7, *Financial Instruments: Disclosures*, requires a presentation of the effects of hypothetical changes in exchange rates on income and equity using a sensitivity analysis. In the Continental Group, the changes in the exchange rates are related to all financial instruments outstanding as at the end of the reporting period, including the effects of hedges. Forecast transactions and translation-related foreign-currency risks are not included in the sensitivity analysis. For those financial instruments with transaction currencies that differ from the functional currencies, a 10% appreciation or depreciation of the respective functional currency of the subsidiaries in relation to the identified different transaction currencies is assumed to determine the sensitivities. Hedging transactions are valued on the basis of a 10% percent change in the underlying forward or spot rates from the perspective of the local currency of the hedging Continental Group company.

The following table shows, before income tax expense, the overall effect as measured using this approach, as well as the individual effects resulting from the euro and the US dollar, as the major transaction currencies, on net income. As in the previous year, there is no effect on equity according to this approach.

	Local currency +10%		Local currency –10%	
€ millions	**2022**	2021	**2022**	2021
Total	**265.1**	**42.8**	**–265.0**	**–42.7**
thereof EUR	163.3	–38.9	–163.3	38.9
thereof USD	22.8	19.4	–22.7	–19.4

3. Interest-rate management

Variable interest agreements and, in principle, short-term financial instruments result in a risk of rising interest rates for interest-bearing financial liabilities and falling interest rates for interest-bearing financial investments. These interest-rate risks are valuated and assessed as part of our interest-rate management activities, partly on the basis of continuous monitoring of current and anticipated long-term and short-term interest-rate developments, and are managed by means of derivative interest-rate hedging instruments as needed. The Continental Group's interest-bearing net indebtedness is the subject of these activities based on the reporting date. Interest-rate hedges serve exclusively to manage identified interest-rate risks. Once a year, a range is determined for the targeted share of fixed-interest indebtedness in relation to total gross indebtedness. As in the previous year, there were no derivative instruments for hedging against interest-rate risks as at December 31, 2022. The Continental Group is not exposed to a risk of fluctuation in the fair value of long-term financial liabilities due to market changes in fixed interest rates, as the lenders do not have the right to demand early repayment in the event of changing rates and these liabilities are recognized at amortized cost.

Interest-rate risk

The profile of interest-bearing financial instruments allocated to net indebtedness, taking into account the effect of the Continental Group's derivative instruments, is as follows:

€ millions	2022	2021
Fixed-interest instruments		
Financial assets	73.7	80.4
Financial liabilities	5,564.0	5,125.2
Floating-rate instruments		
Financial assets	3,090.2	2,389.5
Financial liabilities	2,110.1	1,114.0

Fair value sensitivity analysis

In accordance with IFRS 7, effects of financial instruments on income and equity resulting from interest-rate changes must be presented using a sensitivity analysis. The main effects resulted from the changes in the US dollar and euro interest rates. There were no changes in equity in 2022, as in the previous year. The effects on the financial result are presented below; tax effects were not taken into account in the analysis:

- An increase in US dollar interest rates of 100 basis points in 2022 would have led to a change in the financial result of €4.4 million (PY: €9.2 million).
- A decrease in US dollar interest rates of 100 basis points would have led to a change in the financial result of -€4.4 million (PY: -€9.4 million).
- An increase in euro interest rates of 100 basis points in 2022 would have led to a change in the financial result of -€4.4 million (PY: -€9.9 million).
- A decrease in euro interest rates of 100 basis points would have led to a change in the financial result of €4.5 million (PY: €10.2 million).

Cash flow sensitivity analysis

The following table shows the effects an increase or a decrease in interest rates of 100 basis points would have had on the financial result. The effects would essentially result from floating-rate financial instruments. The effects were calculated for individual groups of financial instruments taking account of their contractual arrangement and based on the expected changes in the applicable interest rates for these financial instruments depending on changes in market interest rates. As in the previous year, this analysis is based on the assumption that all other variables, and in particular exchange rates, remain unchanged.

