Management Report

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

Management Report

Glossary of Financial Terms

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

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

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

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

Adjusted EBIT margin. Adjusted EBIT as a percentage of adjusted sales. Since it eliminates one-off effects, the adjusted EBIT margin can also be used to compare operational profitability between periods and, by using a percentage value, to compare specific units.

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

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

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

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

Cash conversion ratio. Ratio of adjusted free cash flow to net income attributable to the shareholders of the parent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IASB. International Accounting Standards Board. Independent standardization committee.

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

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

IFRS IC. International Financial Reporting Standards Interpretations Committee.

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

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

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

Organic sales growth. Sales performance of a unit before changes in the scope of consolidation and exchange-rate effects. Therefore describes a unit's performance relying on its own resources.

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

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

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

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

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

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

Unrestricted cash and cash equivalents. Cash and cash equivalents after the deduction of cash and cash equivalents that are subject to certain restrictions, as is the case, for example, with 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.

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

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

Corporate Profile
Structure of the Continental Group

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

Organizational structure
The Continental Group is divided into four group sectors: Automotive, Tires, ContiTech and Contract Manufacturing. As of January 1, 2024, these comprise a total of 16 business areas.

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

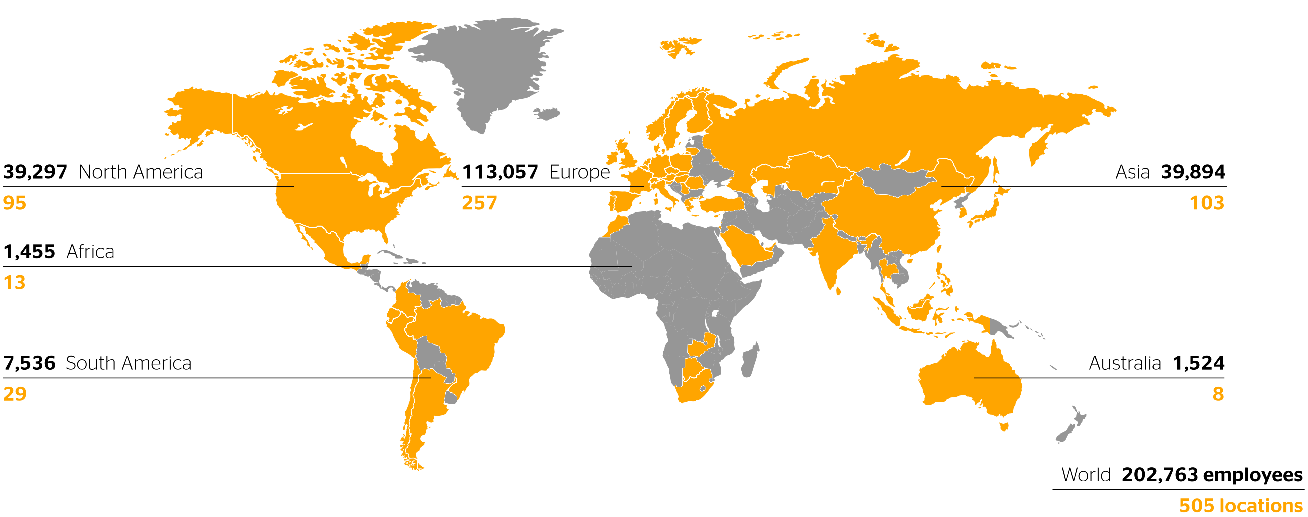
Business responsibility
Overall responsibility for managing the company is borne by the Executive Board of Continental Aktiengesellschaft (AG). The Automotive, Tires and ContiTech group sectors are each represented on the Executive Board.

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

Customer structure
With a 64% share of consolidated sales, the automotive industry – with the exception of the replacement business – is our most important customer group. This industry is particularly important for the growth of the Automotive group sector. In the Tires group sector, sales to dealers and end users represent the largest share of the tire-replacement business. In the ContiTech group sector, the customer base is made up of the energy, agriculture and construction industries, interior design and the automotive and replacement businesses. In the Contract Manufacturing group sector, Vitesco Technologies constitutes the sole customer.

Companies and locations
Continental AG is the parent company of the Continental Group. In addition to Continental AG, the Continental Group comprises 457 companies, including non-controlled companies. The Continental team is made up of 202,763 employees at 505 locations for production, research & development and administration in 56 countries and markets. Added to this are distribution locations, with 865 company-owned tire outlets and a total of around 5,300 franchises and operations with a Continental brand presence.

505 locations in 56 countries and markets



Structure of the Continental Group in 2023

Continental Group

Automotive	Tires	ContiTech	Contract Manufacturing

The **Automotive group sector** offers technologies for 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 vehicle connectivity, architecture and electronics, as well as high-performance computers and software solutions, round off the range of products and services.

The group sector is divided into five business areas as of January 1, 2024:

- Architecture and Networking
- Autonomous Mobility
- Safety and Motion
- Software and Central Technologies
- User Experience

The Smart Mobility business area was discontinued effective December 31, 2023, and since January 1, 2024, has been included in the Automotive group sector.

With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the **Tires group sector** stands for innovative solutions in tire technology. Intelligent products and services related to tires and the promotion of sustainability complete the portfolio. For specialist dealers and fleet management, Tires offers digital tire monitoring and tire management systems, in addition to other services, with the aim of keeping fleets mobile and increasing their efficiency. With its tires, Continental contributes to safe, efficient and environmentally friendly mobility. In the reporting year, 26% of sales in Tires related to business with vehicle manufacturers, and 74% related to the tire-replacement business. The group sector is divided into five business areas:

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

The **ContiTech group sector** focuses on development and materials expertise in products and systems made from rubber, plastic, metal and textiles, which can also be equipped with electronic components to optimize their functionality for custom service applications. ContiTech's industrial growth areas are primarily in energy, agriculture and construction as well as interior design. ContiTech also serves the automotive and transportation industries along with the railway engineering sector. In the reporting year, 48% of sales in ContiTech related to business with automotive manufacturers, and 52% to business with other industries and in the automotive replacement market.

The group sector is divided into five business areas as of January 1, 2024:

- Industrial Solutions Americas
- Industrial Solutions APAC
- Industrial Solutions EMEA
- Original Equipment Solutions
- Surface Solutions

The Advanced Dynamics Solutions, Conveying Solutions, Industrial Fluid Solutions, Mobile Fluid Systems and Power Transmission Group business areas, as they existed in this setup until December 31, 2023, have been reassigned to the three regional Industrial Solutions business areas and the Original Equipment Solutions business area.

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

- Contract Manufacturing

Globally interconnected value creation

Research and development (R&D) took place at 95 locations in the reporting year, predominantly in close proximity to our customers to ensure that Continental can respond flexibly to their various requirements and to regional market conditions. This applies particularly to projects of the Automotive and ContiTech group sectors. In the Tires group sector, R&D is largely centrally organized, since product requirements for tires are much the same across the world. They are adapted according to the specific requirements of each market. Continental generally invests around 7% of sales in R&D each year. For more information, see the Research and Development section.

Continental processes a wide range of raw materials and semi-finished products. The purchasing volume in the reporting year was €29.1 billion in total, €19.8 billion of which was for production materials. Electronics and electromechanical components together make up around 43% of the Continental Group's purchasing volume for production materials, which are primarily used in the Automotive and Contract Manufacturing group sectors, while mechanical components account for around 20%. Natural rubber and oil-based chemicals as well as synthetic rubber and carbon black are key raw materials for the Tires and ContiTech group sectors. The total purchasing volume for these materials likewise amounts to around 20% of the total volume for production materials. For more information, see the Development of Raw Materials Markets section in the economic report.

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

Globally interconnected value creation

R&D	Purchasing	Production	Sales & Distribution
Innovative €2.9 billion in expenditure	**Diverse** €29.1 billion in volumes	**Global** 209 locations	**Local** €41.4 billion in sales

Strategy of the Continental Group

Continental is the mobility and material technology group for safe, smart and sustainable solutions.

In 2023, Continental announced its updated strategy for increasing value creation at its Capital Market Day in December. This will allow Continental to develop into the mobility and material technology group for safe, smart and sustainable solutions and is based on three key elements:

- Continental has a clear strategy to achieve its mid-term targets.
- The company will invest in particular in those areas with value creation upside and continuously expand its technology position in areas where it can expect to gain an edge over the competition.
- The Automotive, Tires and ContiTech group sectors make up a balanced and resilient portfolio.

These elements build upon the three strategic pillars introduced by Continental in 2020 in response to the transformation in the mobility industry and to pave the way for profitable growth. Its overall organizational structure and management processes were realigned to turn the transformation in the mobility industry into an opportunity.

- **Strengthening operational performance**
  By strengthening its operational performance, Continental can ensure its future viability and competitiveness. The company is aligning its cost structure to global market conditions.
- **Differentiating the portfolio**
  Continental continues to pursue the targeted differentiation of its product portfolio with a focus on growth and value.
- **Turning change into opportunity**
  Continental's comprehensive organizational structure helps it to seize market opportunities and translate them into profit even more quickly. Transparent structures and a high level of autonomy make the company more flexible in an increasingly complex market environment.

Continental's strategic goals are based on its vision:

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

"CREATING VALUE": Continental aims to create value in everything it does. This can be financial value for its shareholders as well as value for its customers, its employees and the social environment in which it operates.

"A BETTER TOMORROW": With its products and services, Continental contributes to making the world a little better. It develops and produces the mobility of tomorrow in a way that is more convenient and comfortable, safer and more sustainable. At the same time, "a better tomorrow" means acting now and not in the distant future.

"OUR TECHNOLOGIES. YOUR SOLUTIONS": Continental is a technology company and believes that it will only be able to tackle the challenges of our time by rapidly developing the right technologies. Continental's technology should help its customers make their products even better and more useful. Because Continental is customer-focused in everything it does.

"POWERED BY THE PASSION OF OUR PEOPLE": Continental stands for a certain culture. A culture of mutual respect. A culture of togetherness. And a culture of passion.

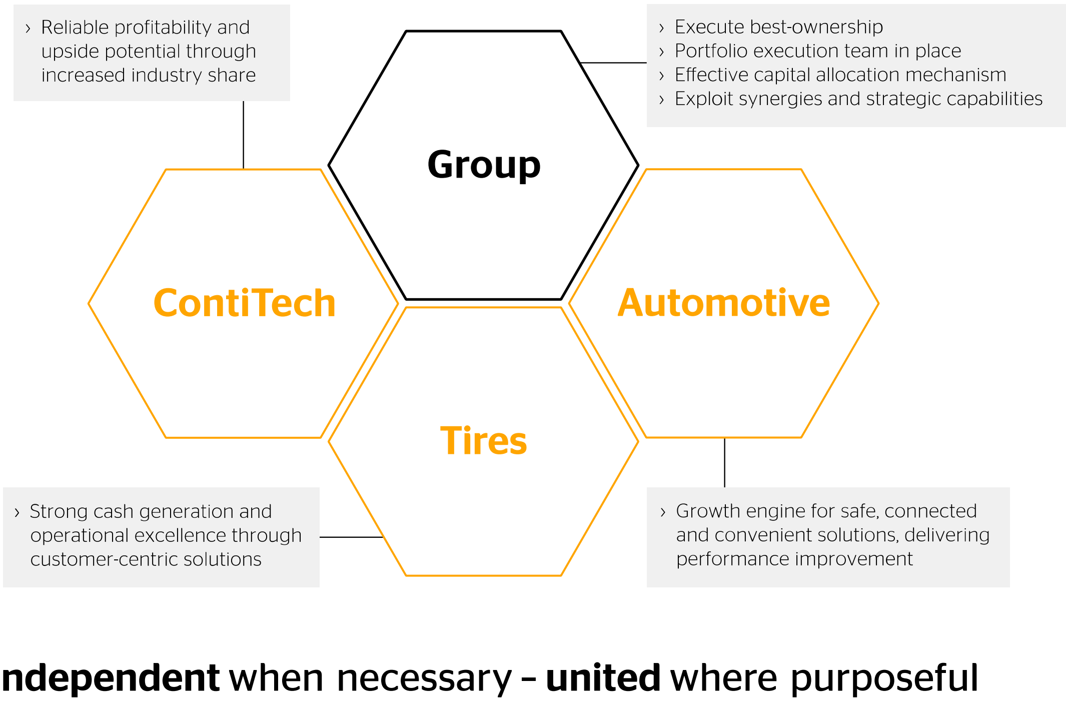
Automotive: focus on value-creating business areas with high growth
In the Automotive group sector, Continental will step up its focus on value-creating business areas with high growth. With its updated strategy, the group sector aims to increase its long-term profitability and competitiveness. The strategy is geared toward achieving a leading market position in all business areas and becoming the preferred system integrator for software-defined vehicles.

The group sector decided on a number of measures in 2023, including making the User Experience business area organizationally independent, which will open up new strategic options for this business. With sales of €3.5 billion in 2023 and a total order volume of more than €7 billion (production launch after 2022), User Experience is among the market leaders in display solutions, head-up displays and digital instrument clusters.

The Automotive group sector is also reviewing further business activities that contributed around €1.4 billion to consolidated sales in fiscal 2023. A review is therefore being carried out with a view to improving performance or selling or discontinuing these business activities.

Continental is aiming for above-average growth of 3% to 5% in the Automotive group sector compared with the market environment. This is to be achieved by improving the group sector's market share – in particular among Asian automotive manufacturers, which are growing at a disproportionate rate – increasing value creation per vehicle and adjusting prices. In addition, Continental has taken various measures to optimize operational costs and cash inflow. These include increasing efficiency in the manufacture of electronic components, reducing freight costs and optimizing inventory turnover.

2024+ Era of Execution



Independently of this, Automotive is aiming to reduce costs significantly by €400 million per year from 2025. Administrative structures, interfaces, hierarchy levels and complexity will be reduced, for example, and decision-making structures and processes simplified. Automotive is also planning to further optimize its use of research and development resources. The group sector is therefore aiming to reduce net research and development expenses in the short term to around 11% of sales (2023: 11.8%). In the medium term, the share is expected to be less than 10%. This will be achieved by consolidating its approximately 80 development locations worldwide, for example.

Tires: premium tires will continue to create opportunities for profitable growth
In the Tires group sector, Continental will continue to rely on stable earnings and operational excellence. Sustainability, electric mobility and digital tire services will also create various opportunities for further profitable growth and exceptional value creation. Over the past five years, Tires has increased its sales by an average of 4.3% annually. The basis for the group sector's commercial success is its operational efficiency. Capacity and modern production technologies are continually adapted to changing market requirements. This enables Tires to benefit from major economies of scale and scope, with more than 80% of its global production capacity bundled in so-called megafactories.

Continental already offers its most sustainable passenger car tire on the market as a production tire and is growing strongly in the area of data-based tire services. In total, it has more than 500 original equipment approvals for supplying fully electric models from automotive manufacturers worldwide, including the 10 highest-volume manufacturers of fully electric cars.

The Tires group sector sees strong growth potential in the Asia-Pacific region as well as North and South America. Based on its strategy of being in the market for the market, production capacity will therefore be expanded in these regions. The recovery of the current weak demand, particularly in the European tire-replacement business, continuous increases in efficiency, the ongoing trend worldwide toward larger and higher-performing tires as well as high cost discipline will form the basis for sales and margin increases.

ContiTech: group sector to strengthen strategic focus on industrial business
In its ContiTech group sector, Continental will focus on reliable profitability thanks to material solutions made from rubber and plastics. At the same time, the group sector will strengthen its strategic focus on the industrial business and plans to increase the share of sales accounted for by the industrial business from 52% currently to 60% in the medium term. ContiTech's ambition is to achieve an industrial share of sales of around 80%. This is to be achieved organically through greater market development and an expanded product portfolio, as well as inorganically through investments and divestments.

ContiTech's industrial growth areas are primarily in energy, agriculture and construction as well as interior design. These industrial fields place high demands on materials and products, for which the group sector is well positioned thanks to its high level of materials expertise, including for hoses, belts, conveyor belts and surfaces, as well as its diverse product portfolio.

As already announced, the Original Equipment Solutions (OESL) business area – comprising the automotive business of ContiTech, with the exception of surface materials – will also become organizationally independent. OESL is expected to become fully independent in 2025. All strategic options will be reviewed as part of this process.

Continental's strategy forms the basis for its mid-term targets
The mid-term targets are as follows:

- Based on its updated strategy, Continental aims to achieve consolidated sales of around €44 billion to €48 billion in the short term (two to three years) and around €51 billion to €56 billion in the medium term. The target for its adjusted EBIT margin is more than 8% in the short term and around 8% to 11% in the medium term. The cash conversion ratio is expected to exceed 70% in the short and medium term.

- For the Automotive group sector, Continental expects sales of around €22 billion to €24 billion in the short term and around €26 billion to €29 billion in the medium term. The adjusted EBIT margin is expected to exceed 6% in the short term and to be around 6% to 8% in the medium term. Additionally, it aims to achieve a return on capital employed (ROCE) of more than 15% in the short term and more than 20% in the medium term.

- For the Tires group sector, Continental expects sales of around €15 billion to €16 billion in the short term and around €17 billion to €18 billion in the medium term. The adjusted EBIT margin is expected to exceed 13% in the short term and to be around 13% to 16% in the medium term. It aims to achieve an ROCE of more than 20% in the short term and more than 23% in the medium term.

- For the ContiTech group sector, Continental expects sales of around €7 billion to €8 billion in the short term and around €8 billion to €9 billion in the medium term. The adjusted EBIT margin is expected to exceed 9% in the short term and to be around 9% to 11% in the medium term, assuming that the share of the industrial business is around 60%. It aims to achieve an ROCE of more than 20% in the short term and more than 22% in the medium term.

Increase in value creation
We are confident that our strategic setup, with the three group sectors mentioned above, is our path to long-term success. The three group sectors make up a balanced and resilient portfolio. Our business activities continue to be independent when necessary and united where purposeful. Together with the group functions, Automotive, Tires and ContiTech make up the mobility and material technology group for safe, smart and sustainable solutions.

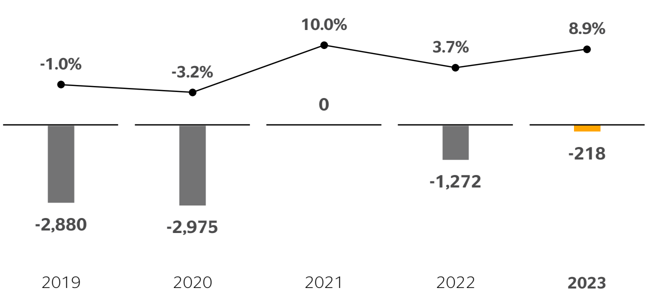
Corporate Management

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

Value management

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

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



For 2021, the figures for continuing operations are shown.

EBIT is the net total of sales, other income and expenses plus income from equity-accounted investees and from investments but before financial result and income tax expense. In the year under review, EBIT for the Continental Group was €1.9 billion.

Capital employed is the funds used by the company to generate its sales. At Continental, this figure is calculated as the average of operating assets as at the end of the quarterly reporting periods. In 2023, average operating assets amounted to €20.7 billion.

The return on capital employed (ROCE) represents the ratio of these two calculated values. Comparing a figure from the statement of income (EBIT) with one from the statement of financial position (capital employed) produces an integral analysis. We deal with the problem of the different periods of analysis by calculating the capital employed as an average figure over the ends of quarterly reporting periods. The ROCE amounted to 8.9% in 2023.

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

Value is added if the ROCE exceeds the WACC. We call this value added, produced by subtracting the WACC from the ROCE multiplied by average operating assets, the Continental Value Contribution (CVC). In 2023, the CVC amounted to -€217.6 million.

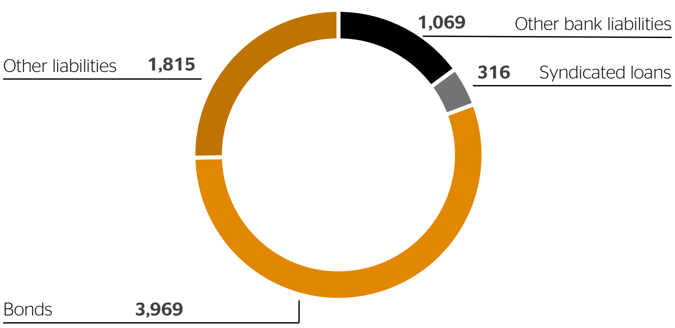
ROCE by group sector (%)	**2023**	2022
Automotive	-0.6	-11.1
Tires	22.9	23.0
ContiTech	11.6	5.1
Contract Manufacturing	1.1	1.5
Continental Group	**8.9**	**3.7**

Financing strategy

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

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

Composition of gross indebtedness (€7,170 million)



Our goal is to finance ongoing investment requirements from the operating cash flow. Other investment projects, such as major acquisitions, should be financed from a balanced mix of equity and debt depending on the ratio of net indebtedness to equity (gearing ratio) and the liquidity situation to achieve constant improvement in the respective capital market environment. In general, the gearing ratio should be below 40% in the coming years. If justified by extraordinary financing reasons or specific market circumstances, we can rise above this ratio under certain conditions. The equity ratio should exceed 30%. In the reporting year, the equity ratio was 37.4% and the gearing ratio 28.6%.

Gross indebtedness amounted to €7,170.3 million as at December 31, 2023. Key financing instruments are the syndicated loan with a revolving credit line of €4.0 billion that has been granted until December 2026, and bonds issued on the capital market. Our gross indebtedness should be a balanced mix of liabilities to banks and other sources of financing on the capital market. For short-term financing in particular, we use a wide range of financing instruments. As at the end of 2023, this mix consisted of bonds (55%), a syndicated loan (4%), other bank liabilities (15%) and other indebtedness (25%) based on gross indebtedness. The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4.0 billion and has an original term of five years. The margin for the loan 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 margin; non-achievement will result in a margin increase. Continental has exercised two options, each extending the term of the loan by one year. This ensures the financing commitment of the banks until December 2026.

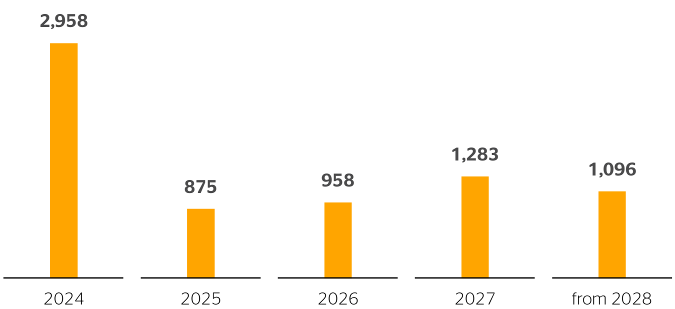
The company strives to have at its disposal unrestricted liquidity of about €1.5 billion. This is supplemented by committed, unutilized credit lines from banks in order to cover liquidity requirements at all times. These requirements fluctuate during a calendar year owing in particular to the seasonal nature of some business areas. In addition, the amount of liquidity required is also influenced by corporate growth. Unrestricted cash and cash equivalents amounted to €2,683.4 million as at December 31, 2023. There were also committed and unutilized credit lines of €4,569.1 million.

As at December 31, 2023, €316.3 million of the revolving credit line of €4.0 billion had been utilized. Around 55% of gross indebtedness is financed on the capital market in the form of bonds. The interest coupons vary between 0.231% and 4.000% p.a. In 2023, Continental redeemed two maturing bonds in the amounts of €500.0 million and €750.0 million. In conjunction with this, and in order to optimize the maturity profile of its indebtedness, Continental issued two new bonds in June and August 2023. One bond with a volume of €750.0 million and a term of five years and a second bond with a volume of €500.0 million and a term of three and a half years were placed with investors. Both bonds have an interest rate of 4.000% p.a. In addition to the forms of financing already mentioned, there were also bilateral credit lines with various banks in the amount of €1,982.0 million as at December 31, 2023. Continental's corporate financing instruments currently also include sale-of-receivables programs and commercial paper programs. As in the previous year, Continental had two commercial paper programs in Germany and the USA in 2023. Neither of these two programs had been utilized as at the end of 2023.

Maturity profile

Continental strives for a balanced maturity profile, particularly with respect to its capital market liabilities, in order to be able to repay the amounts due each year from free cash flow as far as possible. Aside from short-term indebtedness, most of which can be rolled on to the next year, two bonds in the amounts of €625.0 million and €100.0 million, respectively, will mature in 2024. The other bonds issued in the period from 2019 to 2023 require repayments of €600.0 million in 2025, €750.0 million in 2026, €1,125.0 million in 2027 and €750.0 million in 2028.