	Interest-rate increase +100 basis points		Interest-rate decline −100 basis points	
€ millions	**2022**	2021	**2022**	2021
Total	**9.8**	**13.4**	**-9.8**	**-14.0**
thereof EUR	-11.3	-1.5	11.3	0.9
thereof CNY	7.2	5.4	-7.2	-5.4
thereof USD	6.4	3.9	-6.4	-3.9
thereof BRL	2.2	1.2	-2.2	-1.2
thereof INR	1.3	0.8	-1.3	-0.8
thereof CAD	-1.0	-0.4	1.0	0.4

Presentation of the effects of interest rate benchmark reform

In the case of the syndicated loan of the Continental Group with a committed volume of €4.0 billion, a contractual amendment was made with the bank consortium according to which the interest rate for utilizations in US dollars will henceforth be based on the Secured Overnight Financing Rate (SOFR). Previously, the interest rate was based on the USD Libor. At the time of the contractual amendment, the syndicated loan had not been utilized and there was no impact on accounting. No contractual amendment was made for the interest rate on utilizations of the syndicated loan in euros, and no such amendment is expected in the future. Hence, the interest rate on utilizations in euros is based on the reformed EURIBOR, as in the previous year. Moreover, interest rate benchmark reform has not led to any contractual adjustments of material long-term external financial instruments in the Continental Group, as the relevant contractual agreements reference in particular the previously reformed EURIBOR right up to their maturity.

Currently, the Continental Group does not recognize any derivative instruments with variable interest rates.

In the measurement of derivative instruments, in particular in discounting, no effects arise at Continental as at December 31, 2022, as the IBOR interest curves relevant to the corporation, mainly for the euro and US dollar currencies, currently remain available and are liquid enough and therefore continue to be used for measurement. In the next reporting year, a change in discounting to a risk-free US dollar interest curve is anticipated for the measurement of derivative financial instruments. The expected measurement effects are estimated to be immaterial.

The discounting for further Level 2 measurements of long-term financial instruments in particular, which are presented in the table at the beginning of this note, was switched to risk-free rates (RFRs) for some currencies during the reporting year. The resulting transition effect in the measurement of corresponding financial instruments is of minor significance. Further transition effects for future switching of discounting to interest curves based on RFRs are likewise estimated to be immaterial.

As no hedge accounting is currently applied within the Continental Group, there are no effects on hedge accounting. There have been no changes to the interest risk management strategy induced as a result of interest rate benchmark reform.

4. Liquidity risks

Cost-effective, adequate financing is necessary for the subsidiaries' operating business. A liquidity forecast is therefore prepared by central cash management on a regular basis.

Various marketable financial instruments are used to meet the financial requirements. These comprise overnight money, term borrowing, the issue of commercial paper, sale-of-receivables programs, the syndicated loan with a committed nominal amount of €4.0 billion (PY: €4.0 billion) and other bilateral loans. Furthermore, approximately 51% (PY: 53%) of gross indebtedness is financed on the capital market in the form of long-term bonds. Capital expenditure by subsidiaries is primarily financed through equity and loans from banks or subsidiaries. There are also cash-pooling arrangements with subsidiaries to the extent they are possible and justifiable in the relevant legal and tax situation. If events lead to unexpected financing requirements, the Continental Group can draw upon existing liquidity and fixed credit lines from banks. For detailed information on the existing utilized and unutilized loan commitments, please refer to Note 32.

The financial liabilities without lease liabilities of €15,863.1 million (PY: €12,127.1 million) result in the following undiscounted cash outflows over the next five years and thereafter:

Dec. 31, 2022/€ millions	2023	2024	2025	2026	2027	thereafter	**Total**
Other indebtedness incl. interest payments	3,446.6	1,074.3	662.8	807.8	661.4	23.9	**6,676.8**
Derivative instruments	9.0	–	3.4	–	–	–	**12.4**
Trade accounts payable	7,637.0	–	–	–	–	–	**7,637.0**
Other financial liabilities	1,763.8	4.5	5.5	–	–	–	**1,773.8**

Dec. 31, 2021/€ millions	2022	2023	2024	2025	2026	thereafter	**Total**
Other indebtedness incl. interest payments	1,348.2	1,327.0	1,011.4	637.2	782.9	35.0	**5,141.7**
Derivative instruments	24.1	0.2	–	3.3	–	–	**27.6**
Trade accounts payable	5,865.4	–	–	–	–	–	**5,865.4**
Other financial liabilities	1,265.0	1.8	3.8	4.7	–	–	**1,275.3**

In the analysis, foreign-currency amounts were translated into euros using the current closing rate as at the end of the reporting period. For floating-rate non-derivative financial instruments, the future interest payment flows are generally forecast using the most recently contractually fixed interest rates. Forward interest rates are generally used to determine floating-rate payments for derivative instruments. The analysis only includes cash outflows from financial liabilities. The net payments are reported for derivative instruments that are liabilities as at the end of the reporting period. Cash inflows from financial assets were not included.