Maturities of gross indebtedness (€7,170 million)



Continental's credit rating unchanged

In the reporting period, Continental AG was rated by the three rating agencies Standard & Poor's, Fitch and Moody's, each of which maintained their investment-grade credit ratings in 2023. The rating outlook from Standard & Poor's improved in March 2023 from negative to stable. The most recent rating adjustment took place in spring 2020, when all three rating agencies adjusted their long-term credit rating downward by one notch. Our goal remains a credit rating of BBB/BBB+.

Credit rating for Continental AG

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

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

Research and Development

Continental is developing the new horsepower for the mobility of the future.

Continental is leading the way with its technology solutions for the new era of mobility. These range from innovative, high-performance computers and solutions for the rapid, cost-efficient implementation of digital mobility to sustainable vehicle interiors of the future and environmentally friendly tires that enhance energy efficiency when driving. Continental's technology portfolio extends from the road to the cloud. The shift from hardware-based mechatronic products to more software-driven solutions is well underway, and we are helping to shape this new era with our proven expertise in software-driven mobility. A large number of new cars worldwide are already fitted with hardware and software solutions from Continental – ensuring safety, convenience and sustainability.

Continental and Aurora partnership for commercially scalable autonomous trucking systems
The technology companies Continental and Aurora entered into an exclusive partnership in April 2023. Together, they will deliver the first commercially scalable generation of Aurora's integrated hardware and software system – the Aurora Driver – in the USA. The SAE (Society of Automotive Engineers) Level 4 system will be available to carriers and commercial fleet operators across the USA to help reduce costs to facilitate broader adoption. Production is set to commence in 2027.

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

Continental and Google Cloud equip cars with generative artificial intelligence (AI)
Continental announced a partnership with Google Cloud at IAA Mobility in September 2023. Together, the two companies will equip cars with artificial intelligence (AI), making Continental one of the first automotive suppliers to integrate Google Cloud capabilities directly into vehicle computers – allowing drivers quite literally to "talk" with their vehicles. No matter if drivers, for example, need helping find the right tire pressure when the car is fully loaded or want to know more about local places of interest at their destination or along their route, the generative AI gathers the required information and answers the driver's questions. The two companies each bring their respective expertise to the partnership, namely in automotive, software, artificial intelligence and cloud computing.

With this technology, Continental is offering yet another building block from the road to the cloud and expanding the instrumentation, entertainment and driver assistance functions already integrated into its high-performance computer for smart cockpits (Smart Cockpit HPC). This, in turn, cuts the development time and effort, complexity and cost for automotive manufacturers. The Smart Cockpit HPC combines user experience and system performance, while meeting customer requirements for typical cockpit designs featuring driver and center displays. The pre-integrated functionality reduces costs, which ultimately results in fast time to market – from order to start of production in just 18 months.

Continental and Synopsys accelerate software development
Continental and Synopsys are accelerating the development and validation of software features and applications for the software-defined vehicle. The companies have teamed up to develop advanced virtual prototyping solutions for virtual electronic control units (vECUs), combining the virtual prototyping of Synopsys with Continental's cloud-based development framework, Automotive Edge (CAEdge). The result is a digital twin that helps automotive manufacturers simplify software development and get their product to market faster.

Continental and DeepDrive develop wheel hub drive with integrated brake
In October 2023, Continental entered into a strategic partnership with Munich-based high-tech firm DeepDrive to develop core technologies for electric vehicles. As an initial milestone, the two companies are jointly developing a combined unit comprising drive system and brake components that will be mounted directly on a vehicle's wheel. DeepDrive specializes in developing efficient electric motors and has extensive experience in large-scale automotive production. Continental, for its part, will contribute its technological know-how in brake systems and its expertise in industrializing innovative technologies.

	2023		2022	
Research and development expenses (net)	€ millions	% of sales	€ millions	% of sales
Automotive[1, 2]	2,384.8	11.8	2,273.1	12.4
Tires[1]	336.0	2.4	320.8	2.3
ContiTech[1]	175.1	2.6	169.2	2.6
Contract Manufacturing[1]	0.0	0.0	0.1	0.0
Consolidation	0.0	–	-0.2	–
Continental Group[1, 2]	**2,896.0**	**7.0**	**2,762.9**	**7.0**
Capitalization of research and development expenses	**17.6**		**24.4**	
in % of research and development expenses[1, 2]	0.6		0.9	
Depreciation on research and development expenses	**50.4**		**46.4**	

1 In the year under review, the presentation of income and expenses in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment was changed. They are now assigned to the relevant functional areas. The comparative period has been adjusted accordingly.
2 The assignment of income and expenses from certain business activities within the functional areas has been adjusted. The comparative period has been adjusted accordingly.

Continental starts production of its most sustainable tire to date and presents concept tire Conti CityPlus
In mid-2023, Continental started production of the UltraContact NXT, its most sustainable production tire to date, at its plant in Lousado, Portugal. Comprising up to 65% renewable, recycled and mass balance-certified materials, the tire combines a high share of sustainable materials with maximum safety and performance. All sizes have the highest possible rating ("A") of the EU tire label in terms of rolling resistance, wet braking and exterior noise.

Continental unveiled its new Conti CityPlus concept tire at IAA Mobility in Munich in September 2023. The new tire technology reduces energy consumption by up to 10%, meaning lower CO_2 emissions for cars with combustion engines and longer ranges for electric vehicles. This is achieved by optimizing tire behavior during stop-and-go urban traffic, which can extend a car's range by up to 3%. This corresponds to a saving of 0.6 kWh per 100 kilometers for electric vehicles.

Continental named preferred tire partner of automotive manufacturers worldwide for electric and combustion engine vehicles
For more than a decade, Continental has been optimizing its tires to achieve lower rolling resistance, reduce rolling noise and increase service life – without compromising on safety. All passenger car tires of the Continental brand meet the requirements of electric vehicles, while at the same time they are able to sustainably reduce the emissions of combustion engine vehicles. This strategy is paying off, with the 10 highest-volume manufacturers of fully electric cars currently putting their trust in Continental's technological expertise for their original equipment. Since last year, Chinese vehicle manufacturer BYD has been equipping its Seal electric sedan for the Chinese market with the Continental SportContact 7 and factory-fitting it with the Continental EcoContact 6 Q for global export.

Continental is the preferred tire partner of Mercedes-Benz in the Asia-Pacific region, comprising China, Australia, Malaysia and Indonesia. On top of this, the existing partnership in India has been extended.

Tires bearing the label "MO" ("Mercedes-Benz Original") on the sidewall mean that they have been specially approved by Mercedes-Benz and meet strict requirements and standards. They are tailored specifically to the respective Mercedes-Benz vehicle model. Continental has fitted the automotive manufacturer's entire portfolio with its tires, from the A-Class to the GLS-Class. In Europe and in the Asia-Pacific region, these include the SportContact, EcoContact and PremiumContact tire lines. In the Americas region, most notably in the USA and Canada, they also include the ProContact range.

Continental enables digital tire monitoring in real time
Since 2023, Continental has been offering an entry-level solution that streamlines the process for outfitting fleets with digital tire management. The new valve cap sensor supplies data on the condition of a vehicle's tires, independent of the manufacturer, in a way that is straightforward, saves time and makes sure tires are running at their optimum performance. This results in greater fuel efficiency and longer tire life. In addition, the new sensor bolsters Continental's "Lowest Overall Driving Costs" (LODC) concept, through which Continental helps fleet operators manage their fleets more safely, sustainably and cost-efficiently.

The valve cap sensor is screwed directly onto a bus, truck or trailer's tire valve, from where it measures the tire pressure in real time. The sensor is compatible with commercial-vehicle tires of all established manufacturers and autonomously links up to ContiConnect receiver units. Deviations from the target condition are recorded via the tire management platform of the same name and forwarded to users. A QR code on the valve cap sensor makes it easy to assign the sensor to the respective tire position, meaning there is no need for a special reader to determine the position; instead, this is done via a mobile device using the ContiConnect on-site app.

Continental also supplies relevant tire data in real time for the digital tire monitoring of truck trailers. New telematics units mean that tire data from truck trailers can continue to be received and delivered to the ContiConnect 2.0 tire management system even when parked, whereas before this was only possible while driving. Thanks to digital tire control, information on the trailer tires' fill level and temperature can be consulted at any time. An integrated battery ensures daily measurement values can be sent for up to 28 days without an external power source. In this way, ContiConnect Live helps to reduce tire-related downtime. Tires can be maintained more proactively, keeping vehicles in roadworthy condition. On top of this, real-time status updates and warning signals increase efficiency and reduce labor and maintenance costs. ContiConnect Live additionally offers track-and-trace functionality using GPS data that shows the precise location of vehicles in the system at all times. Since July 2023, digital tire monitoring has also been available for free-standing truck trailers in multiple markets worldwide.

Continental to start testing tires for customers in a driving simulator

In November 2023, Continental commissioned its new driving simulator for tires, which effective immediately will be used for new developments and advancements, especially in the tire original equipment business. This was preceded by an intensive trial phase spanning approximately 12 months. Virtual tests save raw materials and shorten the development time for tires. The high-tech system, known as a driver-in-the-loop (DIL) simulator, calculates the exact driving dynamics parameters of the tires and the respective test vehicle. The simulator is highly flexible and can give Continental's test drivers subjective driving impressions that are comparable with those gained from tire tests on a real test track.

The simulator can test tires for all vehicle and drive system variants, for both passenger cars and commercial vehicles, for electric and hybrid vehicles and for vehicles with combustion engines. The decisive advantage is that the tire parameters can be adjusted digitally at any time, meaning test drives can be repeated at short intervals and subjective driving impressions compared directly with one another. Equipped with a large motion platform (four meters long, five meters wide) and a maximum acceleration of 12 meters per second, test drivers experience all six degrees of freedom – just like in a real vehicle on a physical test track. These include longitudinal and lateral movements, the stroke movement and the yaw, pitch and roll of a vehicle.

Continental presents the vehicle interior of the future with its sustainable SPACE D design concept

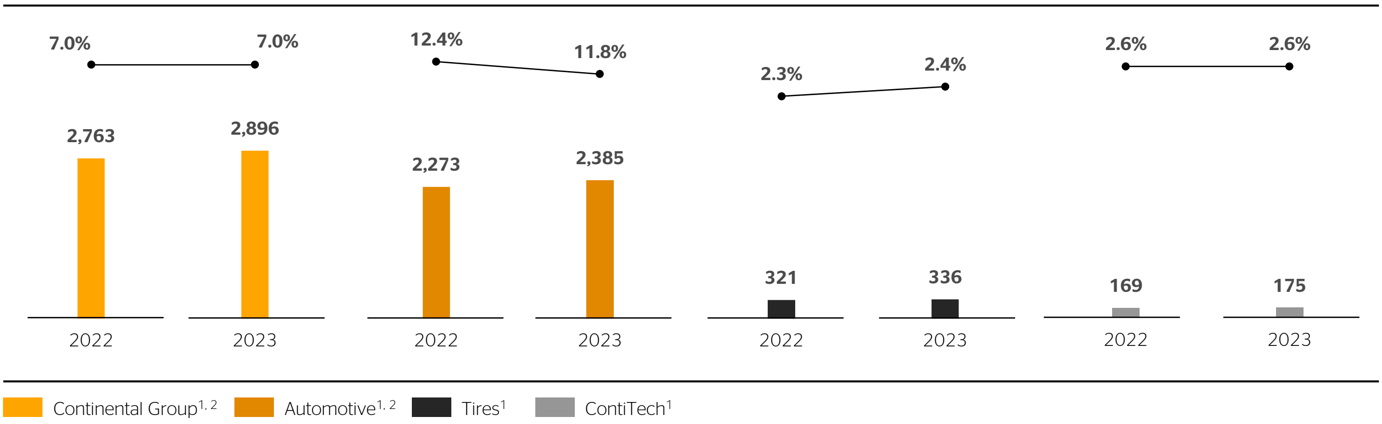
With its new SPACE D concept, Continental gives a glimpse into the future of vehicle interior design, one that is shaped by electric mobility and autonomous driving. Continental is bringing the living room to the automotive interior, while placing the focus firmly on comfort, convenience and sustainability.

Many of the applied surface solutions have been engineered in line with the three defined pillars of sustainability – economy, ecology and social responsibility. Up close, the individual surfaces of SPACE D really catch the eye. With the functional dimension of surfaces gaining in importance, SPACE D employs a number of proven and patented technologies, such as heatable (for direct, fast and very precise heating), staynu (extremely resistant to dirt) and laif (breathable, comfortable, passive temperature control and acoustically effective).

Continental opens TechCenter for hydrogen technologies in Hamburg

In July 2023, Continental opened a new TechCenter for hydrogen technologies at its location in Hamburg-Harburg. Going forward, the ContiTech group sector will use the TechCenter as a collaborative platform for sharing and exchanging knowledge in this area, with a focus on promoting innovations and the transfer of existing technical solutions to new applications in hydrogen technology. The aim is to bring together experts from different fields and industries, whose task it will be to identify technical, regulatory and infrastructural challenges along the entire hydrogen value chain and develop overarching approaches and solutions that meet these needs.

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



1 In the year under review, the presentation of income and expenses in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment was changed. They are now assigned to the relevant functional areas. The comparative period has been adjusted accordingly.
2 The assignment of income and expenses from certain business activities within the functional areas has been adjusted. The comparative period has been adjusted accordingly.

Sustainability and Combined Non-Financial Statement
Information on Reporting

The following section constitutes the combined non-financial statement in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e of the German Commercial Code *(Handelsgesetzbuch – HGB)*, for the Continental Group and Continental AG, for fiscal 2023.

It contains, in a separate section, the information that needs to be disclosed for fiscal 2023 in accordance with Art. 8 of EU Taxonomy Regulation 2020/852 in conjunction with Art. 10 (2) of Delegated Regulation 2021/2178.

The independent auditor's report also covers the combined non-financial statement and can be found starting on page 116.

Use of a Framework

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

Material Reporting Topic Areas

The Executive Board of Continental adopted a sustainability ambition in autumn 2020 on the basis of a survey of customers, investors and employees, among others. For the combined non-financial statement, the topic areas included in the ambition were assessed as to their materiality in accordance with Section 289c (2) *HGB*. To this end, they were analyzed in terms of risks and opportunities for the company and their effects on non-financial matters. As a result, the following eight topic areas were identified as reporting topic areas: carbon-neutrality, emission-free mobility and industry, circular economy, responsible value chain, good working conditions, green and safe factories, benchmark in quality, and sustainable management practice. By managing these topics, the key transformation opportunities and risks related to sustainability are addressed. The reporting topic areas remained valid for fiscal 2023 and were approved by the Executive Board.

An overview of the reporting topic areas and their correlation with non-financial aspects can be found in the following table:

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

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

Presentation of the Business Model and Risks

The required information on the business model can be found in the Structure of the Continental Group section starting on page 28 and in the Strategy of the Continental Group section starting on page 31. Information on risks can be found in the report on risks and opportunities starting on page 93. Beyond this, no additional risks in relation to non-financial topic areas were identified pursuant to Section 289c (3) *HGB*.

Presentation of Concepts, Results and Performance Indicators

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

References

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

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

Full Sustainability Reporting

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

The integrated sustainability report is scheduled to be published in April 2024 and will be available online at www.continental.com/sustainability/reporting.

Sustainability Management in the Continental Group

Ambition, Strategy and Program

Sustainability is a driver of innovation for Continental during the current transformation of mobility and industry, and is thus firmly anchored in its corporate strategy in the cornerstone of "turning change into opportunity." Sustainability is also a key component in our vision of "CREATING VALUE FOR A BETTER TOMORROW."

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

Management, Organization and Responsibilities

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

The Group Sustainability group function is further supplemented by sustainability functions in the group sectors as well as coordinators in several business areas and countries. The sustainability functions in the group sectors and in the Continental Group were further expanded and strengthened over the course of 2023. The Group Sustainability Steering Committee is responsible for assessing interdepartmental issues, weighing up opportunities and risks and discussing relevant Executive Board decisions in advance. In fiscal 2023, it consisted of the entire Executive Board, the heads of the sustainability functions at corporate level and group sector level as well as the heads of other relevant group functions. The committee is chaired by the Executive Board member for Group Human Relations (director of Labor Relations) and Group Sustainability and managed by the head of the Group Sustainability group function. Some of the group sectors have their own interdepartmental sustainability committees, which are coordinated by the relevant sustainability functions.

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

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

Remuneration

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

Cultural Change

To continue to support cultural change in the organization, we stepped up internal communication with respect to sustainability in fiscal 2023, held numerous events and further integrated the topic into key internal event formats for managers. These events included the Global Sustainability Conference held in Hanover in 2023, which was attended by Continental employees from around the world as well as invited guests from outside the company.

Development of Material Topic Areas

Carbon Neutrality

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

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

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

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

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

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

We have set ourselves the interim target of reducing our own emissions to 0.7 million metric tons of CO_2 by 2030. This represents a further reduction of more than 20% compared with 2023.

Continental has introduced an internal CO_2 pricing system for decisions regarding investments that affect Scope 1 and Scope 2 emissions. This shadow price has been set on the basis of current and projected future market prices for CO_2 and a comparison with other prices. It is reviewed on a regular basis. The goal of this mechanism is to support the group sectors in achieving their CO_2 reduction targets and further improve our environmental performance. The shadow price applies worldwide to the entire Continental Group. Scope 1 and market-based Scope 2 CO_2 emissions have also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020. For more information, see the remuneration report on our website under Company/Executive Board.

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

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

It will also be necessary to increase the use of green electricity along the supply chain. The Business Partner Code of Conduct was expanded accordingly with a view to carbon neutrality in 2021 and reviewed in fiscal 2023. The implementation of carbon neutrality throughout the value chain is managed in the individual group sectors, each of which is responsible for taking appropriate measures. In addition, achieving carbon neutrality throughout our value chains requires joint sustainability efforts with customers, suppliers and other partners.

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

With Net|Zero|Now – our immediate action program for climate change mitigation – we also offer customers and the Continental group sectors an additional building block to support their individual climate strategies. The program is offered for the business with emission-free and combustion-engine vehicles as well as the industrial business, and is also used internally, for example, at events. Continental is working with partners on certified ecosystem restoration, especially on reforestation projects, to remove CO_2 from the atmosphere and ease the global CO_2 budget by means of negative emissions. To this end, Continental has defined its own quality criteria, beyond the requirements for the respective register. The defined CO_2 removals are calculated individually within the group sectors. The amount of negative emissions used under Net|Zero|Now is determined and documented accordingly within the group sectors. Continental has purchased a quota of certified projects. Appropriate certificates are issued to Continental in stages and subsequently deleted from the register. A systematic process is then in place at corporate level to ensure that appropriate issued and deleted certificates are available for the amount used by the group sectors in the respective fiscal year and that these are not used more than once in the internal allocation across fiscal years and group sectors.

Results of the concept
Total own CO_2 emissions (Scopes 1 and 2) amounted to 0.89 million metric tons of CO_2 in fiscal 2023 (PY: 0.99 million metric tons of CO_2). These are calculated as the sum of Scope 1 and market-based Scope 2 CO_2 emissions. The decrease in direct CO_2 emissions (Scope 1) in fiscal 2023 is attributable, among other things, to energy efficiency and substitution measures aimed at reducing fossil fuel consumption and to some degree also to a decline in production volumes. CO_2 emissions here correspond to CO_2 equivalents (CO_2e).

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

Carbon neutrality performance indicators[1]	**2023**[2]	2022[2]
Direct CO_2 emissions (Scope 1) in millions of metric tons of CO_2[3]	0.69	0.76
Indirect CO_2 emissions (Scope 2) in millions of metric tons of CO_2[4]	0.21[5]	0.23
Total own CO_2 emissions (Scopes 1 and 2) in millions of metric tons of CO_2[3]	**0.89**	**0.99**

1 Definitions in accordance with the GHG Protocol. Scope 1 includes emissions from the burning of fossil fuels as part of Continental's own processes, and Scope 2 includes emissions from purchased electricity, steam and heat. CO_2 emission factors correspond to CO_2 equivalents (CO_2e).
2 Contains a small amount of imputed data for parts of the Continental Group that did not report data directly.
3 Excluding emissions from refrigerants.
4 Calculated using the market-based calculation method of the GHG Protocol. Where contract-specific emission factors were not available, the standard emission factors from Defra (September 2023) were used.
5 The location-based calculation method of the GHG Protocol (without taking green electricity into account) produces a value of 1.46 million metric tons of CO_2 for Scope 2 emissions.

Negative emissions were used again within the Net|Zero|Now program in 2023. Their volume declined to 1.6 thousand metric tons of CO_2 in the reporting year (PY: 27.6 thousand metric tons of CO_2) in the wake of significantly lower demand. The negative CO_2 emissions used took the form of voluntary carbon credits. These certificates were obtained solely from reforestation and afforestation projects and in fiscal 2023 and in previous years were deleted exclusively for Continental in the Gold Standard, VCS, American Carbon Registry and Climate Action Reserve registries.

In February 2024, global non-profit organization CDP (formerly operating as the Carbon Disclosure Project) raised Continental's climate change mitigation rating from A- to A based on its reported data.

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

Emission-free Mobility and Industry

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

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

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

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

For the implementation of our concept with respect to emission-free mobility and industry, we record our allocated business with zero-tailpipe-emission vehicles as a performance indicator. Clearly allocated sales are recorded. In terms of vehicles, these include sales of tires, displays, sensors, electronic control units, artificial leather and hoses for emission-free passenger cars and trucks, as well as air springs for emission-free trains and trams.

In fiscal 2022, Continental reported the performance indicator of allocated low-carbon business beyond business with zero-tailpipe-emission vehicles. The highest share of this indicator was accounted for by the replacement business with highly efficient tires with low rolling resistance. In view of the ongoing uncertainty about how tires and various industrial businesses can be classified as low-carbon business under the various regulations (e.g. EU Taxonomy), Continental decided to discontinue reporting on allocated low-carbon business beyond business with zero-tailpipe-emission vehicles in fiscal 2023 and to develop a new reporting approach going forward.

Results of the concept

In fiscal 2023, the allocated business with zero-tailpipe-emission vehicles amounted to €2,244 million (PY: €1,657 million). The year-on-year growth is attributable in particular to the growing market success of electric mobility, since Continental's products can now be found in many mass-produced models.

Emission-free mobility and industry	**2023**	2022
Allocated business with zero-tailpipe-emission vehicles in millions of euros[1, 2]	2,244	1,657

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

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

Circular Economy

Our ambition

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

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

Concept

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

- In the reporting year, the Automotive group sector become a partner of the international CIRC-UITS project (Circular Integration of independent Reverse supply Chains for the smart reUse of IndusTrially relevant Semiconductors). The aim of the project is to develop sustainable methods based on innovative technologies that can be used in the circular model to manufacture new components and products with high added value and an improved environmental footprint, as well as to provide solutions for the reuse of semiconductors and mechanical parts.
- Together with partner Pyrum Innovations, the Tires group sector is currently developing various processes to further optimize and expand the recycling of scrap tires through pyrolysis. Since September 2023, the carbon black recovered in this process has been used at the Korbach tire plant for solid tires fitted primarily on forklift trucks. It is also set to be used in more and more of Continental's rubber compounds in the future.
- The ContiTech group sector has launched skai rPET PureLux, a plain-colored furniture film made from 100% recycled PET polymer, which conserves natural resources.

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

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

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

Results of the concept

The waste for recovery quota was at 87% in fiscal 2023 (PY: 85%). This was mainly due to the successful implementation of local projects as well as to market conditions, which allowed for increased waste recovery.

Circular economy performance indicator	2023[2]	2022[2]
Waste for recovery quota in %[1]	87	85

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

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

Responsible Value Chain

Our ambition

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

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

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

Concept

Continental operates in complex global value chains that are exposed to a variety of risks associated with the violation of protected rights. Risks within this context are always related to the potential negative impact on people and the environment.

Continental has therefore established a comprehensive management system for ensuring its due diligence obligations, in order to identify risks in connection with defined protected rights within its supply chain and in its own business units. For this purpose, responsibilities, rules and processes have been clearly defined for this purpose, including risk-mitigation measures and control mechanisms. The responsible value chain due diligence system (RVCDDS) focuses on the protected rights defined by us and will be developed further in line with the development of dynamic economic, social and environmental requirements. The RVCDDS applies to Continental AG and to all subsidiaries in which the Continental Group exercises a controlling influence.

The Executive Board of Continental AG is updated on the current status by the Continental Group's human rights officer at least once a year and decides on the system's effectiveness, appropriateness and potential for improvement. It then proposes any suitable improvements to the RVCDDS where necessary, either to the system as a whole or to selected elements. The RVCDDS is additionally integrated into Continental's overarching internal control system, risk management system and compliance management system. As a key prevention measure at corporate level, Continental has adopted responsible value chain commitments (RVC commitments) that are accessible online at www.continental-sustainability.com. These commitments address the defined risk categories and formulate what is expected of the company's own business units and employees, as well as of its direct suppliers. The RVC commitments surpass the minimum legal requirements, especially when it comes to working conditions. On top of this, Continental has anchored further prevention measures in its own business units and with respect to direct suppliers.

Within the RVCDDS, our Code of Conduct defines the fundamental requirements for our employees, while the Business Partner Code of Conduct defines the fundamental requirements, among others for our suppliers as well as their suppliers, with regard to human rights, working conditions, environmental protection, conflict minerals and anti-corruption. The Business Partner Code of Conduct is updated regularly, most recently in fiscal 2023, to reflect changes or adjustments to relevant legislation. For suppliers of natural rubber, our sourcing policy for sustainable natural rubber additionally applies.

The existing corporate-wide whistleblower system within Continental AG, the Continental Integrity Hotline, was expanded as part of the legal requirements under the German Supply Chain Due Diligence Act *(Lieferkettensorgfaltspflichtengesetz)* and is available both to employees within the Continental Group as well as persons outside the company. The Integrity Hotline is open for information on potential violations of human rights and environmental rights, among other issues. Alongside the whistleblower system, a range of other resources are used to investigate potential protected right violations and implement preventive and remedial measures, where necessary.

The RVCDDS additionally defines the framework for taking remedial measures within the company's own business units, as well as toward direct suppliers and, should the situation arise, also toward indirect suppliers. Sustainability aspects are also taken into consideration at various other points in supplier management. For example, selected suppliers are evaluated based on various criteria using self-assessment questionnaires, which we collect via the generally accepted sustainability platforms for our industries, such as EcoVadis and NQC. These questionnaires are reviewed annually at the corporate level. Selective local audits or other audit activities are also carried out, for example in relation to the existence of management systems.

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

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

Results of the concept
The completed risk analysis was used to formally prioritize the risk categories of harmful environmental impacts, equal treatment/anti-discrimination and working conditions (including working time) for the company's own business units, as well as all risk categories for the supply chain as they pertain to direct suppliers.

As part of the RVCDDS rollout, training on the RVC commitments and on the RVCDDS itself was provided to employees worldwide, in particular to staff in management positions and to those performing special functions.

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

As at December 31, 2023, 1,291 valid supplier self-assessment questionnaires were available via the two sustainability platforms EcoVadis and NQC (PY: 1,009). This corresponds to a completion rate of 71% of suppliers selected for this process (PY: 63%). The increase in the number of available valid supplier self-assessment questionnaires and the higher completion rate are due to the onboarding of ContiTech suppliers in EcoVadis and the follow-up activities with suppliers to update and renew their self-assessment questionnaires.

Responsible value chain performance indicator	2023	2022
Number of available valid supplier self-assessment questionnaires (as at December 31)[1]	1,291	1,009

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

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

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

Good Working Conditions

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

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

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

We are tackling the impact of our Transformation 2019–2029 structural program and further measures introduced due to changing conditions with targeted training measures for the employees affected. New career prospects and employment opportunities are to be opened up on the internal as well as the external employment markets.

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

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

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

Results of the concept

In fiscal 2023, the Sustainable Engagement index was 81% (PY: 80%), slightly above the prior-year level. The sickness rate fell to 3.2% in the reporting year (PY: 3.7%). The unforced fluctuation rate likewise decreased to 6.0% (PY: 7.8%).

Information about personnel expenses in fiscal 2023 (i.e. wages and salaries, social security contributions and pension and post-employment benefit costs) can be found starting on page 122 of the notes to the consolidated statement of income in this annual report. Employee benefits such as pensions, post-employment benefits and long-term bonus payments are broken down in the notes to the consolidated statement of financial position starting on page 124.

Good working conditions performance indicators	**2023**	2022
OUR BASICS Live Sustainable Engagement index in %[1, 2]	81	80
Sickness rate in %[3, 4]	3.2	3.7
Unforced fluctuation rate in %[4, 5]	6.0	7.8

1 Definition: employee agreement on topics relating to sustainable engagement in the employee survey OUR BASICS Live.
2 This is based on the responses of 51,888 participants (PY: 46,199 participants) as a representative random sample across all Continental locations. The participation rate was 77% (PY: 75%).
3 Definition: sickness-related absence relative to contractual work time.
4 Excluding leasing personnel (i.e. permanent staff only).
5 Definition: voluntary departure of employees from the company relative to the average number of employees.

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

Green and Safe Factories

Our ambition

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

Concept

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

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

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

Results of the concept

As at December 31, 2023, the majority of our employees throughout the Continental Group were covered by the management systems of the certified business activities. The environmental management system certification covered 76% of employees, unchanged from the previous year. Coverage for the energy management system certification increased to 43% of employees (PY: 40%), while coverage for the occupational safety and health management system certification was also up at 64% of employees (PY: 62%) – thanks in both cases to optimized internal processes.

The accident rate fell in fiscal 2023 to 2.1 accidents per million working hours (PY: 2.5 accidents per million working hours), thus already surpassing the target of 2.2 accidents per million working hours set in 2030.

Green and safe factories performance indicators	2023	2022
Environmental management system certification (ISO 14001)[1] Employee coverage (as at December 31) in %	76	76
Energy management system certification (ISO 50001)[1] Employee coverage (as at December 31) in %	43	40
Occupational safety and health management system certification (ISO 45001 or similar)[1] Employee coverage (as at December 31) in %	64	62
Accident rate (number of accidents per million working hours)[2, 3]	2.1	2.5

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

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

Benchmark in Quality

Our ambition

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

Concept

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

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

The Group Quality, Technical Compliance, Continental Business System (CBS) and Environment group function as well as the quality functions at various levels in the Continental Group, which work together in a global network, are responsible for the strategic, corporate-wide quality management process.

Results of the concept

As at December 31, 2023, certified quality management systems covered 85% of our employees throughout the Continental Group (PY: 83%). The improved certification rate was achieved thanks to optimized internal processes.

Twenty-nine new field quality events were identified in fiscal 2023 (PY: 30).

Benchmark in quality performance indicators	2023	2022
Quality management system certification (ISO 9001 or similar)[1] Employee coverage (as at December 31) in %	85	83
New field quality events (as at December 31)[2]	29	30

1 Valid certification and concluded recertification processes were counted, as well as ongoing recertification processes, if the achievement of recertification was considered highly probable.
2 Definition: a field quality event is a risk-minimizing measure for a product manufactured and/or sold by Continental based on a safety-related defect and/or non-compliance with regulations that was initiated by Continental, a customer and/or an authority.

Information about the scope of warranty and product liability claims in fiscal 2023 can be also found starting on page 211 of the other disclosures in the notes to the consolidated financial statements.

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

Sustainable Management Practice

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

Concept
Group Compliance, which is divided into a central team and regional functions, is responsible for preventing violations in the areas of corruption, antitrust law, money laundering and data protection. This structure is supplemented by compliance coordinators in the countries and at the locations. The Compliance Manual sets out how the compliance management system is designed and implemented.

Continental strives for a holistic and proactive compliance management system based on a comprehensive and predictive analysis of potential compliance risks, followed by the implementation of appropriate policies and procedures, training, consulting, monitoring and controls that lead to ongoing lessons learned and system improvements. The Integrity Hotline is the primary tool for support with detecting violations.

When it comes to preventing violations in the area of technical compliance, responsibility lies with the Group Quality, Technical Compliance, CBS and Environment group function, together with the central functions for quality and technical compliance within the group sectors. The technical compliance policy as well as the technical compliance management system manual and other procedural standards set out how the compliance management system is designed and implemented.

A network of supporting roles in the various functions within the group sectors, business areas, segments and sites is being devised and expanded on an ongoing basis in order to support the identification of risks and other technical compliance considerations.

The appropriateness and effectiveness of the risk and compliance management systems are monitored and assessed as part of Continental's overarching internal control system. On top of this, "Integrity Perception" is measured using a newly defined indicator. This new indicator was applied for the first time in 2023. It is based on specific questions asked within the context of the annual OUR BASICS Live survey and expresses employees' perception of key aspects involved in implementing our integrity ambition within the organization. It is therefore characterized by subjective impressions and estimates that reveal whether the systems are having the intended impact among employees. The indicator will constitute a component of variable remuneration for the members of the Executive Board, senior executives and executives worldwide beginning in fiscal 2024. The aim is to make not only immediate but also sustained improvements to the indicator going forward – with the ultimate goal of enhancing perceived integrity.

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

We intend to achieve this in particular by using objective diagnostics-assisted appointment procedures, by strengthening our inclusive culture, by expanding women's networks and by holding diversity workshops and specific events. Gender diversity – the share of female executives and senior executives – has also been part of the LTI plans for the members of the Executive Board and global managers since fiscal 2020.

For more information on the remuneration system, see the remuneration report on our website under Company/Corporate Governance/Executive Board. For more information on sustainable management practice and our diversity concept, see the Corporate Governance section of this annual report. For more information on compliance, see the "Main characteristics of the internal control system" section in the report on risks and opportunities in this annual report.

Results of the concept
As at December 31, 2023, Continental had increased its share of female executives and senior executives to 19.9% (PY: 19.1%). The increase in the representation of women at management level proves that our initiatives and measures to promote gender diversity are having an effect. The share excluding the USA amounted to 19.8% (PY: 18.8%). For the long-term remuneration of executives, separate analysis of the key figure excluding the USA is necessary for legal reasons.

The "Integrity Perception" index, which was reported in this form for the first time in fiscal 2023, attained a score of 81% (PY: n.a.).

Sustainable management practice performance indicator	**2023**	2022
Gender diversity – share of female executives and senior executives (as at December 31) in %	19.9	19.1
of which share of female executives and senior executives excluding the USA (as at December 31) in %	19.8	18.8
OUR BASICS Live Integrity Perception index in %[1, 2]	81	n. a.

1 Definition: employee agreement on topics relating to sustainable engagement in the employee survey OUR BASICS Live.
2 This is based on the responses of 51,888 participants (PY: 46,199 participants) as a representative random sample across all Continental locations. The participation rate was 77% (PY: 75%).

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

Information in Accordance with the EU Taxonomy Regulation

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

Specific Information on the Implementation of Disclosure Requirements in Accordance with the EU Taxonomy Regulation

Since January 1, 2023, companies in the real economy have had to provide information on Taxonomy eligibility and Taxonomy alignment with regard to the two climate objectives of the Climate Delegated Act under EU Taxonomy Regulation 2021/2139. In June 2023, the Environmental Delegated Act under EU Taxonomy Regulation 2023/2486 was published, containing the activities and technical assessment criteria for the four remaining environmental objectives. The six environmental objectives of the EU Taxonomy are:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

Publication of the Environmental Delegated Act under EU Taxonomy Regulation 2023/2485 was accompanied by the introduction of amendments to the Climate Delegated Act, comprising changes to the existing activities for the two climate objectives as well the inclusion of new economic activities for the two climate objectives. This affects, among others, the two economic activities of category 3.18 (“Manufacture of automotive and mobility components”) and category 3.19 (“Manufacture of rail rolling stock constituents”). Furthermore, the EU Commission made it explicit in Recital 10 of Delegated Regulation 2023/2485 (amending Delegated Regulation 2021/2139) that the activity of tire manufacturing, because of its potential to reduce greenhouse gas emissions in the transport sector, is a Taxonomy-eligible activity that is currently to be allocated to category 3.6 (“Manufacture of other low-carbon technologies”).

While the amendments to the Climate Delegated Act do clear up some existing ambiguities in terms of how the regulation is to be interpreted when it comes to the Taxonomy eligibility of Continental’s economic activities, reporting pursuant to the EU Taxonomy Regulation remains fraught with uncertainty for Continental. This is mainly because unclear wording continues to be used in the regulations and notes on determining Taxonomy eligibility and in particular Taxonomy alignment, as well as the calculations for key performance indicators for turnover, capital expenditure and operating expenditure as they pertain to the economic activities relevant for Continental. As a result, these regulations and notes are still open to interpretation.

From Continental’s perspective, there is also uncertainty about the interaction between the various regulations, delegated acts and official answers to frequently asked questions. Furthermore, the short implementation period granted by the delegated act published in 2023 means that many questions of interpretation related to implementation have not yet been conclusively clarified. In interpreting the regulation, we also take into consideration the assessments of industry associations in the supplier and automotive industries, the reporting practices of European suppliers for 2022 and unofficial assessments by various experts.

Taxonomy-eligible Economic Activities

As part of our sustainability ambition, we strive for carbon neutrality and emission-free mobility and industry by 2050 at the latest (see also the sections on carbon neutrality and on emission-free mobility and industry in this combined non-financial statement) and thus for the expansion of clean and carbon-neutral mobility. With this in mind, we have introduced performance indicators at a corporate level as part of our sustainability scorecard, with the aim of monitoring our progress. In the previous year, we used this scorecard to classify the allocated business with emission-free mobility and industry as the indicator that comprises all economic activities to be disclosed for Continental as Taxonomy-eligible with respect to the environmental target of climate change mitigation in accordance with the EU Taxonomy Regulation. It consisted of allocated business with zero-tailpipe-emission vehicles and allocated low-carbon business beyond business with zero-tailpipe-emission vehicles. This business was therefore classified under category 3.6 (“Manufacture of other low-carbon technologies”) of the Delegated Regulation for Climate Change Mitigation (EU 2021/2139, Annex I) in the previous year, since at the time no general regulations or specific upstream economic activities were provided for. The introduction of category 3.18 (“Manufacture of automotive and mobility components”) and category 3.19 (“Manufacture of rail rolling stock constituents”) coupled with the updated approach to the activity of tire manufacturing resulted in the reclassification of various Continental economic activities reported as Taxonomy-eligible in the reporting year compared with 2022, as well as a significant increase in sales, capital expenditure and operating expenditure.

In the reporting year, we allocated all economic activities involved in the manufacture of automotive and mobility systems and components for road vehicles – with the exception of tires, but also extending beyond components for zero-tailpipe-emission vehicles – to category 3.18. Continental is of the opinion that the manufacture of all components, irrespective of the drive system, is Taxonomy-eligible for all vehicles belonging to the vehicle classes listed in the category. This classification is based on the fact that, from Continental’s perspective, the activity designation does not entail any restrictions in terms of components, for example in relation to function or drive system, and the corresponding components, parts and systems are intended for use in road vehicles. The unclearly defined qualification characteristic (criterion) of activity 3.18 – essential contribution to environmental performance – is, in Continental’s view, part of the assessment of Taxonomy alignment and not Taxonomy eligibility. Alternative interpretations were examined but they were found to be unsuitable by Continental.

We allocated all economic activities involved in the manufacture of rail rolling stock constituents to category 3.19. This classification is based in particular on the fact that, from Continental's perspective, the reference to activity 3.3 does not impose any restrictions on components in relation to the function or drive system of rail vehicles for which the components are manufactured, provided that the components and systems are necessary for the operation and functioning of rail vehicles. Furthermore, the activity designation does not entail any restrictions on components, for example in relation to function or drive system.

In contrast to the previous year, in the reporting year all activities involved in tire manufacturing were classified as Taxonomy-eligible under category 3.6. In Recital 10 of Delegated Regulation 2023/2485 (amending Delegated Regulation 2021/2139), the Commission made it clear that tire manufacturing has the potential to reduce greenhouse gas emissions in the transport sector and can contribute to a more circular economy. Until specific technical assessment criteria are defined for this activity, tire manufacturing shall remain a Taxonomy-eligible activity under category 3.6 ("Manufacture of other low-carbon technologies"). It is Continental's opinion that this clarification for the purposes of Taxonomy eligibility refers to the manufacture of tires of all kinds, without any restrictions in terms of specific properties, label classes or drive system technologies. Based on this clarification, Continental has amended its approach compared with the previous year and now allocates the manufacture of tires of all kinds, without any restrictions in terms of specific properties, label classes or drive system technologies, to category 3.6. Alternative interpretations were also examined here but they were found to be unsuitable by Continental, particularly with regard to Recital 10.

In addition, various Continental industrial businesses will continue to be reported as Taxonomy-eligible, as they were in the previous year. In the reporting year, these primarily comprised the manufacture of components for wind turbines and the manufacture of materials for industrial plant insulation. Continental still allocates these businesses to category 3.6 ("Manufacture of other low-carbon technologies"), since the economic activities pursue substantial reductions and therefore make significant contributions to the expansion of renewable energies and energy saving, for example through insulation in industrial plants. For these classifications as well, Continental believes it is irrelevant which functions are fulfilled by the supplier technologies in the end products, as long as the end product facilitates the goals set out in Art. 10 (1) of the Taxonomy Regulation.

The activities mentioned are not identified as Taxonomy-eligible under Annex II to the Climate Delegated Act (climate change adaptation).

All other economic activities of the Continental Group that are not included in the aforementioned economic activities have been classified as Taxonomy-non-eligible for the reporting year. Accordingly, Continental currently has not allocated any economic activities to the other environmental objectives under Annex I: Sustainable use and protection of water and marine resources, Annex II: Transition to a circular economy, Annex III: Pollution prevention and control or Annex IV: Protection and restoration of biodiversity and ecosystems.

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

Taxonomy-eligible turnover

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

The described first-time classification of all tire manufacturing activities as Taxonomy-eligible under category 3.6 and the first-time classification of all other economic activities involved in the manufacture of automotive and mobility systems and components for road vehicles as Taxonomy-eligible under category 3.18 resulted in a significant increase in Taxonomy-eligible turnover in the reporting year. Added to this was the first-time classification of other economic activities involved in the manufacture of rail rolling stock constituents as Taxonomy-eligible under category 3.19. In addition, various Continental industrial businesses were reported as Taxonomy-eligible under category 3.6, as they were in the previous year. A total sum of €35.9 billion was reported as Taxonomy-eligible turnover in the reporting year (PY: €2.8 billion), equivalent to 86.6% of total consolidated sales (PY: 7.1%). The breakdown of Taxonomy-eligible turnover by category is shown in the table on page 56.

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

Taxonomy-eligible capital expenditure and operating expenditure

Taxonomy-eligible capital expenditure and operating expenditure have been recorded in accordance with the Delegated Regulation on Disclosure Obligations (2021/2178) and taking into account the clarifications made by the European Commission in October 2022.

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

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

The expanded interpretation of economic activities classified as Taxonomy-eligible in the reporting year likewise led to a significant increase in Taxonomy-eligible capital expenditure. A total sum of €2,140.9 million was reported as Taxonomy-eligible capital expenditure in the reporting year (PY: €183.1 million), equivalent to 87.9% of total capital expenditure (PY: 7.5%). The breakdown of Taxonomy-eligible capital expenditure by category is shown in the table on page 57.

The information on capital expenditure is prepared in accordance with section 1.1.2 of Annex 1 to the Delegated Regulation on Disclosure Obligations (2021/2178) in compliance with IFRS accounting regulations. Information on the Continental Group's total capital expenditure can be found in the notes to the consolidated financial statements in the segment reporting (Note 1) of this annual report. The information refers to capital expenditure in the intangible assets (Note 13), property, plant and equipment (Note 14), leases (Note 15) and investment property (Note 16) presented in the notes to the consolidated financial statements.

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

The expanded interpretation of economic activities classified as Taxonomy-eligible in the reporting year likewise led to a significant increase in Taxonomy-eligible operating expenditure. A total sum of €3,571.9 million was reported as Taxonomy-eligible operating expenditure in the reporting year (PY: €220.1 million), equivalent to 90.5% of total operating expenditure (PY: 6.1%). The breakdown of Taxonomy-eligible operating expenditure by category is shown in the table on page 58.

When determining the Taxonomy-eligible capital expenditure and operating expenditure, for reasons of materiality the decision was made to forgo separate reporting of investments in individual measures and the acquisition of products from Taxonomy-eligible economic activities under category c, as well as reporting of the resulting operating expenditure in the reporting year.

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

Taxonomy-aligned Economic Activities

As in the previous year, Continental did not report any economic activities as being Taxonomy-aligned.

For all economic activities that are reported under category 3.6, specific comparative life-cycle assessments are required in order to also report these as being Taxonomy-aligned. These must demonstrate substantial savings to life-cycle emissions compared with the highest-performing alternative technology or solution available on the market or the highest-performing alternative product available on the market. External verification of the life-cycle assessments must also take place in accordance with predefined standards. A simplified life-cycle consideration, as called for by the Taxonomy Regulation (2020/852) itself, is no longer sufficient in accordance with the Delegated Regulation for Climate Change Mitigation (2021/2139) for category 3.6. Continental did not have the corresponding life-cycle assessments at its disposal in the reporting year, meaning it is currently not possible to allocate Taxonomy-aligned economic activities. For this reason, the "Do No Significant Harm" (DNSH) criteria and the minimum protection requirements along the value chain were not assessed according to specific economic activities.

It was not yet mandatory in the reporting year to report Taxonomy-aligned economic activities if the economic activities are reported according to the categories 3.18 and 3.19 which have been newly integrated into the Climate Delegated Act.

Since Continental does not currently report any activities as Taxonomy-aligned, no Taxonomy-aligned capital expenditure or operating expenditure according to categories a and b has been reported. Since no Taxonomy-eligible capital expenditure or operating expenditure under category c was identified, no Taxonomy-aligned capital expenditure or operating expenditure under category c has been reported.

Information to Be Disclosed in Accordance with the EU Taxonomy Regulation

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

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

Continental has no economic activities according to the complementary Delegated Regulation for Gas and Nuclear Activities (2022/1214) and therefore does not provide the specific templates.

Templates in Accordance with the EU Taxonomy Regulation

Proportion of turnover from products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities – disclosure covering 2023

Financial year		**2023**		**Substantial contribution criteria**						**DNSH criteria ("Does Not Significantly Harm")**									
Economic activities	**Code**[1]	**Turnover**	**Proportion of turnover, 2023**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2022**	**Category enabling activity**	**Category transitional activity**
		€ millions	%	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**0.0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0.0%**		
of which enabling		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%		
of which transitional		0.0	0.0%	0.0%													0.0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of other low-carbon technologies	CCM 3.6	11,996.4	29.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								7.1%		
Manufacture of automotive and mobility components	CCM 3.18	23,802.7	57.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n. a.		
Manufacture of rail rolling stock constituents	CCM 3.19	67.3	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n. a.		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**35,866.4**	**86.6%**	**100.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**7.1%**		
A. Turnover of Taxonomy-eligible activities (A.1.+A.2.)		**35,866.4**	**86.6%**	**100.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**7.1%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		**5,554.1**	**13.4%**																
TOTAL (A + B)		**41,420.5**	**100.0%**																

The tables listed here are the "templates for KPIs of non-financial undertakings" as required by Annex V of Delegated Regulation 2023/2486 of the EU Commission of June 27, 2023. For the sake of simplicity, Continental uses the following terms synonymously outside of these tables: "economic activities" and "business activities", "environmentally sustainable activities (Taxonomy-aligned)" and "Taxonomy-aligned economic activities", "Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)" and "Taxonomy-eligible economic activities".

1 The code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant annex covering the objective, i.e. here: climate change mitigation (CCM).

2 EL: Taxonomy-eligible activity for the relevant environmental objective; N/EL: Taxonomy-non-eligible activity for the relevant environmental objective.

Proportion of capital expenditure for products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities – disclosure covering 2023

Financial year		2023		Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code[1]	CapEx	Proportion of CapEx, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) CapEx 2022	Category enabling activity	Category transitional activity
		€ millions	%	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**0.0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0.0%**		
of which enabling		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%		
of which transitional		0.0	0.0%	0.0%													0.0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of low-carbon technologies for transport	CCM 3.3	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Manufacture of other low-carbon technologies	CCM 3.6	834.7	34.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								7.1%		
Manufacture of automotive and mobility components	CCM 3.18	1,304.1	53.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n. a.		
Manufacture of rail rolling stock constituents	CCM 3.19	2.1	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n. a.		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.3%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**2,140.9**	**87.9%**	**100.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**7.5%**		
A. CapEx of Taxonomy-eligible activities (A.1.+A.2.)		**2,140.9**	**87.9%**	**100.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**7.5%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		**296.0**	**12.1%**																
TOTAL (A + B)		**2,436.9**	**100.0%**																

The tables listed here are the "templates for KPIs of non-financial undertakings" as required by Annex V of Delegated Regulation 2023/2486 of the EU Commission of June 27, 2023. For the sake of simplicity, Continental uses the following terms synonymously outside of these tables: "economic activities" and "business activities", "environmentally sustainable activities (Taxonomy-aligned)" and "Taxonomy-aligned economic activities", "Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)" and "Taxonomy-eligible economic activities".

1 The code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant annex covering the objective, i.e. here: climate change mitigation (CCM).

2 EL: Taxonomy-eligible activity for the relevant environmental objective; N/EL: Taxonomy-non-eligible activity for the relevant environmental objective.