The cash outflows in the maturity analysis are not expected to occur at significantly different reference dates or in significantly different amounts.

Global netting agreements and similar agreements

Continental AG concludes business in the form of derivative instruments on the basis of the German Master Agreement on Financial Derivatives Transactions *(Deutscher Rahmenvertrag für Finanztermingeschäfte)*. Fundamentally, there is the option to combine the amounts owed by each counterparty under such agreements on the same day in respect of all outstanding transactions in the same currency into a single net amount to be paid by one party to another.

The German Master Agreement on Financial Derivatives Transactions does not meet the criteria for offsetting in the statement of financial position. This is due to the fact that Continental AG has no legal right to the netting of the amounts recognized at the current time. According to the regulations of the German Master Agreement, the right to netting can be enforced only when future events occur, such as the insolvency of or default by a contractual party. In such cases, all outstanding transactions under the agreement are ended, the fair value is calculated as at this time, and just a single net amount is paid to settle all transactions.

At some Brazilian subsidiaries there are local framework agreements on the basis of which these companies have concluded derivative instruments, as was the case at some South Korean subsidiaries in the previous year as well. These agreements also do not meet the criteria for offsetting in the statement of financial position.

The following table shows the carrying amounts of the reported stand-alone derivative instruments, their offsetting in the statement of financial position, and any potential arising from the specified agreements subject to the occurrence of certain future events:

	Dec. 31, 2022			Dec. 31, 2021		
€ millions	**Carrying amounts[1]**	**Respective financial instruments not netted**	**Net amount**	Carrying amounts[1]	Respective financial instruments not netted	Net amount
Financial assets	31.4	8.3	23.1	25.1	8.0	17.1
Financial liabilities	20.6	8.3	12.3	21.3	8.0	13.3

1 There were no amounts to be offset in accordance with IAS 32.42 as at the reporting date and as at the same date in the previous year.

34. Other Financial Liabilities

	Dec. 31, 2022		Dec. 31, 2021	
€ millions	**Short-term**	**Long-term**	Short-term	Long-term
Liabilities to related parties	–	0.5	–	0.5
Liabilities for selling expenses	1,251.2	–	1,244.8	–
Purchase prices payable on company acquisitions	1.7	–	3.1	–
Miscellaneous financial liabilities	510.9	9.5	17.1	9.8
Other financial liabilities	**1,763.8**	**10.0**	**1,265.0**	**10.3**

Liabilities for selling expenses relate in particular to obligations from bonus agreements with customers and deferred price reductions granted.

The increase in short-term other financial liabilities mainly results from the reacquisition by Continental AG, Hanover, of a €475.6 million share in ContiTech AG, Hanover, from Continental Pension Trust e. V., Hanover. Please see Note 29 for further details.

35. Trade Accounts Payable

Trade accounts payable amounted to €7,637.0 million (PY: €5,865.4 million) as at the end of the fiscal year. The liabilities are measured at amortized cost. The full amount is due within one year.

For information on liquidity risk, currency risk and the sensitivity analysis for trade accounts payable, please see Note 33.

36. Other Liabilities

	Dec. 31, 2022		Dec. 31, 2021	
€ millions	**Short-term**	**Long-term**	Short-term	Long-term
Liabilities for VAT and other taxes	297.0	–	332.5	–
Deferred income	20.5	22.8	17.1	32.7
Miscellaneous liabilities[1]	355.2	8.2	458.6	3.3
Other liabilities	**672.7**	**31.0**	**808.2**	**36.0**

1 Miscellaneous liabilities also include other liabilities to related parties. Please see Note 42.

Miscellaneous liabilities mainly include excess payments by customers and other liabilities to related parties.