Proportion of operating expenditure for products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities – disclosure covering 2023

Financial year		2023		Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code[1]	OpEx	Proportion of OpEx, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx 2022	Category enabling activity	Category transitional activity
		€ millions	%	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	EL; N/EL[2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities Taxonomy-aligned) (A.1.)		**0.0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**0.0%**		
of which enabling		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%		
of which transitional		0.0	0.0%	0.0%													0.0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of low-carbon technologies for transport	CCM 3.3	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Manufacture of other low-carbon technologies	CCM 3.6	774.5	19.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								6.1%		
Manufacture of automotive and mobility components	CCM 3.18	2,793.9	70.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n. a.		
Manufacture of rail rolling stock constituents	CCM 3.19	3.5	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								n. a.		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**3,571.9**	**90.5%**	**100.0%**	0.0%	0.0%	0.0%	0.0%	0.0%								**6.1%**		
A. OpEx of Taxonomy-eligible activities (A.1.+A.2.)		**3,571.9**	**90.5%**	**100.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**6.1%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		**374.1**	**9.5%**																
TOTAL (A + B)		**3,946.0**	**100.0%**																

The tables listed here are the "templates for KPIs of non-financial undertakings" as required by Annex V of Delegated Regulation 2023/2486 of the EU Commission of June 27, 2023. For the sake of simplicity, Continental uses the following terms synonymously outside of these tables: "economic activities" and "business activities", "environmentally sustainable activities (Taxonomy-aligned)" and "Taxonomy-aligned economic activities", "Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)" and "Taxonomy-eligible economic activities".

1 The code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant annex covering the objective, i.e. here: climate change mitigation (CCM).

2 EL: Taxonomy-eligible activity for the relevant environmental objective; N/EL: Taxonomy-non-eligible activity for the relevant environmental objective.

Information on the Development of Other Sustainability Topic Areas

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

- Innovation and digitalization: the Research and Development section on pages 37 and 38 of this annual report and in the integrated sustainability report
- Safe mobility: the Research and Development section on pages 37 and 38 of this annual report and in the integrated sustainability report
- Long-term value creation: the Corporate Management section on pages 34 and 35 of this annual report and in the integrated sustainability report
- Corporate citizenship: in the integrated sustainability report

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

Economic Report
General Conditions

Macroeconomic Development

Due to inflation rates falling faster than originally expected, the stabilization of supply chains and despite interest rate hikes by central banks, the global economy developed positively in the year under review. According to the January 2024 World Economic Outlook Update (WEO Update) published by the International Monetary Fund (IMF), the global economy grew by 3.1% in fiscal 2023, which slightly exceeded the IMF's forecast of 2.9% growth from January 2023.

According to statistical office Eurostat, gross domestic product (GDP) in the eurozone rose by 0.5% year-on-year in 2023. For France and Italy, the IMF recorded growth rates of 0.8% and 0.7%, respectively, while Spain's economy grew by 2.4%. Conversely, GDP in Germany fell by 0.1% according to the Federal Statistical Office. The United Kingdom achieved growth of 0.5% according to the IMF and was therefore on a par with the eurozone. For Russia, the IMF estimated GDP growth of 3.0%.

In North America, the USA posted GDP growth of 2.5% in 2023, according to the Bureau of Economic Analysis. For Canada and Mexico, the IMF recorded GDP growth of 1.1% and 3.4%, respectively. Other countries in the Americas also saw continued economic recovery in 2023. For Brazil, for example, the IMF estimated GDP growth of 3.1%.

Asian countries also recorded a continued economic revival in the year under review, according to the IMF. High growth rates were achieved in 2023 by India's economy, with GDP growth of 6.7%, by China, with growth of 5.2%, and by the Association of Southeast Asian Nations (ASEAN), with GDP growth of 4.2%. According to the IMF, lower growth rates were reported for Japan, with GDP growth of 1.9%.

Development of Key Customer Sectors and Sales Regions

With a 64% share of consolidated sales (PY: 61%), the automotive industry – with the exception of the replacement business – was Continental's most important customer group in fiscal 2023. The Automotive group sector accounted for the lion's share, but the Tires and ContiTech group sectors also generated significant sales figures in this market segment.

The second-biggest market segment for Continental was the global replacement-tire business for passenger cars and commercial vehicles, with 25% of total sales in fiscal 2023 (PY: 28%). Because passenger cars and light commercial vehicles make up a considerably higher share of the replacement-tire business, their development is particularly important to our economic success.

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

Continental's biggest sales region in the reporting year was still Europe, which accounted for 48% of sales (PY: 47%), followed by North America at 27% (PY: 27%) and Asia-Pacific at 21% (PY: 22%).

Development of new passenger-car registrations

In 2023, there was a significant rise in the number of newly registered cars in the major international automotive markets. The availability of many car models improved compared with the weak previous year. These positive developments more than offset the ongoing subdued demand resulting from geopolitical and macroeconomic uncertainties and high consumer prices.

According to preliminary data from the German Association of the Automotive Industry (Verband der Automobilindustrie, VDA), 12.8 million new vehicles were registered in the European car market (EU27, EFTA and the United Kingdom) in 2023, 14% more than in the previous year. Passenger car sales rose by 16% in Japan and by 12% in the USA. Brazil recorded an increase of 11%.

In China – the world's largest car market – the VDA registered record sales in 2023. The number of newly registered vehicles rose by 11% to 25.8 million units, outperforming the overall Chinese economy, which lost momentum as a whole. In India, sales of new vehicles rose by 8% to 4.1 million units in 2023.

According to preliminary data from car manufacturer Renault, new-car registrations in 2023 also increased significantly year-on-year.

Development of production of passenger cars and light commercial vehicles

The stabilization of supply chains – which were significantly disrupted in the previous year due to the war in Ukraine and the pandemic-related lockdowns in China – was the main reason for the substantial increase in the production of passenger cars and light commercial vehicles weighing less than 6 metric tons in 2023. Greater semiconductor capacity also contributed to the rise in production. The strike in the US automotive industry, which lasted several weeks, had no significant impact on the development of global vehicle production.

According to preliminary data, Europe recorded a 13% rise in the production of passenger cars and light commercial vehicles in the reporting year. North America and China increased their production by 10% in 2023.

According to preliminary figures, global production for 2023 rose by 10% to 90.3 million units.

Development of production of medium and heavy commercial vehicles
The production of medium and heavy commercial vehicles weighing more than 6 metric tons grew significantly year-on-year in our core European market in the reporting period thanks to stabilized supply chains. Production increased in Eastern and Central Europe in particular, despite the ongoing war in Ukraine. The improved availability of materials and pent-up demand also resulted in a significant increase in production in Western Europe. According to preliminary data, overall production volumes rose by 14% year-on-year.

In our other core market of North America, good economic growth and pent-up demand led to an ongoing upturn in the production of medium and heavy commercial vehicles by 8%, according to preliminary figures.

Development of replacement-tire markets for passenger cars and light commercial vehicles
In both Europe and North America, demand for replacement tires initially declined in the year under review. The effects of inflation resulted in significant purchasing restraint among consumers in the first half of the year in particular, and the levels of stock among dealers led to a reduced need for stockpiling. In North America, a strong second half of the year compensated for the weak start, while the replacement-tire markets in Europe were down year-on-year overall. By contrast, the Chinese market grew significantly.

Sales volumes of replacement tires for passenger cars and light commercial vehicles weighing less than 6 metric tons fell by 4% in Europe (excluding Russia) for 2023 as a whole. In North America, demand in the year under review was on a par with the previous year. Conversely, sales volumes in China rose by 12%. According to preliminary data, global sales volumes of replacement tires for passenger cars and light commercial vehicles rose by 1% in the reporting year.

Development of replacement-tire markets for medium and heavy commercial vehicles
In our core markets of Europe (excluding Russia) and North America, preliminary data indicates that year-on-year demand for replacement tires for medium and heavy commercial vehicles weighing more than 6 metric tons fell by 11% and 15%, respectively, in 2023.

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

In the reporting period, industrial production in the eurozone continued to be affected by increased costs and was down year-on-year as a whole. In the USA as well, industrial production saw only a slight increase in 2023, remaining more or less constant year-on-year. China, on the other hand, recorded significant growth in industrial production compared with the previous year, which was influenced by lockdowns and other factors.

Development of Raw Materials Markets

Compared with previous years, the development of raw materials markets in the year under review was largely stable due to an overall improvement in availability. Global supply chains also returned to more normal levels. This was also reflected in less volatile price developments, particularly for metals. Although a decline in price volatility was observed for products such as crude oil and butadiene, prices still fluctuated significantly in some cases. Overall, however, they were roughly on a par with the level seen at the start of 2023 at the end of the reporting period.

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

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

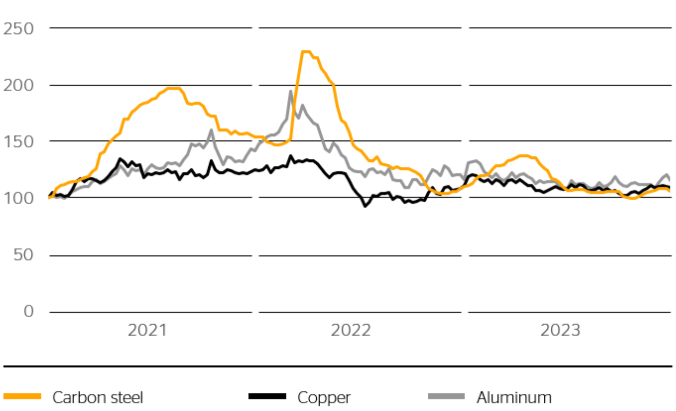
Passenger cars and light commercial vehicles	Vehicle production	Tire-replacement business
Europe	13%	–4%
North America	10%	0%
China	10%	12%
Worldwide	**10%**	**1%**

Medium and heavy commercial vehicles	Vehicle production	Tire-replacement business
Europe	14%	–11%
North America	8%	–15%

	Industrial production
Eurozone	–2.6%
USA	0.2%
China	4.4%

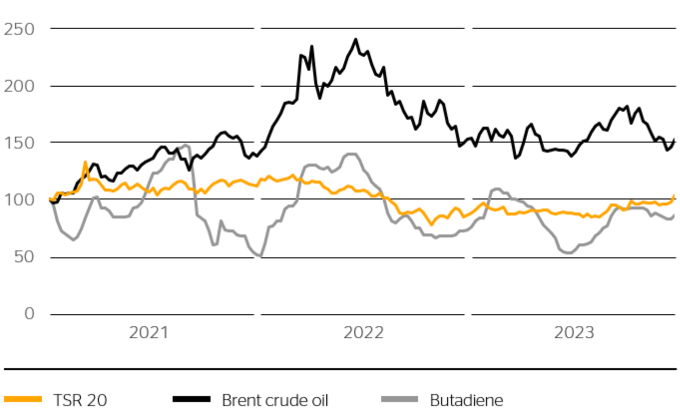
Preliminary data.
Sources:
Vehicle production: S&P Global (Europe with Western, Central and Eastern Europe incl. Russia and Türkiye).
Tire-replacement business: LMC International Ltd. (Europe with Western, Central and Eastern Europe (excluding Russia) and Türkiye).
Industrial production: Bloomberg.

Steel, copper and aluminum Indexed to January 1, 2021



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

TSR 20, crude oil and butadiene Indexed to January 1, 2021



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

slightly in the previous year, decreased by approximately 23% on average in 2023. The price of copper in US dollars, which had also fallen slightly in the previous year, declined by 3% on average. The average price of aluminum in US dollars was down 16% in 2023.

Precious metals such as silver and gold are used by Continental and by our suppliers to coat components. The average price of gold in US dollars was up 8% in 2023, while that of silver was up 7%.

For natural rubber, weak tire demand worldwide led to a decline in prices. The average price of natural rubber TSR 20 in US dollars was down 11% year-on-year in 2023, for example.

Crude oil is the most important basic building block for synthetic-rubber input materials such as butadiene and styrene as well as for carbon black, various other chemicals, and plastics. The price of crude oil stabilized noticeably in 2023 compared with the high volatility in the previous year. The annual average price of Brent crude oil in US dollars fell by 18% year-on-year.

The lower price of crude oil also led to price reductions for various input materials for synthetic rubber in 2023. The average prices in US dollars for butadiene and styrene, for example, fell by 15% and 13%, respectively.

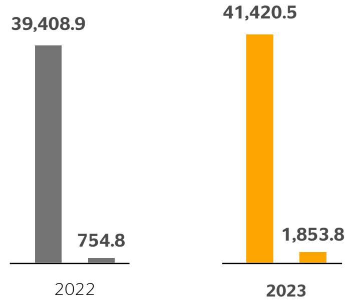
Plastic resins, as technical thermoplastics, are required by Continental and our suppliers in particular for the manufacture of housing parts in the Automotive group sector and for various other plastic parts in the ContiTech group sector. The average price of resins in US dollars was down 25% in 2023.

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

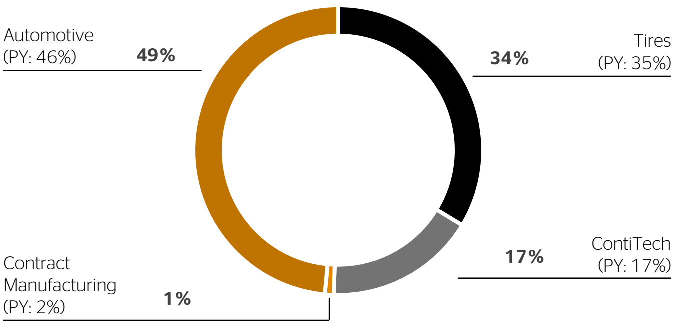
Earnings, Financial and Net Assets Position

- Sales up 5.1% to €41.4 billion
- Organic sales up 6.9%
- Adjusted EBIT margin at 6.1%

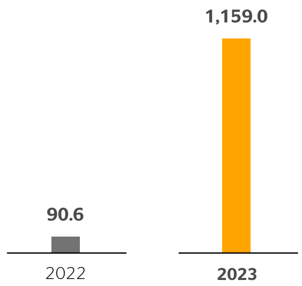
Sales; EBIT € millions



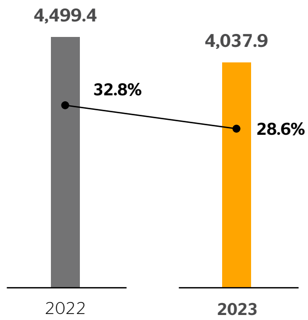
Sales by group sector



Free cash flow € millions



Net indebtedness € millions **Gearing ratio** %



In the year under review, the presentation of income and expenses in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment was changed. They are now assigned to the relevant functional areas. In addition, the assignment of income and expenses from certain business activities within the functional areas was adjusted. The comparative period has been adjusted accordingly for both factors.

Earnings Position

› **Sales up 5.1%**
› **Sales up 6.9% before changes in the scope of consolidation and exchange-rate effects**
› **Adjusted EBIT up 31.6%**

Continental Group in € millions	**2023**	2022	Δ in %
Sales	41,420.5	39,408.9	5.1
EBITDA	4,078.9	3,966.1	2.8
in % of sales	9.8	10.1	
EBIT	1,853.8	754.8	145.6
in % of sales	4.5	1.9	
Net income attributable to the shareholders of the parent	1,156.4	66.6	1,635.3
Basic earnings per share in €	5.78	0.33	1,635.3
Diluted earnings per share in €	5.78	0.33	1,635.3
Research and development expenses (net)[1, 2]	2,896.0	2,762.9	4.8
in % of sales[1, 2]	7.0	7.0	
Depreciation and amortization[3]	2,225.2	3,211.2	–30.7
thereof impairment[4]	57.3	966.6	–94.1
Capital expenditure[5]	2,436.9	2,426.4	0.4
in % of sales	5.9	6.2	
Operating assets as December 31	19,550.4	19,555.6	0.0
Operating assets (average)	20,714.2	20,272.9	2.2
ROCE in %	8.9	3.7	
Number of employees as at December 31[6]	202,763	199,038	1.9
Adjusted sales[7]	41,302.2	39,335.6	5.0
Adjusted operating result (adjusted EBIT)[8]	2,517.2	1,912.6	31.6
in % of adjusted sales	6.1	4.9	

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

Business and sales performance
Consolidated sales increased by €2,011.6 million or 5.1% year-on-year in 2023 to €41,420.5 million (PY: €39,408.9 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 6.9%. Changes in the scope of consolidation had a positive impact on sales performance but were more than offset by negative exchange-rate effects of €760.8 million.

In the Automotive group sector, the significant ramp-up in automotive production coupled with the price adjustments introduced to compensate for cost inflation bolstered sales performance. By contrast, growth in the Tires group sector was dampened by weak demand in the replacement-tire business and negative exchange-rate effects. In ContiTech, the effects of the slight downturn in the industrial and automotive replacement business were offset by higher volumes and positive price adjustments in the automotive original-equipment business. Contract Manufacturing reduced its sales in accordance with the contractually agreed procedure between Continental and Vitesco Technologies.

The regional distribution of sales in 2023 was as follows:

Sales by region in %	**2023**	2022
Germany	19	18
Europe excluding Germany	29	29
North America	27	27
Asia-Pacific	21	22
Other countries	4	4

Adjusted EBIT
Adjusted EBIT for the Continental Group increased by €604.6 million or 31.6% year-on-year in 2023 to €2,517.2 million (PY: €1,912.6 million), corresponding to 6.1% (PY: 4.9%) of adjusted sales.

EBIT
EBIT was up by €1,099.0 million year-on-year in 2023 to €1,853.8 million (PY: €754.8 million), an increase of 145.6%. The return on sales improved to 4.5% (PY: 1.9%). The cost of sales rose by €785.0 million to €32,612.6 million (PY: €31,827.6 million), primarily due to higher costs for semi-finished products, energy, logistics, and wages and salaries. While the previous year's EBIT was encumbered by impairment on goodwill and property, plant and equipment, in 2023 it was restructuring expenses of €295.4 million that had an adverse effect. Adjusted EBIT in the reporting year improved by 31.6% year-on-year, as outlined above.

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €118.2 million in the reporting year (PY: €149.7 million).

The ROCE was 8.9% (PY: 3.7%).

Special effects in 2023
Total consolidated expense from special effects in 2023 amounted to €551.2 million. Automotive accounted for €387.1 million of this, Tires for €138.1 million, ContiTech for €20.8 million, Contract Manufacturing for €2.9 million, and the holding for €2.3 million.

Impairment on property, plant and equipment resulted in expenses totaling €41.4 million (Automotive €13.1 million; Tires €26.7 million; ContiTech €1.3 million, Contract Manufacturing €0.3 million). In addition, reversals of impairment losses on property, plant and equipment resulted in income of €0.1 million in the Automotive group sector. These figures do not include impairment and reversals of impairment losses that arose in connection with restructuring.

In the Automotive group sector, restructuring expenses of €345.0 million were incurred. In addition, the reversal of restructuring provisions resulted in income of €34.5 million.

In the Tires group sector, restructuring expenses of €18.2 million were incurred. These included impairment on property, plant and equipment in the amount of €17.4 million. There was also income in connection with restructuring totaling €36.3 million, €1.7 million of which was attributable to a reversal of impairment losses on property, plant and equipment.

In the ContiTech group sector, restructuring expenses of €10.6 million were incurred. These included impairment on property, plant and equipment in the amount of €0.3 million. In addition, the reversal of restructuring provisions resulted in income of €10.0 million.

In the Contract Manufacturing group sector, there were restructuring expenses of €3.2 million. In addition, the reversal of restructuring provisions resulted in income of €0.9 million.

Restructuring-related expenses resulted in an expense totaling €47.0 million (Automotive €16.1 million; Tires €28.7 million; ContiTech €2.2 million).

Severance payments resulted in a negative special effect totaling €57.7 million (Automotive €22.5 million; Tires €16.2 million; ContiTech €16.5 million; Contract Manufacturing €0.3 million; holding €2.3 million).

In the Automotive group sector, a 50% share in the equity-accounted associate SAS Autosystemtechnik GmbH & Co. KG, Karlsruhe, Germany, was sold in 2020, resulting in subsequent income totaling €1.7 million.

In the Tires group sector, the sale of an equity-accounted investee resulted in an expense of €1.0 million.

The sale of all Russian operations in the Automotive and Tires group sectors and some operations in the ContiTech group sector in Russia resulted in expenses totaling €98.5 million (Automotive €26.6 million; Tires €71.9 million) and income of €6.3 million for ContiTech.

Loss allowances on accounts receivable, write-downs on inventories, and debt waivers in connection with the discontinuation of Russian operations also led to expenses totaling €14.5 million (Tires €11.8 million; ContiTech €2.7 million).

In the ContiTech group sector, the Original Equipment Solutions business area will be made organizationally independent. This resulted in expenses of €3.8 million.

Special effects in 2022

Total consolidated expense from special effects in 2022 amounted to €1,027.8 million. Automotive accounted for €846.5 million of this, Tires for €103.5 million, ContiTech for €81.5 million and the holding for €2.9 million. In Contract Manufacturing, special effects resulted in total consolidated income of €6.6 million.

The Continental Group immediately reviews intangible assets and property, plant and equipment, investment property and goodwill as soon as there is an indication of impairment (triggering event). The rise in the general interest rate level was one such indication of impairment. Due to this triggering event and other significant assumptions made when calculating the value in use of a cash-generating unit (CGU) – such as free cash flows, discount rates and their parameters, and long-term growth rates – goodwill was impaired by €552.9 million and property, plant and equipment impaired by €311.4 million in the Automotive group sector during the course of the year. This was mainly attributable to increased discount rates and updated planning.

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

Together with the aforementioned effects, impairment on property, plant and equipment and intangible assets resulted in expenses totaling €411.5 million (Automotive €323.6 million; Tires €82.0 million; ContiTech €5.9 million). In addition, reversals of impairment losses on property, plant and equipment resulted in income of €3.5 million in the Automotive group sector. These figures do not include impairment and reversals of impairment losses that arose in connection with restructuring.

Severance payments resulted in a negative special effect totaling €40.4 million (Automotive €14.0 million; Tires €10.5 million; ContiTech €12.8 million; Contract Manufacturing €0.2 million; holding €2.9 million).

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

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

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

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

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

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

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

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

Procurement

The first half of the reporting year for the Automotive and Contract Manufacturing group sectors continued to be shaped by isolated bottlenecks for semiconductors. High prices coupled with the scarce availability of key input materials and various raw materials continued to present a challenge for the Tires and ContiTech group sectors in the first half of 2023. The procurement market eased at the beginning of the second half of the year, leading to better availability and falling prices. Energy costs, by contrast, remained at a high level. The increasing activities in the area of sustainable procurement are also associated with elevated costs.

Overall, the prices of raw materials that are important for Continental fell year-on-year, especially in the second half of 2023. However, this positive effect was negated by higher costs for semi-finished products, particularly semiconductors.

Reconciliation of EBIT to net income

€ millions	2023	2022	Δ in %
Automotive	-57.4	-970.1	94.1
Tires	1,742.6	1,723.6	1.1
ContiTech	380.1	166.5	128.3
Contract Manufacturing	5.1	9.5	-46.0
Other/Holding/Consolidation	-216.6	-174.7	-24.0
EBIT	**1,853.8**	**754.8**	**145.6**
Financial result	-235.8	-198.0	-19.1
Earnings before tax	**1,618.0**	**556.8**	**190.6**
Income tax expense	-424.1	-444.6	4.6
Net income	**1,193.9**	**112.2**	**964.3**
Non-controlling interests	-37.5	-45.5	17.7
Net income attributable to the shareholders of the parent	**1,156.4**	**66.6**	**1,635.3**

Reconciliation of sales to adjusted sales and of EBITDA to adjusted operating result (adjusted EBIT) in 2023

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Sales	**20,295.4**	**13,958.0**	**6,841.5**	**512.4**	**-186.8**	**41,420.5**
Changes in the scope of consolidation[1]	–	–	-118.3	–	–	-118.3
Adjusted sales	**20,295.4**	**13,958.0**	**6,723.2**	**512.4**	**-186.8**	**41,302.2**
EBITDA	**982.1**	**2,585.8**	**693.0**	**28.9**	**-210.8**	**4,078.9**
Depreciation and amortization[2]	-1,039.5	-843.2	-312.9	-23.8	-5.8	-2,225.2
EBIT	**-57.4**	**1,742.6**	**380.1**	**5.1**	**-216.6**	**1,853.8**
Amortization of intangible assets from purchase price allocation (PPA)	58.5	6.3	53.5	–	–	118.2
Changes in the scope of consolidation[1]	–	–	-6.1	–	–	-6.1
Special effects						
Impairment on goodwill	–	–	–	–	–	–
Impairment[3]	13.1	26.7	1.3	0.3	–	41.4
Restructuring[4]	310.5	-18.1	0.6	2.3	–	295.4
Restructuring-related expenses	16.1	28.7	2.2	–	–	47.0
Severance payments	22.5	16.2	16.5	0.3	2.3	57.7
Gains and losses from disposals of companies and business operations	24.9	72.8	-6.3	0.0	–	91.5
Other[5]	–	11.8	6.5	–	–	18.3
Adjusted operating result (adjusted EBIT)	**388.2**	**1,887.0**	**448.3**	**8.0**	**-214.3**	**2,517.2**

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 €17.7 million (Tires €17.4 million; ContiTech €0.3 million) and a reversal of impairment losses of €1.7 million in the Tires group sector.
5 Mainly includes loss allowances on accounts receivable, write-downs on inventories, as well as debt waivers from the sale of all Russian operations in the Tires group sector and some operations in the ContiTech group sector in Russia.

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]	-0.4	-71.7	-1.3	–	0.0	-73.3
Adjusted sales	**18,321.2**	**13,933.6**	**6,593.0**	**665.6**	**-177.8**	**39,335.6**
EBITDA	**962.5**	**2,644.7**	**486.4**	**44.7**	**-172.3**	**3,966.1**
Depreciation and amortization[2]	-1,932.6	-921.1	-319.9	-35.2	-2.3	-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]	-9.3	-10.3	-0.2	–	–	-19.8
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)	**-62.6**	**1,831.3**	**312.8**	**2.9**	**-171.8**	**1,912.6**

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).

Research and development

Research and development expenses (net) increased by €133.1 million or 4.8% year-on-year to €2,896.0 million (PY: €2,762.9 million), corresponding to 7.0% of sales (PY: 7.0%).

In the Automotive group sector, costs in connection with initial product development projects in the original-equipment business are capitalized. Costs are capitalized as at the time at which we are named as a supplier and have successfully achieved a specific pre-release stage. Capitalization ends with the approval for unlimited volume production. The costs of customer-specific applications, pre-production prototypes and testing for products already being sold do not qualify as development expenditure that may be recognized as an intangible asset. Capitalized development expenses are amortized on a straight-line basis over a useful life of three to seven years and recognized in the cost of sales. In the opinion of the Continental Group, the assumed useful life reflects the period for which an economic benefit is likely to be derived from the corresponding development projects. Of the development costs incurred in 2023, including development expenses for internally developed software, €17.6 million (PY: €24.4 million) in the Automotive group sector qualified for recognition as an asset.

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

This results in a capitalization ratio of 0.6% (PY: 0.9%) for the Continental Group.

Depreciation and amortization

Depreciation and amortization decreased by €986.1 million to €2,225.2 million (PY: €3,211.2 million), equivalent to 5.4% of sales (PY: 8.1%). It included impairment totaling €57.3 million in 2023 (PY: €966.6 million).

Financial result

The negative financial result increased by €37.8 million year-on-year to €235.8 million in 2023 (PY: €198.0 million). This increase was primarily attributable to the global interest rate trend on the capital markets.

Interest income rose by €19.8 million year-on-year to €103.4 million in 2023 (PY: €83.6 million). Interest income in connection with income tax payables accounted for €3.8 million of the total (PY: €20.3 million). For details about the higher prior-year value, please refer to the comments in the 2022 annual report.

Interest expense totaled €419.4 million in 2023 and was thus €184.6 million higher than the previous year's figure of €234.8 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 €84.8 million in the reporting year (PY: €62.4 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 €334.6 million (PY: €172.4 million). Interest expense on lease liabilities accounted for €27.9 million of this (PY: €26.7 million). Interest expenses in connection with income tax payables amounted to €17.3 million (PY: €3.1 million).

The bonds issued by Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, resulted in expenses of €97.2 million (PY: €52.9 million). The increase was primarily due to the issuance of euro bonds by Continental AG. A five-year bond with a volume of €625.0 million and a fixed interest rate of 3.625% p.a. was issued in the fourth quarter of 2022. Two further bonds were issued in 2023: a five-year bond with a volume of €750.0 million in the second quarter of 2023, and a three-and-a-half-year bond with a volume of €500.0 million in the third quarter of 2023, both with a fixed interest rate of 4.000% p.a. An offsetting effect was attributable to the repayment of a euro bond in the amount of €750.0 million with a fixed interest rate of 2.125% p.a. in the fourth quarter of 2023. In addition, a euro bond in the amount of €500.0 million with a fixed interest rate of 0.000% p.a. was repaid in the third quarter of 2023.

Effects from currency translation resulted in a positive contribution to earnings of €78.8 million in the reporting year (PY: negative contribution to earnings of €59.6 million). Effects from changes in the fair value of derivative instruments, and other valuation effects resulted in income of €1.4 million (PY: €12.8 million). Other valuation effects accounted for €1.2 million of this (PY: €5.1 million). Taking into account the sum of the effects from currency translation and changes in the fair value of derivative instruments, earnings in 2023 were positively impacted by €78.9 million (PY: negatively impacted by €51.9 million). A significant contributor to the year-on-year improvement was the development of the Chinese renminbi in relation to the euro.

Income tax expense
Income tax expense in fiscal 2023 amounted to €424.1 million (PY: €444.6 million). The tax rate was 26.2%, compared with 47.6% in the previous year. The prior-year tax rate was presented on an adjusted basis before the permanent effects of the recognized goodwill impairment.

As in the previous year, foreign tax rate differences as well as incentives and tax holidays had positive effects in the year under review. The tax rate was negatively impacted by non-cash allowances on deferred tax assets totaling €63.9 million (PY: €113.2 million), of which €41.7 million (PY: €30.1 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. In the year under review, additional tax burdens were incurred from internal restructuring.

Net income attributable to the shareholders of the parent
Net income attributable to the shareholders of the parent increased by €1,089.8 million in 2023 to €1,156.4 million (PY: €66.6 million). Basic earnings per share amounted to €5.78 (PY: €0.33), the same amount as diluted earnings per share.

Employees
The number of employees in the Continental Group as at December 31, 2023, was 202,763, up 3,725 from 199,038 in the previous year.

The number of employees in the Automotive group sector rose by 4,838 due to adjustments to higher order volumes.

The number of employees in the Tires group sector declined by 638. This was primarily due to the sale of operations in Russia and adjustments to demand-driven production.

In the ContiTech group sector, the acquisition of Printing Solutions Sweden Holding AB, Trelleborg, Sweden, and adjustments to the production volume were the main reasons for the increase in the number of employees by 151.

The number of employees in the Contract Manufacturing group sector fell by 714 to 1,478 (PY: 2,192).

Employees by region in %	**2023**	2022
Germany	22	23
Europe excluding Germany	34	34
North America	19	19
Asia-Pacific	20	20
Other countries	4	4

Financial Position

- Free cash flow at €1.2 billion
- Cash outflow arising from investing activities at €2.2 billion
- Net indebtedness at €4.0 billion

Reconciliation of cash flow

At €3,327.6 million in 2023, the cash inflow arising from operating activities was €1,032.1 million higher than the previous year's figure (PY: €2,295.5 million) and corresponded to 8.0% of sales (PY: 5.8%). This rise was primarily due to the increase in EBIT of €1,099.0 million to €1,853.8 million (PY: €754.8 million).

The cash-effective increase in working capital led to a cash outflow of €264.4 million (PY: €733.9 million). The lower cash outflow from working capital was due on the one hand to a decrease in inventories of €377.9 million (PY: increase of €1,644.9 million). In addition, despite higher sales, there was a slight decrease in operating receivables of €50.6 million (PY: increase of €821.9 million) due to higher cash receipts as at the end of the reporting period. The decrease in operating liabilities of €692.9 million (PY: increase of €1,732.9 million) had an offsetting effect.

Interest payments increased by €127.6 million to €279.5 million (PY: €151.9 million). Income tax payments rose by €128.2 million to €725.5 million (PY: €597.2 million).

Cash flow arising from investing activities amounted to an outflow of €2,168.6 million (PY: €2,204.9 million). Capital expenditure on property, plant and equipment, and software was down €8.4 million from €2,132.8 million to €2,124.4 million before the capitalization of borrowing costs and right-of-use assets from leases.

The net amount from the acquisition and disposal of companies and business operations led to a cash outflow of €133.3 million in 2023 (PY: €109.1 million). This cash outflow was primarily due to an acquisition in the ContiTech group sector.

These effects resulted in free cash flow of €1,159.0 million (PY: €90.6 million) for fiscal 2023, corresponding to a year-on-year increase of €1,068.4 million.

Capital expenditure (additions)

Capital expenditure for property, plant and equipment, and software amounted to €2,436.9 million in 2023 (PY: €2,426.4 million). The increase of €10.5 million was driven in particular by the Tires group sector, while significant savings in the Automotive group sector had an offsetting effect. The capital expenditure ratio was 5.9% (PY: 6.2%).

Financing and indebtedness

Gross indebtedness amounted to €7,170.3 million as at the end of 2023 (PY: €7,694.7 million), down €524.4 million on the previous year's level.

Based on quarter-end values, 74.4% (PY: 69.5%) of gross indebtedness after hedging measures had fixed interest rates on average over the year.

The carrying amount of the bonds increased negligibly from €3,949.2 million in the previous year to €3,969.2 million as at the end of fiscal 2023. Under the Debt Issuance Programme (DIP), Continental AG issued two listed euro bonds in June and August 2023, with a total issue volume of €1,250.0 million. On June 1, 2023, a €750.0-million bond was issued. The issue price of this bond, which has a term of five years and a fixed interest rate of 4.000% p.a., was 99.445%. On August 31, 2023, a €500.0-million bond was issued. The issue price of this bond, which has a term of three and a half years and a fixed interest rate of 4.000% p.a., was 99.658%. In addition, the €500.0-million and €750.0-million euro bonds of Continental AG and Conti-Gummi Finance B.V., Maastricht, Netherlands, maturing on September 12 and November 27, 2023, were redeemed in the second half of the year at a rate of 100.000%. The €500.0-million bond had an interest rate of 0.000% p.a. and a term of four years. The €750.0-million bond had an interest rate of 2.125% p.a. and a term of three and a half years.

Bank loans and overdrafts amounted to €1,385.7 million (PY: €1,579.6 million) as at December 31, 2023, and were therefore €193.9 million below the previous year's level.

The syndicated loan that was renewed ahead of schedule in December 2019 consists of a revolving tranche of €4,000.0 million and has an original term of five years. The margin will also depend on the Continental Group's sustainability performance. If the Continental Group achieves the performance improvements in sustainability as set out in detail in the loan agreement, this will reduce the margin; non-achievement will result in a margin increase. Continental has exercised two options, each extending the term of the loan by one year. This means that the financing commitment of the banks is now available until December 2026. As at December 31, 2023, Continental Rubber of America, Corp., Wilmington, Delaware, USA, had utilized €316.3 million of this revolving loan (PY: €300.0 million utilized by Continental AG).

Other indebtedness fell by €350.6 million to €1,815.3 million (PY: €2,165.9 million) as at the end of 2023. The decrease is primarily attributable to a lower issue volume of commercial paper. This resulted in liabilities totaling €15.6 million (PY: €367.3 million). As at the end of 2023, the utilization of sale-of-receivables programs, at €321.3 million (PY: €323.9 million), was on a par with the previous year. Three sale-of-receivables programs with a financing volume of €400.0 million were used within the Continental Group as at the end of 2023, the same as in the previous year.

Cash and cash equivalents, derivative instruments and interest-bearing investments were down by €62.9 million at €3,132.3 million (PY: €3,195.3 million).

Net indebtedness decreased by €461.5 million compared with the end of 2022 to €4,037.9 million (PY: €4,499.4 million). The gearing ratio improved year-on-year to 28.6% (PY: 32.8%).

As at December 31, 2023, the Continental Group had liquidity reserves totaling €7,492.2 million (PY: €7,561.5 million), consisting of cash and cash equivalents of €2,923.2 million (PY: €2,988.0 million) and committed, unutilized credit lines of €4,569.1 million (PY: €4,573.5 million). As at December 31, 2023, a total of €2,683.4 million (PY: €2,441.3 million) of the cash and cash equivalents specified above were unrestricted. The assessment of any restrictions related to cash and cash equivalents is made on each respective reporting date.

Reconciliation of net indebtedness

€ millions	**December 31, 2023**	December 31, 2022
Long-term indebtedness	4,211.9	4,006.0
Short-term indebtedness	2,958.3	3,688.7
Long-term derivative instruments and interest-bearing investments	-88.8	-105.8
Short-term derivative instruments and interest-bearing investments	-120.4	-101.5
Cash and cash equivalents	-2,923.2	-2,988.0
Net indebtedness	**4,037.9**	**4,499.4**

Reconciliation of change in net indebtedness

€ millions	**2023**	2022
Net indebtedness at the beginning of the reporting period	**4,499.4**	**3,765.5**
Cash flow arising from operating activities	3,327.6	2,295.5
Cash flow arising from investing activities	-2,168.6	-2,204.9
Cash flow before financing activities (free cash flow)	**1,159.0**	**90.6**
Dividends paid	-300.0	-440.0
Dividends paid to and cash changes from equity transactions with non-controlling interests	-23.9	-16.9
Non-cash changes	-312.1	-318.8
Other	-1.5	-3.1
Exchange-rate effects	-60.0	-45.7
Change in net indebtedness	**461.5**	**-733.9**
Net indebtedness at the end of the reporting period	**4,037.9**	**4,499.4**

Net Assets Position

- **Equity at €14.1 billion**
- **Equity ratio at 37.4%**
- **Gearing ratio at 28.6%**

Total assets
At €37,752.8 million (PY: €37,926.7 million), total assets as at December 31, 2023, were €173.9 million lower than on the same date in the previous year.

Non-current assets
Non-current assets increased by €376.4 million year-on-year to €19,165.0 million (PY: €18,788.7 million). Goodwill declined by €30.7 million to €3,187.5 million (PY: €3,218.2 million), while other intangible assets fell by €153.4 million to €820.3 million (PY: €973.7 million). Property, plant and equipment increased by €254.9 million to €11,722.1 million (PY: €11,467.2 million). Deferred tax assets were up €452.5 million to €2,511.8 million (PY: €2,059.2 million).

Current assets
Current assets decreased by €550.3 million to €18,587.8 million (PY: €19,138.0 million). Due to destocking, inventories in the reporting year fell by €453.1 million to €6,276.5 million (PY: €6,729.6 million). Trade accounts receivable declined by €198.7 million to €7,569.0 million (PY: €7,767.7 million) as a result of higher cash receipts as at the end of the reporting period. At €2,923.2 million, cash and cash equivalents were down €64.8 million from €2,988.0 million on the same date in the previous year.

Equity
Total equity (including non-controlling interests) was €390.1 million higher than in the previous year at €14,125.1 million (PY: €13,735.0 million). Other comprehensive income fell by €439.6 million to -€1,758.6 million (PY: -€1,319.0 million). This was primarily attributable to the adjustment of pension provisions to reflect lower discount rates. The gearing ratio changed from 32.8% to 28.6%. The equity ratio increased to 37.4% (PY: 36.2%).

Non-current liabilities
At €8,177.4 million, non-current liabilities were up €817.5 million from €7,359.9 million in the previous year. This rise was mostly due to an increase in long-term employee benefits of €524.4 million to €3,147.9 million (PY: €2,623.5 million), primarily caused by an adjustment of pension provisions to reflect lower discount rates. Long-term provisions for other risks and obligations were higher by €79.4 million at €703.5 million (PY: €624.1 million). Long-term indebtedness rose by €205.9 million to €4,211.9 million (PY: €4,006.0 million), attributable mainly to the issuance of new bonds. Reclassifications of bonds and bank loans due in the following year to short-term indebtedness had an offsetting effect.

Current liabilities
At €15,450.3 million, current liabilities were down €1,381.5 million from €16,831.8 million in the previous year. This decrease was attributable in part to short-term indebtedness, which fell by €730.3 million to €2,958.3 million (PY: €3,688.7 million), due not only to lower net indebtedness as at the end of 2023 on the back of positive free cash flow, but in particular to the redemption of two bonds that matured in September and November. Reclassifications of bonds and bank loans due in the following year to long-term indebtedness had an offsetting effect. Trade accounts payable also decreased by €761.9 million to €6,875.1 million (PY: €7,637.0 million).

Operating assets
Operating assets fell by €5.2 million year-on-year to €19,550.4 million as at December 31, 2023 (PY: €19,555.6 million).

Working capital was up €96.3 million at €7,207.8 million (PY: €7,111.4 million), driven by a €761.9 million decrease in operating liabilities to €6,875.1 million (PY: €7,637.0 million). Offsetting this, inventories were down €453.1 million to €6,276.5 million (PY: €6,729.6 million) and operating receivables down €212.5 million to €7,806.4 million (PY: €8,018.9 million).

Non-current operating assets were down €81.3 million year-on-year at €16,321.9 million (PY: €16,403.2 million). Goodwill fell by €30.7 million to €3,187.5 million (PY: €3,218.2 million), with €39.7 million of the decrease attributable to exchange-rate effects. This was offset by additions from acquisitions of €9.0 million. Property, plant and equipment rose by €254.9 million to €11,722.1 million (PY: €11,467.2 million). Other intangible assets fell by €153.4 million to €820.3 million (PY: €973.7 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €118.2 million (PY: €149.7 million) reduced the value of intangible assets.

In fiscal 2023, all Russian operations in the Automotive and Tires group sectors as well as some Russian operations in the ContiTech group sector were sold. This reduced the Continental Group's operating assets by €85.2 million, of which €18.8 million was attributable to Automotive, €65.0 million to Tires and €1.4 million to ContiTech.

An asset deal in the Automotive group sector added €4.4 million to operating assets.

In the Tires group sector, operating assets were down €1.1 million due to the sale of an equity-accounted investee.

In the ContiTech group sector, ContiTech Global Holding Netherlands B.V., Maastricht, Netherlands, acquired 100% of the shares in Printing Solutions Sweden Holding AB, Trelleborg, Sweden. This increased operating assets by €162.0 million. A further share deal in 2023 and final purchase price allocations for share deals in 2022 added €6.7 million to operating assets in the ContiTech group sector.

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

Exchange-rate effects decreased the Continental Group's total operating assets by €301.2 million in the reporting year (PY: increase of €258.3 million).

Average operating assets rose by €441.2 million year-on-year to €20,714.2 (PY: €20,272.9 million).

Consolidated statement of financial position

Assets in € millions	**December 31, 2023**	December 31, 2022
Goodwill	3,187.5	3,218.2
Other intangible assets	820.3	973.7
Property, plant and equipment	11,722.1	11,467.2
Investments in equity-accounted investees	298.6	305.1
Long-term miscellaneous assets	3,136.6	2,824.5
Non-current assets	**19,165.0**	**18,788.7**
Inventories	6,276.5	6,729.6
Trade accounts receivable	7,569.0	7,767.7
Short-term miscellaneous assets	1,819.1	1,652.8
Cash and cash equivalents	2,923.2	2,988.0
Current assets	**18,587.8**	**19,138.0**
Total assets	**37,752.8**	**37,926.7**

Equity and liabilities in € millions	**December 31, 2023**	December 31, 2022
Total equity	**14,125.1**	**13,735.0**
Non-current liabilities	**8,177.4**	**7,359.9**
Trade accounts payable	6,875.1	7,637.0
Short-term other provisions and liabilities	8,575.2	9,194.8
Current liabilities	**15,450.3**	**16,831.8**
Total equity and liabilities	**37,752.8**	**37,926.7**
Net indebtedness	**4,037.9**	**4,499.4**
Gearing ratio in %	**28.6**	**32.8**

Reconciliation to operating assets in 2023

€ millions	Automotive	Tires	ContiTech	Contract Manufacturing	Other/ Holding/ Consolidation	Continental Group
Total assets	**15,519.2**	**10,314.3**	**4,582.4**	**537.0**	**6,799.9**	**37,752.8**
Cash and cash equivalents	–	–	–	–	2,923.2	2,923.2
Short- and long-term derivative instruments, interest-bearing investments	–	–	–	–	209.2	209.2
Other financial assets	48.4	33.1	18.9	0.3	18.8	119.6
Less financial assets	**48.4**	**33.1**	**18.9**	**0.3**	**3,151.1**	**3,251.9**
Less other non-operating assets	**-137.9**	**4.5**	**6.9**	**0.4**	**522.3**	**396.2**
Deferred tax assets	–	–	–	–	2,511.8	2,511.8
Income tax receivables	–	–	–	–	305.2	305.2
Less income tax assets	**–**	**–**	**–**	**–**	**2,817.0**	**2,817.0**
Segment assets	**15,608.7**	**10,276.6**	**4,556.6**	**536.2**	**309.5**	**31,287.7**
Total liabilities and provisions	**8,482.2**	**3,902.5**	**2,007.6**	**177.5**	**9,058.0**	**23,627.7**
Short- and long-term indebtedness	–	–	–	–	7,170.3	7,170.3
Other financial liabilities	–	–	–	–	510.0	510.0
Less financial liabilities	**–**	**–**	**–**	**–**	**7,680.3**	**7,680.3**
Deferred tax liabilities	–	–	–	–	71.6	71.6
Income tax payables	–	–	–	–	541.3	541.3
Less income tax liabilities	**–**	**–**	**–**	**–**	**612.9**	**612.9**
Less other non-operating liabilities	**1,717.5**	**700.4**	**576.4**	**36.9**	**565.9**	**3,597.2**
Segment liabilities	**6,764.6**	**3,202.0**	**1,431.2**	**140.6**	**199.0**	**11,737.4**
Operating assets	**8,844.1**	**7,074.6**	**3,125.5**	**395.6**	**110.6**	**19,550.4**

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**	**6,425.0**	**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	30.6	123.9
Less financial assets	**52.0**	**35.0**	**6.1**	**0.3**	**3,225.8**	**3,319.1**
Less other non-operating assets	**-147.0**	**-14.4**	**3.9**	**0.2**	**536.9**	**379.6**
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**	**4,676.5**	**758.5**	**325.4**	**31,891.1**
Total liabilities and provisions	**8,403.0**	**4,053.5**	**2,015.6**	**272.0**	**9,447.7**	**24,191.8**
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	**1,374.2**	**642.8**	**508.5**	**44.8**	**487.8**	**3,058.0**
Segment liabilities	**7,028.8**	**3,410.7**	**1,507.1**	**227.3**	**161.7**	**12,335.6**
Operating assets	**8,321.9**	**7,369.3**	**3,169.4**	**531.2**	**163.8**	**19,555.6**

Development of the Group Sectors

Automotive

- **Sales up 10.8%**
- **Sales up 12.3% before changes in the scope of consolidation and exchange-rate effects**
- **Adjusted EBIT up 719.8%**

Automotive in € millions	**2023**	2022	Δ in %
Sales	20,295.4	18,321.6	10.8
EBITDA	982.1	962.5	2.0
in % of sales	4.8	5.3	
EBIT	-57.4	-970.1	94.1
in % of sales	-0.3	-5.3	
Research and development expenses (net)[1, 2]	2,384.8	2,273.1	4.9
in % of sales[1, 2]	11.8	12.4	
Depreciation and amortization[3]	1,039.5	1,932.6	-46.2
thereof impairment[4]	13.1	880.9	-98.5
Capital expenditure[5]	1,226.3	1,342.0	-8.6
in % of sales	6.0	7.3	
Operating assets as December 31	8,844.1	8,321.9	6.3
Operating assets (average)	9,221.1	8,746.7	5.4
ROCE in %	-0.6	-11.1	
Number of employees as at December 31[6]	102,413	97,575	5.0
Adjusted sales[7]	20,295.4	18,321.2	10.8
Adjusted operating result (adjusted EBIT)[8]	388.2	-62.6	719.8
in % of adjusted sales	1.9	-0.3	

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

Structure
The Automotive group sector (49% of consolidated sales) offers technologies for 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 vehicle connectivity, architecture and electronics, as well as high-performance computers and software solutions, round off the range of products and services. The group sector was divided into six business areas in the reporting year:

- Architecture and Networking
- Autonomous Mobility
- Safety and Motion
- Smart Mobility
- Software and Central Technologies
- User Experience

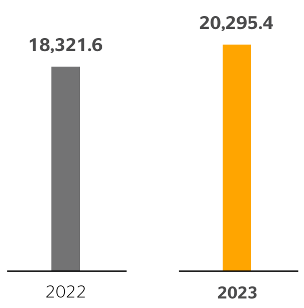
The Smart Mobility business area was discontinued effective December 31, 2023, and since January 1, 2024, has been included in the Automotive group sector.