Other Disclosures

37. Litigation and Compensation Claims

Continental AG and its subsidiaries are involved in lawsuits, regulatory investigations and proceedings worldwide. Such lawsuits, investigations and proceedings could also be initiated or claims asserted in other ways in the future.

Product liability
In particular, Continental is constantly subject to product liability and other claims in which the company is accused of the alleged infringement of its duty of care, violations against warranty obligations or defects of material or workmanship. Claims from alleged breaches of contract resulting from product recalls or government proceedings are also asserted. Among other cases, claimants in the USA file lawsuits for property damage, personal injury and death caused by alleged defects in our products. Claims for material and non-material damages, and in some cases punitive damages, are asserted. The outcome of individual proceedings, which are generally decided by a jury in a court of first instance, cannot be predicted with certainty. No assurance can be given that Continental will not incur substantial expenses as a result of the final judgments or settlements in some of these cases, or that these amounts will not exceed any provisions set up for these claims. Some subsidiaries in the USA are exposed to relatively limited claims for damages from purported health injuries allegedly caused by products containing asbestos. The total costs for dealing with all such claims and proceedings have amounted to less than €50 million per year since 2006.

Disputes over industrial property rights
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.

Regulatory proceedings
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 segment 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.

38. Contingent Liabilities and Other Financial Obligations

€ millions	Dec 31, 2022	Dec. 31, 2021
Liabilities on guarantees	7.2	12.6
Liabilities on warranties	17.4	67.0
Risks from taxation and customs	36.1	37.4
Other financial obligations	15.8	16.0
Other contingent liabilities	23.1	11.7
Contingent liabilities and other financial obligations	**99.6**	**144.7**

As in previous years, contingent liabilities related to guarantees for the liabilities of affiliated companies and third parties not included in consolidation and to contractual warranties. To the best of our knowledge, the underlying obligations will be fulfilled in all cases. Utilization is not anticipated.

The other financial obligations relate in part to the acquisition of companies now owned by the Continental Group.

The Continental Group could be subject to obligations relating to environmental issues under governmental laws and regulations, or as a result of various claims and proceedings that are pending or that might be made or initiated against it. Estimates of future expenses in this area are naturally subject to many uncertainties, such as the enactment of new laws and regulations, the development and application of new technologies and the identification of contaminated land or buildings for which the Continental Group is legally liable.

In connection with the spin-off of Vitesco Technologies, individual customers of Vitesco Technologies were granted contract performance guarantees valid until December 31, 2024. To the best of our knowledge, the companies concerned will be able to fulfill the underlying obligations in all cases. Utilization is not anticipated.

Open purchase commitments for property, plant and equipment amounted to €652.4 million (PY: €672.7 million).

39. Earnings per Share

Basic earnings per share declined in 2022 to €0.33 (PY: €7.18), the same amount as diluted earnings per share. In both the period under review and the previous year, there were no dilutive effects such as interest savings on convertible bonds or warrant-linked bonds (after taxes). There were also no dilutive effects from stock option plans or the assumed exercise of convertible bonds.

€ millions/millions of shares	2022	2021
Net income attributable to the shareholders of the parent[1]	66.6	1,435.2
Weighted average number of shares issued	200.0	200.0
Basic earnings per share in €[1]	**0.33**	**7.18**

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.

40. Events After the End of the Reporting Period

There were no significant events after December 31, 2022.

41. Auditor's Fees

For fiscal 2022, a global fee of €14.3 million (PY: €11.2 million) was agreed for the audit of the consolidated financial statements, including the combined non-financial statement; the interim financial statements and the separate financial statements of the subsidiaries (including exchange-rate differences).

The following fees were recognized in consolidated expenses for the auditor elected by the Annual Shareholders' Meeting.

The following fees relate only to services directly connected with Continental AG and its German subsidiaries:

€ millions	**2022**	2021
Audit of financial statements	5.7	4.3
Other assurance services	0.1	0.0
Tax advisory services	0.0	0.2
Other services provided to the parent company or its subsidiaries	0.2	0.5
Total	**6.0**	**5.0**

The figures to be disclosed in accordance with Section 314 (1) No. 9 of the German Commercial Code *(Handelsgesetzbuch – HGB)* are determined pursuant to standard IDW RS HFA 36 of the Institut der Wirtschaftsprüfer in its revised version of September 8, 2016.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and its registered branches are deemed the auditor.