Business and sales performance
Sales volumes in the Automotive group sector trended upward overall, buoyed by positive market developments and the improved availability of semi-finished products, especially semiconductors. The Autonomous Mobility business area recorded major gains with radar systems and cameras. Strong growth with access control systems for vehicles and other seamless connectivity technologies helped the Architecture and Networking business area achieve an above-average increase in sales. Safety and Motion increased its

sales of brake systems and airbag control units. The User Experience business area was able to offset the effect of discontinued product areas by significantly improving sales figures for display solutions. Sales volumes in the Smart Mobility business area were especially impressive in the commercial vehicle sector and in the replacement-parts business.

These higher volumes were additionally bolstered in the reporting year by price adjustments to offset inflation-related effects. Sales rose by 10.8% year-on-year to €20,295.4 million (PY: €18,321.6 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 12.3%.

Sales € millions



Adjusted EBIT
Adjusted EBIT for the Automotive group sector increased by €450.8 million or 719.8% year-on-year in 2023 to €388.2 million (PY: -€62.6 million), corresponding to 1.9% (PY: -0.3%) of adjusted sales.

EBIT
The Automotive group sector reported a year-on-year increase in EBIT of €912.6 million or 94.1% to -€57.4 million in 2023 (PY: -€970.1 million). The return on sales consequently improved to -0.3% (PY: -5.3%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €58.5 million (PY: €70.1 million).

For the Automotive group sector, total consolidated expense from special effects in 2023 amounted to €387.1 million (PY: €846.5 million). For further details, please see our comments on pages 65 and 66 regarding the special effects in 2023 and 2022.

The ROCE was -0.6% (PY: -11.1%).

Procurement
Electronic components and semiconductors are essential semi-finished products for the Automotive group sector. The fluctuations in consumption triggered by changed consumer behavior in the wake of the COVID-19 pandemic and advancing digitalization, coupled with the resulting temporary shortage of semiconductors, continued to make their presence felt in 2023. This further drove up prices, especially for supply-critical, automotive-specific components, but customer demand was still largely met overall.

The prices of steel, aluminum, copper and plastics, which are important raw materials for the Automotive sector, rose significantly until the middle of the year in anticipation of a global economic upturn. In the wake of the sluggish economic recovery in China and the generally gloomier economic environment in Western countries due to creeping inflation and interest rate hikes, however, raw material prices began to fall again from the middle of the year onward.

Raw material manufacturers scaled back production capacities from the market in response to weaker demand and persistently high energy prices in an effort to stabilize prices. Despite these reduced capacities, the delivery situation and delivery times remained strained throughout 2023.

Research and development
Research and development expenses (net) increased by €111.7 million or 4.9% year-on-year to €2,384.8 million (PY: €2,273.1 million), corresponding to 11.8% (PY: 12.4%) of sales.

Depreciation and amortization
Depreciation and amortization fell by €893.1 million compared with fiscal 2022 to €1,039.5 million (PY: €1,932.6 million) and amounted to 5.1% (PY: 10.5%) of sales. It included impairment totaling €13.1 million in 2023 (PY: €880.9 million).

Operating assets
Operating assets in the Automotive group sector increased by €522.2 million year-on-year to €8,844.1 million (PY: €8,321.9 million) as at December 31, 2023.

Working capital was up €536.0 million at €2,612.5 million (PY: €2,076.5 million). Inventories decreased by €43.3 million to €2,825.0 million (PY: €2,868.3 million). Operating receivables rose by €157.1 million to €3,811.3 million (PY: €3,654.2 million) as at the reporting date. Operating liabilities were down €422.2 million at €4,023.9 million (PY: €4,446.1 million).

Non-current operating assets were up €5.9 million at €8,453.4 million (PY: €8,447.6 million). Goodwill fell by €18.9 million to €2,159.5 million (PY: €2,178.4 million) due to exchange-rate effects. At €5,388.3 million, property, plant and equipment were €286.4 million above the previous year's level of €5,101.9 million. Other intangible assets fell by €113.0 million to €561.8 million (PY: €674.8 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €58.5 million (PY: €70.1 million) reduced the value of intangible assets.

In fiscal 2023, all Russian operations in the Automotive group sector were sold. This decreased operating assets by €18.8 million.

An asset deal in the Automotive group sector added €4.4 million to operating assets.

Exchange-rate effects decreased the total operating assets of the Automotive group sector by €98.0 million in the reporting year (PY: increase of €60.6 million).

Average operating assets in the Automotive group sector rose by €474.4 million compared with fiscal 2022 to €9,221.1 million (PY: €8,746.7 million).

Capital expenditure (additions)
Additions in the Automotive group sector decreased by €115.7 million year-on-year to €1,226.3 million (PY: €1,342.0 million). The capital expenditure ratio was 6.0% (PY: 7.3%).

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

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

Investments were made to construct new production sites in Kaunas, Lithuania; and Novi Sad, Serbia.

Employees
The number of employees in the Automotive group sector rose by 4,838 to 102,413 as at December 31, 2023 (PY: 97,575). This was primarily due to adjustments to higher order volumes.

Tires

› **Sales down 0.3%**
› **Sales up 2.9% before changes in the scope of consolidation and exchange-rate effects**
› **Adjusted EBIT up 3.0%**

Tires in € millions	**2023**	2022	Δ in %
Sales	13,958.0	14,005.2	-0.3
EBITDA	2,585.8	2,644.7	-2.2
in % of sales	18.5	18.9	
EBIT	1,742.6	1,723.6	1.1
in % of sales	12.5	12.3	
Research and development expenses (net)[1]	336.0	320.8	4.8
in % of sales[1]	2.4	2.3	
Depreciation and amortization[2]	843.2	921.1	-8.5
thereof impairment[3]	42.4	82.3	-48.4
Capital expenditure[4]	966.6	818.6	18.1
in % of sales	6.9	5.8	
Operating assets as December 31	7,074.6	7,369.3	-4.0
Operating assets (average)	7,596.5	7,508.2	1.2
ROCE in %	22.9	23.0	
Number of employees as at December 31[5]	56,349	56,987	-1.1
Adjusted sales[6]	13,958.0	13,933.6	0.2
Adjusted operating result (adjusted EBIT)[7]	1,887.0	1,831.3	3.0
in % of adjusted sales	13.5	13.1	

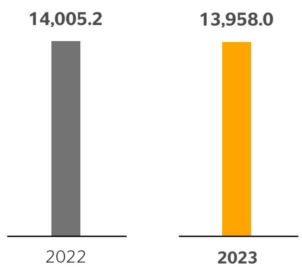
1 In the year under review, the presentation of income and expenses in connection with specific warranties, restructuring measures, severance payments, as well as impairment and reversal of impairment losses on intangible assets and property, plant and equipment was changed. They are now assigned to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

Structure
With its premium portfolio in the car, truck, bus, two-wheel and specialty tire segment, the Tires group sector (34% of consolidated sales) stands for innovative solutions in tire technology. Intelligent products and services related to tires and the promotion of sustainability complete the portfolio. For specialist dealers and fleet management, Tires offers digital tire monitoring and tire management systems, in addition to other services, with the aim of keeping fleets mobile and increasing their efficiency. With its tires, Continental contributes to safe, efficient and environmentally friendly mobility. The group sector is divided into five business areas:

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

Business and sales performance
Negative exchange-rate effects and weak demand, particularly in the truck tire-replacement business and to a lesser extent the passenger car tire-replacement business in Europe and North America, could not be fully offset by optimizing the product mix. Sales decreased by 0.3% year-on-year to €13,958.0 million (PY: €14,005.2 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 2.9%.

Sales € millions



Adjusted EBIT
Adjusted EBIT for the Tires group sector increased by €55.7 million or 3.0% year-on-year in 2023 to €1,887.0 million (PY: €1,831.3 million), corresponding to 13.5% (PY: 13.1%) of adjusted sales.

EBIT
The Tires group sector reported a year-on-year increase in EBIT of €18.9 million or 1.1% to €1,742.6 million in 2023 (PY: €1,723.6 million). The return on sales improved to 12.5% (PY: 12.3%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €6.3 million (PY: €14.5 million).

For the Tires group sector, total consolidated expense from special effects in 2023 amounted to €138.1 million (PY: €103.5 million). For further details, please see our comments on pages 65 and 66 regarding the special effects in 2023 and 2022.

The ROCE was 22.9% (PY: 23.0%).

Procurement
The prices of key raw materials and input materials, including butadiene and input products based on crude oil, fell from the high level of the previous year. Prices likewise contracted on the markets for steel, chemicals and textiles, although the price level is still higher than before the crisis. Another contributing factor was offsetting cost trends resulting from an updated procurement strategy due to sanctions.

Research and development
Research and development expenses (net) increased by €15.3 million or 4.8% year-on-year to €336.0 million (PY: €320.8 million), corresponding to 2.4% (PY: 2.3%) of sales.

Depreciation and amortization
Depreciation and amortization fell by €77.9 million compared with fiscal 2022 to €843.2 million (PY: €921.1 million) and amounted to 6.0% of sales (PY: 6.6%). It included impairment totaling €42.4 million in 2023 (PY: €82.3 million).

Operating assets
Operating assets in the Tires group sector decreased by €294.7 million year-on-year to €7,074.6 million (PY: €7,369.3 million) as at December 31, 2023.

Working capital was down €315.2 million at €3,069.1 million (PY: €3,384.3 million). Inventories decreased by €351.4 million to €2,426.9 million (PY: €2,778.3 million). Operating receivables fell by €170.4 million to €2,467.9 million (PY: €2,638.3 million) as at the reporting date. Operating liabilities were down €206.6 million at €1,825.7 million (PY: €2,032.3 million).

Non-current operating assets were up €3.1 million at €5,230.3 million (PY: €5,227.2 million). Goodwill fell by €8.5 million to €411.5 million (PY: €420.0 million). This decrease resulted entirely from exchange-rate effects. Property, plant and equipment rose by €41.0 million to €4,614.2 million (PY: €4,573.2 million). Other intangible assets fell by €12.1 million to €33.5 million (PY: €45.6 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €6.3 million (PY: €14.5 million) reduced the value of intangible assets.

In fiscal 2023, all Russian operations in the Tires group sector were sold. This decreased operating assets by €65.0 million. The sales of an equity-accounted investee likewise adversely impacted operating assets by €1.1 million.

Exchange-rate effects decreased the total operating assets of the Tires group sector by €166.5 million in the reporting year (PY: increase of €143.4 million).

Average operating assets in the Tires group sector rose by €88.2 million compared with fiscal 2022 to €7,596.5 million (PY: €7,508.2 million).

Capital expenditure (additions)
Additions in the Tires group sector increased by €148.0 million year-on-year to €966.6 million (PY: €818.6 million). The capital expenditure ratio was 6.9% (PY: 5.8%).

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

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

Employees
The number of employees in the Tires group sector fell by 638 to 56,349 as at December 31, 2023 (PY: 56,987). This was primarily due to the sale of operations in Russia, while adjustments to demand-driven production had an offsetting effect.

ContiTech

› **Sales up 3.7%**
› **Sales up 3.7% before changes in the scope of consolidation and exchange-rate effects**
› **Adjusted EBIT up 43.3%**

ContiTech in € millions	**2023**	2022	Δ in %
Sales	6,841.5	6,594.3	3.7
EBITDA	693.0	486.4	42.5
in % of sales	10.1	7.4	
EBIT	380.1	166.5	128.3
in % of sales	5.6	2.5	
Research and development expenses (net)[1]	175.1	169.2	3.5
in % of sales[1]	2.6	2.6	
Depreciation and amortization[2]	312.9	319.9	-2.2
thereof impairment[3]	1.5	3.4	-54.3
Capital expenditure[4]	209.6	199.8	4.9
in % of sales	3.1	3.0	
Operating assets as December 31	3,125.5	3,169.4	-1.4
Operating assets (average)	3,284.4	3,275.8	0.3
ROCE in %	11.6	5.1	
Number of employees as at December 31[5]	41,949	41,798	0.4
Adjusted sales[6]	6,723.2	6,593.0	2.0
Adjusted operating result (adjusted EBIT)[7]	448.3	312.8	43.3
in % of adjusted sales	6.7	4.7	

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

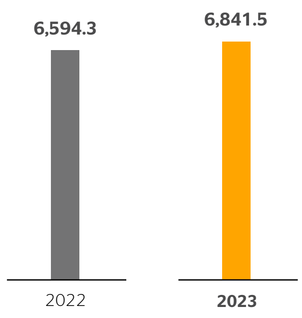
Structure
The ContiTech group sector (17% of consolidated sales) focuses on development and materials expertise in products and systems made from rubber, plastic, metal and textiles, which can also be equipped with electronic components to optimize their functionality for custom service applications. ContiTech's industrial growth areas are primarily in energy, agriculture and construction as well as interior design. ContiTech also serves the automotive and transportation industries along with the railway engineering sector. The group sector was divided into six business areas in the reporting year:

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

The Advanced Dynamics Solutions, Conveying Solutions, Industrial Fluid Solutions, Mobile Fluid Systems and Power Transmission Group business areas, as they existed in this setup until December 31, 2023, will be reassigned to the three regional Industrial Solutions business areas and the Original Equipment Solutions business area effective January 1, 2024.

Business and sales performance
Sales in the ContiTech group sector increased by 3.7% year-on-year to €6,841.5 million in 2023 (PY: €6,594.3 million). Before changes in the scope of consolidation and exchange-rate effects, sales rose by 3.7%. This improvement was due to the positive development in the automotive original-equipment business, which saw both increased volumes and favorable price adjustments to compensate for cost inflation. By contrast, the industrial and automotive replacement businesses recorded a slight decline year-on-year due to market weakness in the second half of 2023. These lower volumes were largely offset by adjusting prices.

Sales € millions



Adjusted EBIT

Adjusted EBIT for the ContiTech group sector increased by €135.5 million or 43.3% year-on-year in 2023 to €448.3 million (PY: €312.8 million), corresponding to 6.7% (PY: 4.7%) of adjusted sales.

EBIT

The ContiTech group sector reported a year-on-year increase in EBIT of €213.7 million or 128.3% to €380.1 million in 2023 (PY: €166.5 million). The return on sales improved to 5.6% (PY: 2.5%).

The amortization of intangible assets from purchase price allocation (PPA) reduced EBIT by €53.5 million (PY: €65.1 million).

For the ContiTech group sector, total consolidated expense from special effects in 2023 amounted to €20.8 million (PY: €81.5 million). For further details, please see our comments on pages 65 and 66 regarding the special effects in 2023 and 2022.

The ROCE was 11.6% (PY: 5.1%).

Procurement

The ContiTech group sector continued to be hampered by material shortages and challenges securing the availability of specific raw materials in 2023. Prices for oil and butadiene-based materials trended downward, but these were more than offset by price increases for a wide range of special raw materials essential to ContiTech's operations.

Research and development

Research and development expenses (net) increased by €6.0 million or 3.5% year-on-year to €175.1 million (PY: €169.2 million), corresponding to 2.6% (PY: 2.6%) of sales.

Depreciation and amortization

Depreciation and amortization fell by €7.0 million compared with fiscal 2022 to €312.9 million (PY: €319.9 million) and amounted to 4.6% of sales (PY: 4.9%). It included impairment totaling €1.5 million in 2023 (PY: €3.4 million).

Operating assets

Operating assets in the ContiTech group sector decreased by €44.0 million year-on-year to €3,125.5 million (PY: €3,169.4 million) as at December 31, 2023.

Working capital was down €9.1 million at €1,248.7 million (PY: €1,257.8 million). Inventories decreased by €23.7 million to €975.7 million (PY: €999.5 million). Operating receivables fell by €63.7 million to €1,135.6 million (PY: €1,199.3 million) as at the reporting date. Operating liabilities were down €78.3 million at €862.6 million (PY: €941.0 million).

Non-current operating assets were down €21.8 million at €2,310.6 million (PY: €2,332.4 million). Goodwill fell by €3.3 million to €616.3 million (PY: €619.5 million), with €12.3 million of the decrease attributable to exchange-rate effects. This was offset by additions of €9.0 million. At €1,407.3 million, property, plant and equipment were €3.6 million below the previous year's level of €1,410.9 million. Other intangible assets fell by €27.7 million to €224.0 million (PY: €251.7 million). Amortization of intangible assets from purchase price allocation (PPA) in the amount of €53.5 million (PY: €65.1 million) reduced the value of intangible assets.

In fiscal 2023, some Russian operations in the ContiTech group sector were sold. This decreased operating assets by €1.4 million.

In the ContiTech group sector, ContiTech Global Holding Netherlands B.V., Maastricht, Netherlands, acquired 100% of the shares in Printing Solutions Sweden Holding AB, Trelleborg, Sweden. This increased operating assets by €162.0 million. A further share deal in 2023 and final purchase price allocations for share deals in 2022 added €6.7 million to operating assets in the ContiTech group sector.

Exchange-rate effects decreased the total operating assets of the ContiTech group sector by €48.5 million in the reporting year (PY: increase of €57.1 million).

Average operating assets in the ContiTech group sector rose by €8.6 million compared with fiscal 2022 to €3,284.4 million (PY: €3,275.8 million).

Capital expenditure (additions)
Additions in the ContiTech group sector increased by €9.9 million year-on-year to €209.6 million (PY: €199.8 million). The capital expenditure ratio was 3.1% (PY: 3.0%).

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

There were major additions related to the expansion of production capacity in selected growth markets for the Surface Solutions, Mobile Fluid Systems, Conveying Solutions and Power Transmission Group business areas. In addition, investments were made in all business areas to optimize existing production processes.

Employees
The number of employees in the ContiTech group sector rose by 151 to 41,949 as at December 31, 2023 (PY: 41,798). This was mainly attributable to the acquisition of Printing Solutions Sweden Holding AB, Trelleborg, Sweden, while adjustments to production volumes had an offsetting effect.

Contract Manufacturing

- Sales down 23.0%
- Sales down 24.5% before changes in the scope of consolidation and exchange-rate effects
- Adjusted EBIT up 177.3%

Contract Manufacturing in € millions	**2023**	2022	Δ in %
Sales	512.4	665.6	-23.0
EBITDA	28.9	44.7	-35.4
in % of sales	5.6	6.7	
EBIT	5.1	9.5	-46.0
in % of sales	1.0	1.4	
Research and development expenses (net)[1]	0.0	0.1	-37.4
in % of sales[1]	0.0	0.0	
Depreciation and amortization[2]	23.8	35.2	-32.5
thereof impairment[3]	0.3	0.0	1,254.0
Capital expenditure[4]	6.7	9.9	-32.5
in % of sales	1.3	1.5	
Operating assets as December 31	395.6	531.2	-25.5
Operating assets (average)	459.7	635.2	-27.6
ROCE in %	1.1	1.5	
Number of employees as at December 31[5]	1,478	2,192	-32.6
Adjusted sales[6]	512.4	665.6	-23.0
Adjusted operating result (adjusted EBIT)[7]	8.0	2.9	177.3
in % of adjusted sales	1.6	0.4	

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

Structure

The contract manufacturing of products by Continental companies for Vitesco Technologies is consolidated in the Contract Manufacturing group sector (1% of consolidated sales). This contract manufacturing is not intended to be a permanent situation; rather, the operational separation of production will continue to be promoted and the volume of contract manufacturing reduced. Contract Manufacturing includes one business area:

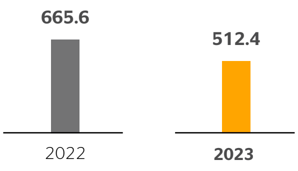
- Contract Manufacturing

Business and sales performance

Sales volumes in the Contract Manufacturing group sector decreased year-on-year in 2023. This corresponds to the contractually agreed procedure between Continental and Vitesco Technologies.

Sales decreased by 23.0% year-on-year to €512.4 million (PY: €665.6 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 24.5%.

Sales € millions



Adjusted EBIT

Adjusted EBIT for the Contract Manufacturing group sector increased by €5.1 million or 177.3% year-on-year in 2023 to €8.0 million (PY: €2.9 million), corresponding to a margin of 1.6% (PY: 0.4%) of adjusted sales.

EBIT

The Contract Manufacturing group sector reported a year-on-year decrease in EBIT of €4.4 million or 46.0% to €5.1 million in 2023 (PY: €9.5 million). The return on sales fell to 1.0% (PY: 1.4%).

For the Contract Manufacturing group sector, total consolidated expense from special effects in 2023 amounted to €2.9 million (PY: income of €6.6 million). For further details, please see our comments on pages 66 and 67 regarding the special effects in 2023 and 2022.

The ROCE was 1.1% (PY: 1.5%).

Procurement

Procurement in the Contract Manufacturing group sector was characterized by a stabilized supply chain, notwithstanding some isolated shortages. Production capacities at suppliers were adjusted to annual requirements, and prices followed the general market trend. Due to the contractual arrangements with Vitesco Technologies, all price changes in the purchasing volume are passed on to Vitesco Technologies on a quarterly basis and therefore have no influence on the operating result of the Contract Manufacturing group sector.

Depreciation and amortization

Depreciation and amortization fell by €11.5 million compared with fiscal 2022 to €23.8 million (PY: €35.2 million) and amounted to 4.6% (PY: 5.3%) of sales. It included impairment totaling €0.3 million in 2023 (PY: €0.0 million).

Operating assets

Operating assets in the Contract Manufacturing group sector decreased by €135.6 million year-on-year to €395.6 million (PY: €531.2 million) as at December 31, 2023.

Working capital was down €84.7 million at €354.2 million (PY: €439.0 million). Inventories decreased by €34.6 million to €48.9 million (PY: €83.5 million). Operating receivables fell by €121.0 million to €389.9 million (PY: €511.0 million) as at the reporting date. Operating liabilities were down €70.9 million at €84.6 million (PY: €155.5 million).

Non-current operating assets were down €60.8 million year-on-year at €88.5 million (PY: €149.3 million). At €87.9 million, property, plant and equipment were €60.0 million below the previous year's level of €147.9 million. Other intangible assets fell by €0.5 million to €0.4 million (PY: €0.9 million).

Exchange-rate effects increased the total operating assets of the Contract Manufacturing group sector by €10.8 million in the reporting year (PY: decrease of €1.2 million).

Average operating assets in the Contract Manufacturing group sector fell by €175.5 million compared with fiscal 2022 to €459.7 million (PY: €635.2 million).

Capital expenditure (additions)

Additions in the Contract Manufacturing business area decreased by €3.2 million year-on-year to €6.7 million (PY: €9.9 million). The capital expenditure ratio was 1.3% (PY: 1.5%).

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

Employees

The number of employees in the Contract Manufacturing group sector fell by 714 compared with the previous year, totaling 1,478 as at December 31, 2023 (PY: 2,192).

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

The Continental Group's business and earnings performance in the reporting year was hampered by geopolitical uncertainties, persistent strains on the supply of semiconductors, negative exchange-rate effects and the impact of inflation and high costs for special freight. In the opinion of the Executive Board, Continental achieved a solid result in this challenging macroeconomic environment. The Continental Group's consolidated sales amounted to €41.4 billion in 2023 (PY: €39.4 billion), and the adjusted EBIT margin stood at 6.1% (PY: 4.9%). Adjusted free cash flow improved significantly to €1.3 billion (PY: €0.2 billion), which was slightly above the targeted range. This was attributable to the operational improvement in earnings and lower inventories and receivables.

In the Automotive group sector, the significant ramp-up in automotive production coupled with the price adjustments introduced to compensate for cost inflation had a particularly positive impact on organic sales. The group sector also maintained its high order intake. EBIT also improved significantly, in particular due to greater production and supply chain efficiency stemming from a more stable supply of materials and high cost discipline. In addition, the prior-year figure was encumbered by impairment on goodwill and property, plant and equipment. Automotive posted sales of €20.3 billion (PY: €18.3 billion) and an adjusted EBIT margin of 1.9% (PY: -0.3%) in 2023. Before changes in the scope of consolidation and exchange-rate effects, the group sector increased its sales by 12.3%.

Negative exchange-rate effects and weak demand, particularly in the truck tire-replacement business and to a lesser extent the passenger car tire-replacement business in Europe and North America, curbed sales growth in the Tires group sector. Nevertheless, Tires achieved an adjusted EBIT margin of 13.5% (PY: 13.1%), driven by a high share of premium tires and a strong winter tire business in Europe. Sales were unchanged from the previous year at €14.0 billion (PY: €14.0 billion).

The ContiTech group sector embarked on a strategic realignment in May 2023 with the aim of improving customer and market proximity, enhancing efficiency and stepping up its focus on expanding its industrial business. As part of this realignment, ContiTech strengthened its industrial business through acquisitions. ContiTech also increased sales in organic terms by 3.7%. This improvement was due to the positive development in the automotive original-equipment business, which saw both increased volumes and favorable price adjustments to compensate for cost inflation. By contrast, the industrial and automotive replacement businesses recorded a slight decline year-on-year. These lower volumes were largely offset by adjusting prices. ContiTech kept performance stable overall in 2023, achieving sales of €6.8 billion (PY: €6.6 billion). The adjusted EBIT margin improved to 6.7% (PY: 4.7%). Contributing factors were improved overall prices, weaker inflation and mix effects in selected industrial sectors.