42. Transactions with Related Parties

Remuneration of the Executive Board and the Supervisory Board
The remuneration of the Continental Group's key management personnel that must be disclosed in accordance with IAS 24, *Related Party Disclosures*, comprises the remuneration of the active members of the Executive Board and the Supervisory Board.

The remuneration of the active members of the Executive Board in the respective years was as follows:

€ thousands	**2022**	2021
Short-term benefits	5,678	15,936
Service cost relating to post-employment benefits	4,739	7,901
Termination benefits	1,675	15,960
Share-based payment	1,023	2,004
Total	**13,115**	**41,801**

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.

Additional benefits include (i) provision of a company car, which can also be for personal use, (ii) reimbursement of travel expenses, as well as relocation costs and expenses for running a second household, where this is required for work reasons, (iii) a regular health check, (iv) directors' and officers' (D&O) liability insurance with deductible in accordance with Section 93 (2) Sentence 3 *AktG*, (v) accident insurance, (vi) the employers' liability insurance association contribution including, where necessary, income tax incurred as a result, as well as (vii) health insurance and long-term care insurance contributions based on Section 257 of Book V of the German Social Code (SGB V) and Section 61 of Book XI of the German Social Code (SGB XI).

In accordance with their future benefit rights, each member of the Executive Board is granted post-employment benefits that are paid starting at the age of 63, but not before they leave the service of

Continental AG (hereinafter “insured event”). From January 1, 2014, the company pension for the members of the Executive Board was changed to a defined contribution commitment. A capital component is credited to the Executive Board member’s pension account each year. To determine this, a fixed contribution, agreed by the Supervisory Board in the Executive Board member’s service agreement, is multiplied by an age factor that represents an appropriate return. For members of the Executive Board who were already in office prior to January 1, 2014, the future benefit rights accrued until December 31, 2013, have been converted into a starting component in the capital account. When the insured event occurs, the benefits are paid out as a lump sum, in installments or – as is normally the case due to the expected amount of the benefits – as a pension. Post-employment benefits must be adjusted after commencement of such benefit payments by 1% p.a. in accordance with Section 16 (3) No. 1 of the German Company Pensions Law *(Betriebsrentengesetz – BetrAVG)*.

The variable components that are based on performance comprise a short-term remuneration component (performance bonus without equity deferral) as well as long-term remuneration components (long-term incentive and equity deferral of the performance bonus). For the variable remuneration components, before the start of each fiscal year, target criteria are determined by the Supervisory Board with a view to its strategic goals, the provisions of Sections 87 and 87a *AktG* and the German Corporate Governance Code in its respective valid version, whereby the degree to which these criteria are met will determine the actual amount paid out.

The Supervisory Board may take the function and area of responsibility of the individual members of the Executive Board into account with regard to the amount of the total target-based remuneration. As part of this, shares of the individual remuneration component for the total target-based remuneration are indicated below in percentage ranges. The precise proportions therefore vary depending on the functional differentiation as well as a possible change within the framework of the yearly remuneration review.

The fixed annual salary comprises 22% to 28% of the target remuneration, the performance bonus (excluding equity deferral) between 17% and 22%, and the equity deferral and long-term incentive between 33% and 38%. Future benefit rights make up between 17% and 23% of the target remuneration, and additional benefits make up approximately 1%.

For a more detailed description of the remuneration system’s variable components based on performance as well as the obligations due, please see Note 29.

Provisions for defined benefit obligations of current members of the Executive Board amount to €15.0 million (PY: €57.5 million).

Provisions for severance payments and other salaries for active Executive Board members and those who departed in the previous year amount to €8.8 million (PY: €6.7 million) in the reporting year.

The total remuneration granted to the Executive Board of Continental AG in 2022 in accordance with Section 314 (1) No. 6 of the German Commercial Code *(Handelsgesetzbuch – HGB* amounted to €11.0 million (PY: €28.5 million). That total remuneration also included, in addition to short-term benefits of €5.7 million (PY: €15.9 million), a newly granted long-term incentive plan totaling €4.7 million (PY: €7.0 million) and the equity deferral of the performance bonus of €0.6 million (PY: €5.6 million).

The fair value of the 2022 LTI plan as at the grant date, assuming full vesting, was €3.9 million (PY: €6.3 million for the 2021 LTI plan).

Moreover, former members of the Executive Board and their surviving dependents received payments totaling €9.4 million (PY: €8.8 million). Provisions for pension obligations for former members of the Executive Board and their surviving dependents amounted to €148.3 million (PY: €190.8 million).

Remuneration paid to the members of Continental AG’s Supervisory Board, including meeting fees, totaled €5.0 million in the past fiscal year (PY: €5.1 million).

As in 2021, no advances or loans were granted to members of Continental AG’s Executive Board or Supervisory Board in 2022.

The table below shows the transactions with related parties other than subsidiaries. The figures for the comparative period relate to continuing and discontinued operations.

	Income		Expenses		Accounts receivable		Accounts payable	
€ millions	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Non-consolidated companies								
Ordinary business activities	16.9	17.1	4.7	5.6	4.5	5.2	3.3	3.0
Other	0.7	0.4	0.0	0.0	4.7	4.8	1.3	1.3
Associates								
Ordinary business activities	41.6	61.2	123.0	77.0	9.9	10.7	28.8	23.6
Financing	0.4	90.9	0.8	0.4	14.7	13.3	172.7	111.2
Other	–	32.5	–	–	–	–	–	–
Joint ventures								
Ordinary business activities	72.5	66.6	30.6	2.3	33.9	40.3	76.4	88.8
Financing	1.4	1.1	0.9	0.0	33.1	40.3	0.0	0.1
Schaeffler Group								
Ordinary business activities	47.8	71.7	42.0	66.2	13.9	11.6	13.1	13.4
Vitesco Technologies								
Ordinary business activities	840.4	346.8	692.2	336.7	640.3	781.6	104.6	125.7
Other	5.4	28.1	0.1	5.2	10.6	11.7	0.0	0.6
Total	**1,027.1**	**716.4**	**894.3**	**493.4**	**765.6**	**919.5**	**400.2**	**367.7**

Transactions with related parties other than subsidiaries were conducted on an arm's-length basis. Ordinary business activities comprise the purchase or sale of goods and other assets as well as rendered or received services.

The expenses and income from ordinary business activities with Vitesco Technologies mainly resulted from variable lease payments in accordance with IFRS 16, *Leases*, due to contract manufacturing. Please refer to Note 16 for further information.

Notices in accordance with the German Securities Trading Act *(Wertpapierhandelsgesetz – WpHG)*

From the start of the fiscal year to the time of the preparation of the financial statements, we received the following notifications in accordance with Section 33 (1) *WpHG* on holdings in Continental AG and published them in accordance with Section 40 (1) *WpHG*. In the event of the same party reaching, exceeding or falling below the threshold stated in this provision on multiple occasions, only the most recent notification is shown. Notifications from earlier fiscal years about the existence of voting rights shares of at least 3% are still disclosed as at the end of the reporting period. The provisions for notifications from fiscal years prior to 2018 relate to the version of the *WpHG* valid until January 2, 2018.

BlackRock, Inc., Wilmington, Delaware, USA, notified us that its share of voting rights in Continental AG on February 8, 2023, amounted to 3.12%.

- 2.985% of these voting rights (5,708,804 voting rights with the security identification number DE0005439004) are attributed to the company in accordance with Section 34 *WpHG*.
- 0.04% of these voting rights (80,557 voting rights with the security identification number US2107712000) are attributed to the company in accordance with Section 34 *WpHG*.
- 0.22% of these voting rights (446,421 voting rights) are attributed to the company as instruments in accordance with Section 38 (1) No. 1 *WpHG* (Lent Securities).
- 0.001% of these voting rights (1,435 voting rights) are attributed to the company as instruments in accordance with Section 38 (1) No. 2 *WpHG* (Contract for Difference).

Harris Associates L.P., Wilmington, Delaware, USA, notified us that Harris Associates Investment Trust holds an investment in Continental AG amounting to 3% or more of the voting rights, and that its share of voting rights in Continental AG on May 4, 2021, amounted to 5.01%. This corresponds to 10,030,136 voting rights attributed to the company in accordance with Section 34 *WpHG*.