Business in the Contract Manufacturing group sector continued to decline in accordance with the contractually agreed procedure between Continental and Vitesco Technologies. Its sales amounted to €0.5 billion (PY: €0.7 billion) in 2023, and its adjusted EBIT margin was 1.6% (PY: 0.4%).

Continental AG – Short Version in Accordance with *HGB*

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

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

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

Total assets increased by €2,039.1 million year-on-year to €21,011.1 million (PY: €18,972.0 million). On the assets side, the change resulted primarily from the increase in receivables from affiliated companies of €1,933.9 million to €8,897.3 million (PY: €6,963.4 million) and the increase in cash and cash equivalents of €91.1 million to €372.3 million (PY: €281.2 million).

Investments rose by €10.7 million year-on-year to €11,375.4 million (PY: €11,364.7 million), thus corresponding to 54.1% of total assets (PY: 59.9%).

Property, plant and equipment increased by €21.4 million year-on-year to €263.6 million (PY: €242.2 million). This resulted primarily from additions as part of the construction of the new corporate headquarters in Hanover. The southern campus was completed in July 2023 and the northern campus in November 2023.

At €81.7 million (PY: €72.7 million), prepaid expenses and deferred charges were up €9.0 million. The increase resulted from higher year-on-year accruals for IT services and the accrual of expenses that occurred in connection with the issuance of two euro bonds in fiscal 2023.

Net assets and financial position of Continental AG	**December 31, 2023**	December 31, 2022
Assets in € millions		
Intangible assets	10.1	13.7
Property, plant and equipment	263.6	242.2
Investments	11,375.4	11,364.7
Non-current assets	**11,649.1**	**11,620.6**
Receivables and other assets	8,908.0	6,997.5
Cash and cash equivalents	372.3	281.2
Current assets	**9,280.3**	**7,278.7**
Prepaid expenses and deferred charges	**81.7**	**72.7**
Total assets	**21,011.1**	**18,972.0**
Shareholders' equity and liabilities in € millions		
Subscribed capital	512.0	512.0
Capital reserves	4,179.1	4,179.1
Revenue reserves	54.7	54.7
Accumulated profits brought forward from the previous year	2,834.9	2,151.5
Net income	–423.4	983.4
Shareholders' equity	**7,157.3**	**7,880.7**
Provisions	**880.5**	**788.6**
Liabilities	**12,973.3**	**10,302.7**
Total equity and liabilities	**21,011.1**	**18,972.0**
Gearing ratio in %	45.6	32.9
Equity ratio in %	34.1	41.5

On the equity and liabilities side, the change resulted primarily from the increase in liabilities to affiliated companies of €2,819.3 million and the increase in bonds of €424.7 million. This was partially offset by the €723.4 million decline in shareholders' equity and the €591.0 million decline in bank loans and overdrafts.

Bonds increased by €424.7 million year-on-year to €3,358.8 million (PY: €2,934.1 million). This was due to the issuance of two euro bonds in June and August 2023 with a total nominal volume of €1,250.0 million. A further euro bond with a nominal volume of €500.0 million was repaid in due time by Continental AG on September 12, 2023. As at the reporting date, Continental AG had not issued any commercial paper (PY: €349.5 million).

Bank loans and overdrafts decreased by €591.0 million to €565.3 million (PY: €1,156.3 million). This was primarily attributable to the revolving loan that had not been utilized as at the reporting date (PY: €300.0 million).

Liabilities to affiliated companies increased by €2,819.3 million year-on-year to €8,552.9 million (PY: €5,733.6 million). This was primarily attributable to the provision of loans and overnight deposits made available to Continental AG by its subsidiaries.

Other liabilities were comparable with the previous year, having declined by €1.7 million to €393.2 million (PY: €394.9 million).

Provisions rose by €91.9 million year-on-year to €880.5 million (PY: €788.6 million) due to the €33.7 million increase in tax provisions to €305.6 million (PY: €271.9 million), the €19.9 million increase in pension provisions to €383.6 million (PY: €363.7 million) and the €38.3 million increase in other provisions to €191.3 million (PY: €153.0 million).

Shareholders' equity decreased by €723.4 million to €7,157.3 million (PY: €7,880.7 million). This resulted from the net loss of €423.4 million generated in the fiscal year and the dividend distribution of €300.0 million carried out in fiscal 2023. The equity ratio decreased from 41.5% to 34.1%.

Sales for fiscal 2023 rose by €59.2 million to €337.0 million (PY: €277.8 million), primarily due to the increase in sales from corporate services.

Net investment income fell by €1,164.1 million year-on-year to €51.1 million (PY: €1,215.2 million). As in the previous year, it mainly consisted of profit and loss transfers from the subsidiaries. The income from profit transfers of €767.0 million (PY: €1,439.9 million) resulted in particular from Continental Caoutchouc-Export-GmbH, Hanover (€390.0 million) and from Formpolster GmbH, Hanover (€369.5 million). Expenses from the transfer of losses of €718.9 million were recorded in the fiscal year, which resulted entirely from the transfer of profits from Continental Automotive GmbH, Hanover.

The negative net interest result increased by €183.0 million year-on-year to €228.5 million in fiscal 2023 (PY: €45.5 million). This increase was primarily attributable to the global interest rate trend on the capital markets.

Interest expense rose by €209.2 million in the fiscal year to €362.0 million (PY: €152.8 million), with interest expenses to affiliated companies increasing by €125.5 million to €207.6 million (PY: €82.1 million). Furthermore, the euro bonds issued by Continental AG led to expenses of €74.8 million (PY: €28.9 million). The €45.9 million increase resulted primarily from the bond issued in the fourth quarter of 2022 with a nominal volume of €625.0 million and an interest rate of 3.625%, as well as the euro bonds issued in June 2023 with a nominal volume of €750.0 million and in August 2023 with a nominal volume of €500.0 million, both of which have a fixed interest rate of 4.000% p.a. A euro bond with a nominal volume of €500.0 million was repaid in due time by Continental AG on September 12, 2023. The bond had an interest rate of 0.000% p.a.

Interest income rose by €26.2 million in the fiscal year to €133.5 million (PY: €107.3 million). This was primarily due to interest income from affiliated companies.

Tax expenses of €22.6 million (PY: tax income of €148.4 million) resulted mainly from non-imputable withholding taxes for the income tax consolidation group of Continental AG as well as additions to the provision for income tax.

After taking income tax expense into account, Continental AG generated a net loss for the year of €423.4 million (PY: net income of €983.4 million). The after-tax return on equity was -5.9% (PY: 12.5%).

As announced at the 2023 Capital Market Day, Continental AG has adjusted its target range for dividend distribution to between 20% and 40% of net income attributable to the shareholders.

Taking into account the retained earnings brought forward from the previous year of €3,134.9 million and from the dividend distribution of €300.0 million, as well as the resulting accumulated profits of €2,834.9 million, retained earnings for fiscal 2023 amounted to €2,411.5 million. The Supervisory Board and Executive Board will propose to the Annual Shareholders' Meeting the payment of a dividend of €2.20 per share entitled to dividends. The total distribution is therefore €440,013,162.60 for 200,005,983 shares entitled to dividends. The remaining retained earnings are to be carried forward to new account.

We expect further income from profit and loss transfers and investment income from the subsidiaries within the scope of the holding activities of Continental AG in fiscal 2024. Furthermore, Continental AG will continue to provide a financing function for its subsidiaries.

Earnings position of Continental AG in € millions	**2023**	2022
Sales	337.0	277.8
Cost of sales	–325.6	–267.2
Gross margin on sales	**11.4**	**10.6**
Administrative expenses	–213.4	–213.1
Other operating income	101.8	37.9
Other operating expenses	–124.5	–161.4
Net investment income	51.1	1,215.2
Income from other securities and long-term loans	1.3	0.5
Amortization of investments and of securities under current assets	–	–9.2
Net interest result	–228.5	–45.5
Result from activities	**–400.8**	**835.0**
Income tax expense	–22.6	148.4
Net income	**–423.4**	**983.4**
Accumulated profits brought forward from the previous year	2,834.9	2,151.5
Retained earnings	**2,411.5**	**3,134.9**

Other Information

Dependent Company Report

Final declaration from the Executive Board's report on relations with affiliated companies pursuant to Section 312 of the German Stock Corporation Act *(Aktiengesetz – AktG)*
In fiscal 2023, Continental AG was a dependent company of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, as defined under Section 312 *AktG*. In line with Section 312 (1) *AktG*, the Executive Board of Continental AG has prepared a report on relations with affiliated companies, which contains the following final declaration:

"We declare that the company received an appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies from January 1 to December 31, 2023, under the circumstances known to us at the time the transactions were made or the measures taken or not taken. To the extent the company suffered any detriment thereby, the company was granted the right to an appropriate compensation before the end of the 2023 fiscal year. The company did not suffer any detriment because of taking or refraining from measures."

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

1. Composition of issued capital
As of the end of the reporting period, the issued capital of the company amounted to €512,015,316.48 and is divided into 200,005,983 no-par-value shares. These shares of Continental AG are, without exception, common shares; different classes of shares have not been issued and have not been provided for in the Articles of Incorporation. Each share bears voting and dividend rights from the time it is issued. Each share entitles the holder to one vote at a Shareholders' Meeting (Article 20 (1) of the Articles of Incorporation). There are no shares with privileges.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) The bonds issued by Continental AG in September 2019 at a nominal amount of €600 million, in October 2019 at a nominal amount of €100 million, in May 2020 at a nominal amount of €750 million, in November 2022 at a nominal amount of €625 million, in June 2023 at a nominal amount of €750 million and in August 2023 at a nominal amount of €500 million, as well as the bond issued by a subsidiary of Continental AG, Conti-Gummi Finance B.V., in June 2020 at a nominal amount of €625 million, entitle each bondholder to demand that the respective issuer redeem or acquire the bonds held by the bondholder at a price established in the bond conditions in the event of a change of control at Continental AG. The bond conditions define a change of control as the sale of all or substantially all of the company's assets to third parties that are not affiliated with the company, or as one person or several persons acting in concert, pursuant to Section 2 (5) of the German Takeover Act *(Wertpapiererwerbs- und Übernahmegesetz – WpÜG)*, holding more than 50% of the voting rights in Continental AG by means of acquisition or as a result of a merger or other form of combination with the participation of Continental AG.

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

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

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

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

Remuneration of the Executive Board

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

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

The corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code *(Handelsgesetzbuch – HGB)* is available to our shareholders on Continental's website under Company/Corporate Governance/Principles and Declarations. Please also refer to the corporate governance statement pursuant to Sections 289f and 315d *HGB* starting on page 16 of this annual report.

Report on Risks and Opportunities

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

As an integral part of the corporate strategy, Continental's risk strategy is aligned with the company's strategic objectives and is currently being further formalized and developed. It aims to create long-term value while also taking into account the differentiation between the individual group sectors. We evaluate risks and opportunities continually and responsibly to achieve our goal of adding value.

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

Continental's Internal Control and Risk Management System

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

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

Main characteristics of the internal control system

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness, efficiency and propriety of all processes and compliance with the relevant legal and sub-legislative regulations, Continental has established an internal control system that encompasses all relevant business processes. Certain aspects of sustainability are also considered and continuously further developed in compliance with the regulatory framework. The management and monitoring of the internal control system are currently being incorporated into a holistic ICS governance system.

The Governance, Risk and Compliance (GRC) Committee, chaired by the Executive Board member responsible for Integrity and Law and the Executive Board member responsible for Finance, Controlling and IT, is responsible for monitoring the internal control system and the risk management system and – as part of these systems – the compliance management system.

Key elements of the corporate-wide internal control system are the clear allocation of responsibilities and system-inherent controls in the respective process flows. The two-person rule and separation of functions are fundamental principles of this organization. Continental's management also issues guidelines to ensure that all business processes are conducted in an economical, orderly and legally compliant manner. Guidelines specific to the Continental Group and to its individual group sectors are managed centrally in the "House of Rules" and are thus available to all Continental employees.

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

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

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

The compliance management system plays an important role within the second line of defense by helping to prevent, detect and respond to compliance violations. The Group Compliance group function is responsible for the compliance management system.

The chief compliance officer reports directly to the Executive Board member responsible for Integrity and Law. The work done by Group Compliance focuses mainly on preventing and detecting corruption, fraud and other property offenses, violations of antitrust and competition law and money laundering; implementing data protection; and responding to compliance violations. For other legal areas in which there is a risk of compliance violations – such as taxes, customs, sanctions and export controls, and quality/technical compliance – responsibility for appropriate and effective compliance management lies with the respective functions, which are supported in these tasks by Group Compliance.

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

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

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

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

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

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

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

When it comes to preventing violations in the area of technical compliance, responsibility lies with the Group Quality, Technical Compliance, CBS and Environment group function, supported by the central functions within the group sectors. The technical compliance policy as well as the technical compliance management system manual and other procedural standards set out how the compliance management system is designed and implemented.

A network of supporting roles in the various functions within the group sectors, business areas, segments and sites is being devised and expanded on an ongoing basis in order to support the identification of risks and other technical compliance considerations.

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

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

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

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

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

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

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

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

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

At the corporate level, the responsibilities of the GRC Committee include identifying material risks for the Continental Group, based on a multi-stage reporting process, as well as complying with and implementing the GRC policy. The GRC Committee regularly informs the Executive Board and the Audit Committee of the Supervisory Board of the material risks, any weaknesses in the control system and measures taken. Moreover, the auditor is required to report to the Audit Committee of the Supervisory Board regarding any material weaknesses in the Financial Reporting ICS which they have identified as part of their audit activities.

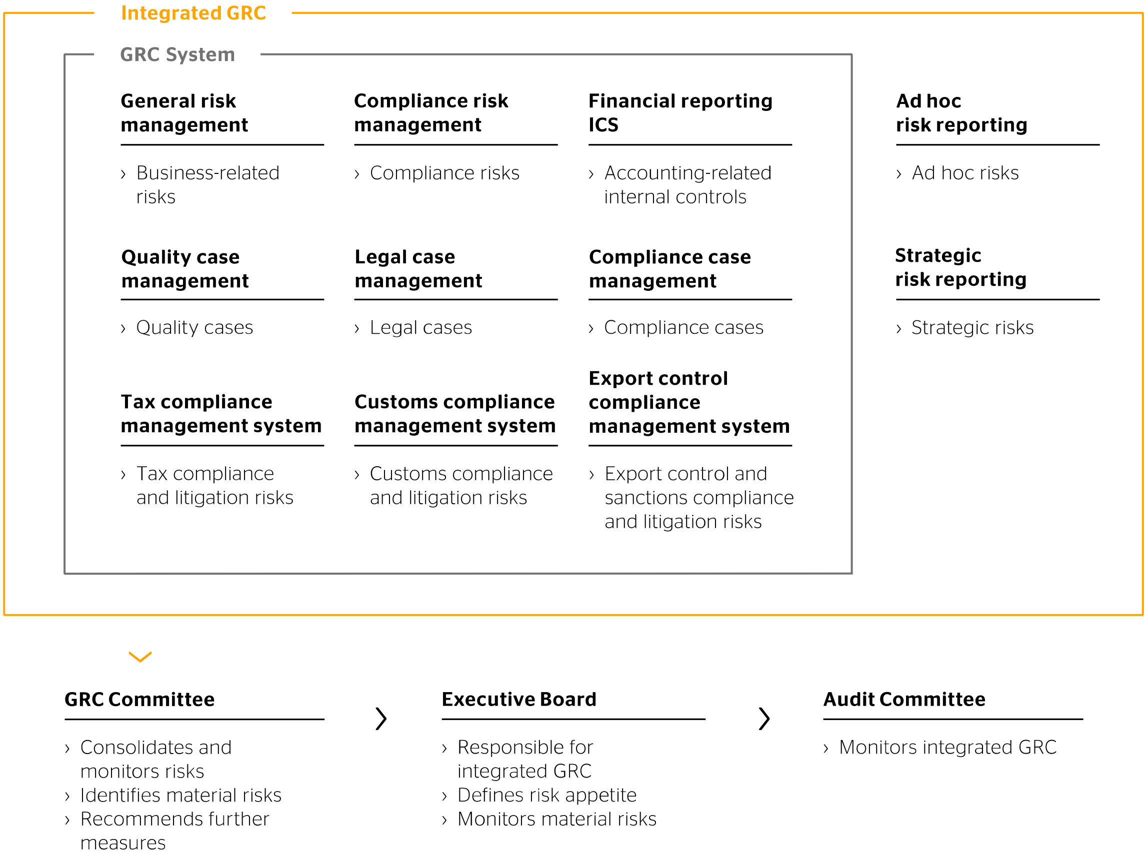
A period under consideration of one year is always applied when evaluating risks and opportunities. Risks and their effects are assessed using an end-to-end gross and net assessment methodology that helps to identify the impact of risk mitigation measures. Risks are assessed primarily according to quantitative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

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

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

The risk inventory, aggregated using a Monte Carlo simulation, is compared with the risk-bearing capacity determined on the reporting date, taking into account possible interactions and quantitative assumptions on qualitatively assessed risks, and is supplemented by a qualitative assessment by the GRC Committee on overarching non-quantifiable risks in order to derive a statement on the potential risk to the Continental Group.

Risk reporting



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

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

In the reporting year, Continental redesigned its process for identifying and reporting strategic risks and began implementing these procedures in the established GRC process. Any new material risks arising ad hoc between regular reporting dates have to be reported immediately and considered by the GRC Committee. These also include risks identified in the audits performed by group functions.

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

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

Appropriateness and effectiveness of the internal control and risk management system
The Executive Board based its assessment of the appropriateness and effectiveness of the internal control and risk management system on the findings from routine internal reporting, but in particular also on function-specific statements on the internal control and risk management system as well as an assessment of these by Group Internal Audit, which were consolidated into an overall statement by the GRC Committee. These statements, together with the overall statement by the GRC Committee, are intended to offer an overview of key activities and controls that have been implemented, summarize measures for reviewing appropriateness and effectiveness, and indicate critical weaknesses in the control system as well as any related improvement measures.

The function-specific statements, collected on the basis of a risk-oriented selection process, included various aspects in accordance with the implemented Three Lines model. In the first line, documented processes and controls were checked with respect to whether these were in place and had been implemented, as was any communication relating to these elements. Responsibility for guidelines and process flows lies in particular with the second line, which – within the scope of the review of the appropriateness and effectiveness of the internal control and risk management system, including the compliance management system – is generally also satisfied with respect to the status of implementation of the regulations, based on random checks as well as the processing of external supporting documentation such as certification in line with the International Organization for Standardization (ISO), the Trusted Information Security Assessment Exchange (TISAX) and the International Automotive Task Force (IATF). These not only reinforce compliance with regulatory provisions, but also underscore the appropriate and effective operation of systems implemented at Continental in accordance with industry standards. Monitoring the internal control system and risk management system is one of the core tasks of Group Internal Audit, the third line. As part of its audits, Group Internal Audit assesses the implementation of risk-control measures and internal controls, conducted with the help of recognized standards and methods. Deviations and weaknesses noted are summarized in a report for the relevant persons responsible, and any improvement measures initiated. Significant risks and potential improvements to internal controls are presented as part of the reporting to the Executive Board and the Audit Committee. The implementation by management of the measures recommended in the course of audits is also monitored by Group Internal Audit and reported to the Executive Board and the Audit Committee.

The internal control and risk management system, including the compliance management system, of Continental AG is undergoing a continuous process of improvement in order to expand existing processes and controls and meet new regulatory challenges. Currently, this mainly includes implementing a technical compliance management system and improving IT governance and data compliance. In addition, the global reorganization of the customs and export control functions is currently being driven forward and transferred to a comprehensive compliance management system. In a cross-domain project, work is also being done on a reinforced integrative approach and expansion of the governance functions.

Based on the statements from the respective functional areas, the assessment of these by Group Internal Audit and the consolidated overall statement by the GRC Committee, no matters have come to the Executive Board's attention that would suggest that the internal control and risk management system, including the compliance management system, was inappropriate or ineffective in all material respects in fiscal 2023.

Nevertheless, there are inherent limitations to any internal control or risk management system, including the compliance management system. Even a system considered appropriate and effective does not offer any guarantee that all risks or violations that have actually occurred will be uncovered in advance or that any process disruptions can be entirely ruled out.

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

Material Risks

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

Financial Risks

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

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

The requirements for and consequences of a change in control in accordance with the terms of the bonds or the syndicated loan agreement are described in detail in the Additional Disclosures and Notes Pursuant to Sections 289a and 315a *HGB* section on pages 90 and 91. The loans and bonds cited here could also immediately become due and payable if other financing agreements of more than €75.0 million are not repaid on time or are prematurely called for repayment. Continental continuously monitors compliance with the applicable conditions.

The committed volume of the syndicated loan consists of a revolving tranche of €4.0 billion (due in December 2026). As at the end of fiscal 2023, €316.3 million of the revolving tranche had been utilized.

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

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

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

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

Continental is exposed to default risks in connection with cash and cash equivalents, derivative instruments and interest-bearing investments.
In order to minimize the default risk for cash and cash equivalents, derivative instruments and interest-bearing investments, Continental generally uses banks that it has classified as core banks on the basis of defined criteria. As a general rule, these banks should have at least one investment-grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the core banks – and of other banks with which investments are made, loans are granted or derivative instruments are traded in derogation from the core bank principle for operational or regulatory reasons – is continuously monitored. Not only the credit ratings but also in particular the premiums for insuring against credit default risks (credit default swaps, CDSs) are

monitored, provided this information is available. In addition, Continental sets investment limits for each bank and trading limits for derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. Within the internally defined risk groups, the cash and cash equivalents, interest-bearing investments and positive (net) fair values of derivative instruments held at banks assigned to a higher risk group range from €100 million to €200 million.

Risks Related to the Markets in which Continental Operates

Continental could be exposed to material risks in connection with a global financial and economic crisis.
With a 64% share of consolidated sales, the automotive industry – with the exception of the replacement business – is Continental's most important customer group. The remainder of its sales are generated from the replacement or industrial markets, mainly in the replacement markets for passenger-car and truck tires and to a lesser extent in the non-automotive end markets of the other group sectors.

The automotive markets recovered in the year under review, despite the ongoing high level of geopolitical and macroeconomic uncertainty. Should this revival not last in the long term or be dampened by a general economic downturn, it would likely adversely affect Continental's sales and earnings.

In the year under review, Continental's five largest OEM customers (BMW, Ford, Mercedes-Benz, Stellantis and VW) generated approximately 34% of sales. If one or more of Continental's OEM customers is lost or terminates a supply contract prematurely, the original investments made by Continental to provide such products or outstanding claims against such customers could be wholly or partially lost.

Moreover, Continental generated 48% of its 2023 total sales in Europe and 19% in Germany alone. By comparison, 27% of Continental's total sales in 2023 were generated in North America, 21% in Asia-Pacific and 4% in other countries. Therefore, in the event of an economic downturn in Europe, particularly in Germany, for example, Continental's business and earnings situation could be affected more extensively than that of its competitors. Furthermore, the automotive and tire markets in Europe and North America are largely saturated. To minimize this dependence, Continental is striving to improve its regional sales balance, particularly by generating more sales in emerging markets and especially in Asia.

Based on a scenario analysis that assumes a 10% decline in sales volume in 2024 compared with planning assumptions, and taking into account measures required as a result, we anticipate a possible decline of around 3 percentage points in the adjusted EBIT margin.

Continental operates in a cyclical industry.
With a 64% share of consolidated sales, the automotive industry – with the exception of the replacement business – is Continental's most important customer group. Global production of vehicles and, as a result, sales to OEMs are subjected to major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income and household consumer spending and preferences, which can be affected by a number of factors, including fuel costs as well as the availability and cost of consumer financing. As the volume of automotive production fluctuates, the demand for Continental's products also fluctuates, as OEMs generally do not commit to purchasing minimum quantities from their suppliers or to fixed prices. It is difficult to predict future developments in the markets Continental serves, which also makes it harder to estimate the requirements for production capacity. As Continental's business is characterized by high fixed costs, it is thus exposed to the risk that fixed costs are not fully covered in the event of falling demand and the resulting underutilization of its facilities (particularly in Automotive). Conversely, should the markets in which Continental operates once again grow faster than anticipated, there could be insufficient capacity to meet customer demand. To reduce the impact of the potential risk resulting from this dependence on the automotive industry, Continental is strengthening its replacement business and industrial business, including by means of acquisitions.

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

Continental is exposed to fluctuations in the prices of raw materials and electronic components as well as the risk of rising logistics costs.
For the Automotive group sector, higher prices for raw materials and electronic components in particular can result in cost increases. The Tires and ContiTech group sectors mainly use natural and synthetic rubber as well as oil-based raw materials. The prices for these raw materials and components are exposed to sometimes considerable fluctuations worldwide, although the situation on the raw materials markets has eased compared with the previous year. At present, Continental does not actively hedge against the risk of rising prices of electronic components or raw materials by using derivative instruments. In addition, increases in logistics costs can occur, for example due to the armed conflicts around the Red Sea and the resulting changes to transportation routes. If the company is not able to compensate for the increased costs or to pass them on to customers, these price increases could reduce Continental's earnings by €100 million to €200 million.

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

Risks Related to Continental's Business Operations

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

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

During a cyberattack that was discovered in August 2022, attackers infiltrated parts of Continental's IT systems and copied several terabytes of data before the attack could be stopped. Continental subsequently received ransom demands from the alleged attackers, who threatened to publish the copied data. Continental did not respond to the demands. The hacker group published a list of the data that it claimed to have in its possession. With the support of external cybersecurity experts, Continental is conducting an investigation into the incident and the data affected. Rights to information and claims for damages are also being asserted, both in and out of court. The number of legal proceedings in connection with this incident is currently still manageable. The possibility that further court proceedings could follow cannot be ruled out. No fines were imposed against Continental in the context of this cyberattack. Continental's business activities were not affected by the attack at any point, and Continental maintains full control over its IT systems.

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

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

Continental is exposed to risks in connection with its pension commitments.
Continental provides defined benefit pension plans in Germany, the USA, the UK and certain other countries. As at December 31, 2023, the pension obligations amounted to €5,646.0 million. These existing obligations are financed predominantly through externally invested pension plan assets. In 2006, Continental established legally independent trust funds under contractual trust arrangements (CTAs) for the funding of pension obligations of certain subsidiaries in Germany. In 2007, Continental assumed additional CTAs in connection with the acquisition of Siemens VDO. As at December 31, 2023, Continental's net pension obligations (defined benefit obligations less the fair value of plan assets) amounted to €2,580.4 million.

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

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

If the discount rates used to calculate net pension obligations were to decrease by 0.5 percentage points at the end of the year, all other things being equal, this would lead to a rise in net pension obligations of anywhere from €400 million to €500 million, which could not be reduced by taking measures to minimize risk. However, this would not affect EBIT.

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

The quantifiable risks from warranty and product liability claims as at December 31, 2023, taking into account provisions, amounted to around €100 million.

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

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

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

Legal, Tax and Environmental Risks

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

In May 2005, the Brazilian competition authorities opened investigations against Continental's Brazilian subsidiary Continental Brasil Industria Automotiva Ltda., Guarulhos, Brazil (CBIA), following a complaint of anticompetitive behavior in the area of commercialization of tachographs. On August 18, 2010, the Brazilian antitrust authorities determined an "invitation to cartel" and imposed a fine of BRL 12 million (around €2.2 million) on CBIA, which was then reduced to BRL 10.8 million (around €2.0 million). CBIA denies the accusation that it has infringed Brazilian antitrust law. Although the court of first instance appealed to by CBIA upheld the decision, on CBIA's further appeal the next higher court annulled this decision and remanded the matter. In February 2023, the court of first instance rendered a verdict against CBIA and lifted the ban on the enforcement of the financial penalty against CBIA (at that time an amount of BRL 34.2 million [around €6.5 million]). CBIA filed a motion for clarification requesting that the preliminary injunction against enforcement remain in full force up until a final and unappealable ruling is made. This motion was denied, and CBIA filed an appeal against this decision. 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 €22.5 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 €3.6 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 €4.5 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. Mercedes-Benz Group AG 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 April 2023, several companies of the Stellantis Group as well as several companies of the Renault Group filed a civil lawsuit in each case against Continental AG and three other companies of the Continental Group before the High Court in London, United Kingdom. Both the Stellantis Group and the Renault Group are yet to attach any specific amount to their claims, and these are also yet to be delivered to Continental. 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. Continental considers it possible that this proceeding will end with a fine. 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 former employees as well as former board members of Continental AG suspected of committing criminal acts and breaches of supervisory duties in connection with the development and use of illegal defeat devices in diesel and gasoline engines of multiple automotive manufacturers as well as in connection with the subsequent investigation of these actions, and as part of these proceedings has conducted multiple searches at locations of Continental AG and individual companies of the Continental Group. Continental AG and individual companies of the Continental Group are ancillary parties to these proceedings. The investigations concern activities of the former Powertrain business area that were transferred within the scope of the spin-off to Vitesco Technologies Group AG, Regensburg, Germany, and its subsidiaries in 2021.

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 continuing to cooperate 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 of fines arising from the proceedings conducted by the public prosecutor's office in Hanover, a provision amounting to a high eight-figure sum had been set aside as at December 31, 2023.

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.

As part of industry-wide searches, the European Commission began conducting a search of the premises of Continental AG on January 30, 2024, due to alleged antitrust violations. On the same day, Germany's Federal Cartel Office (Bundeskartellamt) searched the premises of TON Tyres Over Night Trading GmbH, Schondra-Schildeck, Germany, a subsidiary of Continental, also due to alleged industry-wide antitrust violations. Both proceedings are at a very early stage. Continental is therefore unable to reliably predict in any way what the outcome of these proceedings will be. In the event that Continental is responsible for any such violation, the European Commission and the Bundeskartellamt could each impose substantial fines. Furthermore, customers allegedly affected by the alleged exchange of information could claim for damages. In this context, class action lawsuits have already been filed in the USA and Canada against Continental and other tire manufacturers. Continental has not yet been served with the lawsuits.

There is a risk that Continental could infringe on the industrial property rights of third parties.
There is a risk that Continental could infringe on the industrial property rights of third parties, since its competitors, suppliers and customers also submit a large number of inventions for industrial property protection. It is not always possible to determine with certainty whether there are effective and enforceable third-party industrial property rights to certain processes, methods or applications. Therefore, third parties could assert claims (including illegitimate ones) of alleged infringements of industrial property rights against Continental. As a result, Continental could be required to cease manufacturing, using or marketing the relevant technologies or products in certain countries, or be forced to make changes to manufacturing processes and/or products. In addition, Continental could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties.

Continental, for example, supplies telecommunication modules that transmit vehicle data, enable voice and internet functionality, and are compatible with cellular communication standards. In this respect, there is a risk that Continental or its suppliers may be denied their own direct license to use patents relating to these standards (standard essential patents), especially in the field of telecommunications standards such as 3G, 4G or 5G, and that Continental may become dependent on licenses and the conditions under which they are granted to customers. In addition, Continental is subject to efforts by its customers to change contract terms and conditions concerning the participation in disputes regarding alleged infringements of intellectual property rights. Continental has formed provisions to cover the risks in this regard. In accordance with IAS 37.92 and GAS 20.154, no further disclosures will be made so as not to adversely affect the company's interests.

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

Continental is exposed to risks from legal disputes.
Companies from the Continental Group are involved in a number of legal and arbitration proceedings and could become involved in other such proceedings in the future. These proceedings could involve substantial claims for damages or payments, particularly in the USA. For more information on legal disputes, see Note 36 of the notes to the consolidated financial statements.

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

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

Continental could be exposed to tax risks in connection with previous assessment periods.
Continental AG and its subsidiaries operate worldwide and are continuously audited by local tax authorities. Tax estimates made for the financial statements may differ from how these are interpreted by the tax authorities, for example because of changes to tax legislation and the development of case law. Tax risks arise in particular from the valuation of cross-border, intercompany deliveries and services (transfer prices). Through organizational measures, such as monitoring transfer prices and where necessary carrying out bilateral appeals procedures, Continental AG monitors and controls the development of taxation risks and their impact on the consolidated financial statements. Tax processes are continuously adapted to new tax laws and changes to case law.

During the reporting period, Italian tax authorities opened criminal tax investigations into three Italian companies of the Continental Group. The investigations relate to a possible failure by the units concerned to comply with reporting and declaration requirements vis-à-vis the Italian tax authorities. Financial charges in the form of back taxes, penalties and fines as well as interest payments are not implausible. Due to the complexity of the facts presented by the Italian authorities and the early stage of the investigations, it is not possible to reliably estimate the possible financial charges.

Material Opportunities

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

There are opportunities for Continental if the economy performs better than anticipated.
If the economy in our major sales regions develops better than we have anticipated, we expect that demand for vehicles, replacement tires and industrial products will also develop better than we have anticipated. Due to the increased demand for Continental's products among vehicle manufacturers and industrial clients and in the replacement business that would be expected as a consequence, our sales could rise more significantly than expected and there could be positive effects with regard to fixed cost coverage. Particular importance is attached to the European market due to the high share of sales that Continental generates in this region (48%).

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

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

There are opportunities for Continental from strategic partnerships, particularly in the Automotive group sector.
Continental is increasingly focusing on strategic partnerships in order to shape the transformation in the automotive sector as efficiently as possible. The latest examples of this are the strategic partnerships with the technology companies Ambarella and Aurora. Such partnerships allow the companies involved to contribute their expertise and optimize research and development costs, for example. In addition, the strengths of each company can help ensure a higher level of innovation and agility when launching products. Cost optimization and an improved competitive position – thanks to faster time to market, for example – present Continental with opportunities.

The digitalization of vehicles and the services generated as a result present Continental with opportunities.
The massive amounts of data generated by driver assistance systems and driver information systems as well as the immediate processing of this data in vehicles require switching the vehicle architecture to the most cutting-edge high-performance computers. This – together with the new software solutions required for this purpose – results in substantial growth potential for Continental with positive effects on its future sales and attainable margins. Furthermore, the increasing digitalization of our products gives us the opportunity to offer our customers software-based services and regular software updates in addition to the product itself, and to open up new markets for mobility services. The implementation of generative AI can also lead to growth opportunities and faster time to market for new Continental products (e.g. partnership with Google Cloud; see the Research and Development section).

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

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

Digitalization and sustainability in the industrial business present Continental with opportunities.
The growth potential results primarily from the increasing demand for sustainable as well as digital and intelligent solutions in the industrial business. In this regard, the ContiTech group sector draws on its long-standing and detailed knowledge of the industry and materials to open up new business opportunities. Various materials are thus combined with electronic components and individual services. Continental also shows, for example, how future mobile interiors might look (e.g. SPACE D design concept; see the Research and Development section). If these new products become established more quickly than planned, this would create corresponding sales and earnings opportunities for Continental.

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

Statement on Overall Risk and Opportunities Situation

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

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

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

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

Report on Expected Developments
Future General Conditions

Forecast of Macroeconomic Development

In its World Economic Outlook Update (WEO Update) of January 2024, the International Monetary Fund (IMF) expects the global economy to grow by 3.1% in 2024. Its forecast of growth on a par with that of 2023 reflects the expectation that inflation will continue to fall in an overall robust global economy. The IMF considers the opportunities and risks with respect to this assumption to be broadly balanced.

In Europe, according to the IMF, falling inflation and more stable energy prices are expected to lead to a slight recovery in consumer demand and a year-on-year rise in real incomes in 2024. For the eurozone, the IMF expects gross domestic product (GDP) to rise by 0.9% in 2024, with GDP for Germany expected to grow by 0.5%. For the UK, it expects GDP to rise by 0.6% based on a similar trend.

For the USA, the IMF predicts a slowdown in GDP growth to 2.1% in 2024, citing as main reasons the Federal Reserve's monetary and fiscal policy and a softening labor market.

Japan's economy is expected to return to lower growth rates in 2024, after the previous year's growth was significantly influenced by one-off effects. The IMF expects Japan's GDP to grow by 0.9% in 2024.

For India, the IMF forecasts a high GDP growth rate of 6.5% in 2024. Continued strong development is also expected in China as a result of fiscal policy support, with the IMF currently estimating GDP growth of 4.6%.

In other emerging and developing economies, the IMF mostly expects a slowdown in economic development in 2024. In Brazil and Russia, for example, the IMF anticipates a rise in GDP of 1.7% and 2.6%, respectively.

The IMF's forecast is based on assumptions that commodity prices will decline in 2024 and that interest rates will decline in major economies.

The IMF also points toward a number of opportunities and risks. Faster disinflation could have a positive effect, as could stronger structural reform momentum. Significant risks from the IMF's perspective include commodity price spikes, given the tense geopolitical situation, disruptions in the global supply chain and a slower-than-expected decline in inflation. A worsening of the crisis in the Chinese real estate sector and cuts to global public spending could also lead to lower growth.

Forecast for Key Customer Sectors and Sales Regions

Forecast for production of passenger cars and light commercial vehicles

We currently expect the global production of passenger cars and light commercial vehicles weighing less than 6 metric tons to be roughly on a par with the previous year and develop by -1% to 1%.

In the first half of 2024, we expect a global production volume of around 44 million units, which should improve slightly in the second half of the year, particularly due to the momentum of the Chinese market.

However, this outlook is subject to uncertainty due to the tense geopolitical situation and the uncertain development of demand, particularly in Europe.

Changes to vehicle production, the tire-replacement business and industrial production in 2024 (compared with 2023)

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

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

Medium and heavy commercial vehicles	Vehicle production	Tire-replacement business
Europe	-9% to -7%	-1% to 1%
North America	-6% to -4%	2% to 4%

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

In Europe, we anticipate a decline in the production of passenger cars and light commercial vehicles of 1% to 3% in 2024. In North America, however, we expect an increase in production of 0% to 2%. In China, we expect an increase in production volumes for passenger cars and light commercial vehicles of 1% to 3% in 2024.

Forecast for production of medium and heavy commercial vehicles
According to our estimates, the production of commercial vehicles weighing more than 6 metric tons in our core markets of Europe and North America will decline significantly in 2024 – in the range of -9% to -7% in Europe and -6% to -4% in North America.

Forecast for replacement-tire markets for passenger cars and light commercial vehicles
In 2024, we currently expect a slight recovery in demand for replacement tires for cars and light commercial vehicles weighing less than 6 metric tons in the range of 0% to 3%, following weak development in 2023.

Both in Europe and North America, we currently expect volumes to increase by 0% to 3%. In China, we expect a somewhat stronger recovery in demand of 2% to 5%.

Forecast for replacement-tire markets for medium and heavy commercial vehicles
In 2024, we currently expect demand for replacement tires for medium and heavy commercial vehicles in our core market of Europe to develop by -1% to 1%.

In North America, we currently expect a slightly stronger increase in demand of 2% to 4%.

Forecast for industrial production
In the eurozone, we currently expect industrial production to fall slightly by -2% to 0% in 2024 compared with the weak previous year.

In the USA, we expect industrial production to be on a par with the previous year.

In China, we expect a continued increase in industrial production of 4% to 6%.

Outlook for the Continental Group

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

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

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

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

Comparison of the past fiscal year against forecast
Our forecast for fiscal 2023, which we published in March 2023, was based on a continued recovery in the global production of passenger cars and light commercial vehicles, particularly in our core markets of Europe and North America.

Our expectations took into account the anticipated impact of ongoing supply shortages for semiconductors on production volumes in 2023.

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

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

- We expected the Continental Group to achieve sales in the range of around €42 billion to €45 billion and an adjusted EBIT margin of around 5.5% to 6.5%.

- We expected our Automotive group sector to achieve sales of around €20.5 billion to €21.5 billion. We expected the adjusted EBIT margin to be around 2% to 3%. This included higher costs for materials, wages and salaries as well as logistics of around €1 billion.

- We expected our Tires group sector to achieve sales of around €14.5 billion to €15.5 billion and an adjusted EBIT margin of around 12% to 13%. This included the expected negative impact from higher costs for wages and salaries as well as energy and logistics of around €400 million.

- We expected our ContiTech group sector to achieve sales of around €6.8 billion to €7.2 billion and an adjusted EBIT margin of around 6% to 7%. This included the expected negative impact from higher costs for materials, wages and salaries as well as energy of around €300 million.

- In the Contract Manufacturing group sector, we anticipated sales of around €400 million to €600 million and an adjusted EBIT margin of around 0%.

- As in the previous year, consolidated amortization from purchase price allocations was again expected to be below €150 million and affect mainly the Automotive and ContiTech group sectors.

- In addition, we expected negative special effects of around €150 million.

- In 2023, we expected the negative financial result to be around €350 million before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects.

- The tax rate was expected to be around 27%.

- The capital expenditure ratio was expected to be around 6% of sales in fiscal 2023.

- We were planning on adjusted free cash flow of approximately €0.8 billion to €1.2 billion.

The outlook remained unchanged in the quarterly statement for the first quarter of 2023.

In the half-year financial report, we adjusted our outlook for fiscal 2023 due to the following factors:

- We expected the global production of passenger cars and light commercials to increase by 3% to 5% year-on-year in 2023.

- For the tire-replacement business, we expected sales volumes to develop by -2% to 0%.

- Higher costs for materials, wages and salaries as well as energy and logistics – amounting to around €1.4 billion – were expected to weigh on our earnings position in fiscal 2023.

Assuming that, as the year progressed, exchange rates would not materially differ, the aforementioned factors meant that the following changes were made to the 2023 outlook:

- Consolidated sales were expected to be in the range of around €41.5 billion to €44.5 billion, and the adjusted EBIT margin was expected to be around 5.5% to 6.5%.

- For the Tires group sector, sales were expected to be around €14.0 billion to €15.0 billion, with an adjusted EBIT margin of around 12% to 13%. The adjusted EBIT margin range assumed higher costs year-on-year, primarily for wages and salaries, of around €200 million.

- We expected the ContiTech group sector to achieve sales of around €6.8 billion to €7.2 billion and an adjusted EBIT margin of around 6% to 7%. The adjusted EBIT margin range assumed a year-on-year increase in costs for materials, wages and salaries as well as energy of around €200 million.

- In addition, we expected negative special effects of around €350 million.

As before, we again pointed out the anticipated impact of ongoing supply shortages in some areas, particularly for semiconductors, on production volumes in 2023.

All other parts of the outlook remained unchanged.

In the quarterly statement for the third quarter of 2023, we adjusted the following estimates:

- For 2023, we expected production of passenger cars and light commercial vehicles to increase by 5% to 7% year-on-year.

- The industrial business showed signs of developing by -2% to 0% in the eurozone; in the USA we anticipated a figure of between -1% and +1% for the year as a whole; and in China we expected a recovery in demand of 4% to 6%.

With respect to the key financial figures, we made the following changes:

- Consolidated sales were expected to be in the range of around €41.0 billion to €43.0 billion, and the adjusted EBIT margin was expected to be around 5.5% to 6.5%.

- We expected our Automotive group sector to achieve sales of around €20.0 billion to €21.0 billion. We expected the adjusted EBIT margin to be around 2% to 3%. This included higher costs for materials, wages and salaries as well as logistics of around €1 billion.

- For the Tires group sector, sales were expected to be around €14.0 billion to €15.0 billion, with an adjusted EBIT margin of around 12.5% to 13.5%. The adjusted EBIT margin range assumed higher costs year-on-year, primarily for wages and salaries, of around €200 million.

All other parts of the outlook remained unchanged.

Owing to our operating performance in the fourth quarter, we achieved the adjusted expectations for fiscal 2023 as follows:

- The Continental Group generated sales of €41.4 billion and an adjusted EBIT margin of 6.1%.

- The Automotive group sector generated sales of €20.3 billion and an adjusted EBIT margin of 1.9% in 2023.

- The Tires group sector generated sales of €14.0 billion and an adjusted EBIT margin of 13.5%.

- The ContiTech group sector generated sales of €6.8 billion and an adjusted EBIT margin of 6.7%.

- The Contract Manufacturing group sector generated sales of €0.5 billion and an adjusted EBIT margin of 1.6%.

- Total consolidated expense from special effects amounted to €551.2 million in 2023.

- Amortization from purchase price allocations was €118.2 million.

- In the year under review, the negative financial result amounted to €316.0 million before effects from currency translation and before effects from changes in the fair value of derivative instruments, and other valuation effects.

- Income tax expense for fiscal 2023 amounted to tax expense of €424.1 million. The tax rate was 26.2%.

- The capital expenditure ratio was 5.9%.

- Adjusted free cash flow was €1,292.3 million in 2023 and therefore slightly above our forecast range of €0.8 billion to €1.2 billion in the quarterly statement for the third quarter of 2023.

Comparison of forecasts for the group sectors of Continental for fiscal 2023

	Automotive		Tires		ContiTech		Contract Manufacturing	
	Sales (€ billions)	Adjusted EBIT margin (%)	Sales (€ billions)	Adjusted EBIT margin (%)	Sales (€ billions)	Adjusted EBIT margin (%)	Sales (€ billions)	Adjusted EBIT margin (%)
Annual press conference on March 8, 2023	~ 20.5 – 21.5	~ 2 – 3	~ 14.5 – 15.5	~ 12 – 13	~ 6.8 – 7.2	~ 6 – 7	~ 0.4 – 0.6	~ 0
Half-year financial report as at August 9, 2023	~ 20.5 – 21.5	~ 2 – 3	~ 14.0 – 15.0	~ 12 – 13	~ 6.8 – 7.2	~ 6 – 7	~ 0.4 – 0.6	~ 0
Quarterly statement as at November 8, 2023	~ 20.0 – 21.0	~ 2 – 3	~ 14.0 – 15.0	~ 12.5 – 13.5	~ 6.8 – 7.2	~ 6 – 7	~ 0.4 – 0.6	~ 0
2023 annual report	**20.3**	**1.9**	**14.0**	**13.5**	**6.8**	**6.7**	**0.5**	**1.6**

Comparison of key forecast elements for the Continental Group for fiscal 2023

	Continental Group				
	Sales (€ billions)	Adjusted EBIT margin (%)	Special effects (€ billions)	Investments (in % of sales)	Adjusted free cash flow (€ billions)
Annual press conference on March 8, 2023	~ 42 – 45	~ 5.5 – 6.5	~ -0.15	~ 6	~ 0.8 – 1.2
Half-year financial report as at August 9, 2023	~ 41.5 – 44.5	~ 5.5 – 6.5	~ -0.35	~ 6	~ 0.8 – 1.2
Quarterly statement as at November 8, 2023	~ 41.0 – 43.0	~ 5.5 – 6.5	~ -0.35	~ 6	~ 0.8 – 1.2
2023 annual report	**41.4**	**6.1**	**-0.6**	**5.9**	**1.3**

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

Order situation

The order situation in our Automotive group sector continues to be characterized by a volatile market environment and the transformation of the automotive industry. In total, orders amounting to around €27 billion were acquired in fiscal 2023 (PY: €23 billion). This figure includes expected sales over the entire duration of the delivery, known as lifetime sales. These are based primarily on assumptions regarding production volumes of the respective vehicle or engine platforms, the expected and agreed cost adjustments, and the development of key raw material prices.

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

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

Outlook for fiscal 2024

As mentioned on page 108 of the report on expected developments, we expect the global production of passenger cars and light commercial vehicles in 2024 to be roughly on a par with the previous year, with a negative development expected in our core market of Europe.

This outlook takes into account the current tense geopolitical situation and its expected impact on production volumes in 2024.

Higher costs for wages and salaries – amounting to around €0.5 billion – are expected to weigh heavily on our earnings position in fiscal 2024, with around half of these costs attributable to the Automotive group sector.

Based on the above assumptions as well as on the exchange rates at the beginning of the fiscal year, we expect the following key financial figures for fiscal 2024:

- We expect the Continental Group to achieve sales in the range of around €41.0 billion to €44.0 billion and an adjusted EBIT margin of around 6.0% to 7.0%.

- We expect our Automotive group sector to achieve sales of around €20.0 billion to €22.0 billion. We expect the adjusted EBIT margin to be around 3.0% to 4.0%.
- We expect our Tires group sector to achieve sales of around €14.0 billion to €15.0 billion and an adjusted EBIT margin of around 13.0% to 14.0%.
- We expect our ContiTech group sector to achieve sales of around €6.6 billion to €7.0 billion and an adjusted EBIT margin of around 6.5% to 7.5%.
- In our Contract Manufacturing group sector, we anticipate sales of around €200 million to €300 million and an adjusted EBIT margin of around 0%.
- Consolidated amortization from purchase price allocations is expected to be around €100 million and affect mainly the Automotive and ContiTech group sectors.
- In addition, we expect negative special effects of around €450 million.
- In 2024, we expect the negative financial result to be around €350 million before effects from currency translation, effects from changes in the fair value of derivative instruments, and other valuation effects.
- The tax rate is expected to be around 27%.
- The capital expenditure ratio is expected to be around 6.0% to 7.0% of sales in fiscal 2024.
- In 2024, we are planning on adjusted free cash flow of approximately €0.7 billion to €1.1 billion.