Harris Associates Investment Trust, Boston, Massachusetts, USA, notified us that its share of voting rights in Continental AG on April 19, 2021, amounted to 3.000042253736%. This corresponds to 6,000,264 voting rights in accordance with Section 33 *WpHG*.

By way of a letter dated January 4, 2016, we received notification that:

- the share of voting rights in Continental AG held by ATESTEO Management GmbH (still operating as Schaeffler Familienholding Eins GmbH as at December 31, 2015), Herzogenaurach, Germany, fell below the threshold of 3% of voting rights on December 31, 2015, due to restructuring within the corporation and amounted to 0.00% at this time.
- the share of voting rights in Continental AG held by ATESTEO Beteiligungs GmbH (still operating as Schaeffler Familienholding Zwei GmbH as at December 31, 2015), Herzogenaurach, Germany, fell below the threshold of 3% of voting rights on December 31, 2015, due to restructuring within the corporation and amounted to 0.00% at this time.
- the share of voting rights in Continental AG held by IHO Verwaltungs GmbH (still operating as Schaeffler Verwaltung Zwei GmbH as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, amounted to 35.99%.
- the share of voting rights in Continental AG held by IHO Beteiligungs GmbH (still operating as Schaeffler Verwaltungs GmbH as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, amounted to 10.01%. Another 35.99% of the voting rights in Continental AG are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- 46.00% of the voting rights in Continental AG are attributed to IHO Holding GmbH & Co. KG (still operating as Schaeffler Holding GmbH & Co. KG as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- 46.00% of the voting rights in Continental AG are attributed to IHO Management GmbH (still operating as Schaeffler Management GmbH as at December 31, 2015), Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- 46.00% of the voting rights in Continental AG are attributed to INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- 46.00% of the voting rights in Continental AG are attributed to Schaeffler Holding LP, Dallas, Texas, USA, on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- 46.00% of the voting rights in Continental AG are attributed to Mrs. Maria-Elisabeth Schaeffler-Thumann on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.
- 46.00% of the voting rights in Continental AG are attributed to Mr. Georg F. W. Schaeffler on December 31, 2015, in accordance with Section 22 (1) Sentence 1 No. 1 *WpHG*.

As a result of the withdrawal of Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, from Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, Germany, on December 31, 2015, the investment held by Schaeffler Beteiligungsholding GmbH & Co. KG, Herzogenaurach, Germany, in Continental AG accrued to IHO Verwaltungs GmbH (still operating as Schaeffler Verwaltung Zwei GmbH as at December 31, 2015), Herzogenaurach, Germany. The investment held by Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, as well as the investment by its co-owner; by Schaeffler Familienholding Eins GmbH, Herzogenaurach, Germany; and by Schaeffler Familienholding Zwei GmbH, Herzogenaurach, Germany, in Continental AG accordingly ceased to exist. As a result of a subsequent further accrual and termination without liquidation of Schaeffler Familienholding Drei GmbH & Co. KG, Herzogenaurach, Germany, this company's notification obligation in accordance with the *WpHG* ceased to apply on January 1, 2016.

In 2022 and until February 27, 2023, inclusively, the members of the Executive Board held shares representing a total interest of less than 1% of the share capital of the company. Shares representing 46.00% of the voting share capital of the company were attributable to the members of the Supervisory Board Mrs. Maria-Elisabeth Schaeffler-Thumann (member of the Supervisory Board until April 29, 2022) and Mr. Georg F. W. Schaeffler. In 2022 and until February 27, 2023, inclusively, the other members of the Supervisory Board held shares representing a total interest of less than 1% of the share capital of the company.

43. List of Shareholdings of the Continental Group

Further information on equity investments can be found in the list of the Continental Group's shareholdings in accordance with Section 313 of the German Commercial Code *(Handelsgesetzbuch – HGB)*, which is published as part of the consolidated financial statements in the German Federal Gazette *(Bundesanzeiger)*. The consolidated financial statements with the list of the Continental Group's shareholdings are also made available for inspection by the shareholders in the business premises at the company's headquarters from the date on which the Annual Shareholders' Meeting is convened, and from that point in time are available together with the additional documents and information in accordance with Section 124a of the German Stock Corporation Act *(Aktiengesetz – AktG)* online at www.continental-ir.com.

Statutory exemption provisions applying to German companies

The following German companies and partnerships utilized the exemption provisions of Section 264 (3) *HGB* and Section 264b *HGB*:

Company	Registered office
ADC Automotive Distance Control Systems GmbH	Lindau
A-Z Formen- und Maschinenbau GmbH	Runding-Langwitz
balance GmbH, Handel und Beratungsservice im Gesundheitswesen	Hanover
Benecke-Kaliko AG	Hanover
CAS München GmbH	Hanover
CAS-One Holdinggesellschaft mbH	Hanover
Conseo GmbH	Hamburg
Conti Temic microelectronic GmbH	Nuremberg
Conti Versicherungsdienst Versicherungsvermittlungsges. mbH	Hanover
Continental Advanced Antenna GmbH	Hildesheim
Continental Aftermarket & Services GmbH	Schwalbach am Taunus
Continental Automotive GmbH	Hanover
Continental Automotive Grundstücksges. mbH	Frankfurt am Main
Continental Automotive Technologies GmbH	Hanover
Continental Autonomous Mobility Germany GmbH	Ingolstadt
Continental Caoutchouc-Export-GmbH	Hanover
Continental Engineering Services & Products GmbH	Ingolstadt
Continental Engineering Services GmbH	Frankfurt am Main
Continental Finance GmbH	Hanover
Continental Fuel Storage Systems GmbH	Hanover
Continental Reifen Deutschland GmbH	Hanover
Continental Safety Engineering International GmbH	Alzenau
Continental Trebbin GmbH & Co. KG Sondermaschinenbau	Ingolstadt
Continental Trebbin Verwaltungs- und Beteiligungs-GmbH	Ingolstadt
ContiTech AG	Hanover
ContiTech Antriebssysteme GmbH	Hanover
ContiTech Elastomer-Beschichtungen GmbH	Hanover
ContiTech Kühner Beteiligungsgesellschaft mbH	Hanover
ContiTech Kühner GmbH & Cie. KG	Oppenweiler
ContiTech Luftfedersysteme GmbH	Hanover
ContiTech MGW GmbH	Hannoversch Münden
ContiTech Schlauch GmbH	Hanover
ContiTech Techno-Chemie GmbH	Karben
ContiTech Transportbandsysteme GmbH	Hanover
ContiTech Vibration Control GmbH	Hanover
ContiTech-Universe Verwaltungs-GmbH	Hanover
co-pace GmbH	Hanover

Company	Registered office
Eddelbüttel + Schneider GmbH	Hamburg
Elektrobit Automotive GmbH	Erlangen
Formpolster GmbH	Hanover
Hornschuch Group GmbH	Weißbach
Hornschuch-Markt GmbH	Weißbach
Hornschuch Stolzenau GmbH	Weißbach
kek-Kaschierungen GmbH	Herbolzheim
Konrad Hornschuch AG	Weißbach
MISA-Beteiligungs GmbH	Hanover
MISA GmbH & Co. KG	Hanover
Phoenix Beteiligungsgesellschaft mbH	Hamburg
Phoenix Compounding Technology GmbH	Hamburg
Phoenix Conveyor Belt Systems GmbH	Hamburg
Phoenix Vermögensverwaltungsgesellschaft mbH	Hamburg
REG Reifen-Entsorgungsgesellschaft mbH	Hanover
Senior Experts Services GmbH	Hanover
STEINEBRONN BETEILIGUNGS-GMBH	Oppenweiler
TON Tyres Over Night Trading GmbH	Schondra-Schildeck
Union-Mittelland-Gummi-GmbH & Co. Grundbesitz KG	Hanover
Vergölst GmbH	Bad Nauheim

44. German Corporate Governance Code/Declaration in Accordance with Section 161 of the German Stock Corporation Act *(Aktiengesetz – AktG)*

The declaration required in accordance with Section 161 of the German Stock Corporation Act *(Aktiengesetz – AktG)* was issued by the Executive Board and Supervisory Board in December 2022, and is available to our shareholders online at www.continental.com in the Company section under Corporate Governance.

45. Report on Subsequent Events

As at February 27, 2023, there were no events or developments that could have materially affected the measurement and presentation of individual asset and liability items as at December 31, 2022.